NOTICE AND CALL OF SPECIAL MEETING

Notice is hereby given that I, Dean Efstathiou, Chair of the Budget and Rates Committee, call a SPECIAL MEETING of the Agency's Budget and Rates Committee.

Said SPECIAL MEETING of the Committee to be held on:

Monday, November 6, 2017 at 6:15 PM

Castaic Lake Water Agency
Rio Vista Water Treatment Plant
27234 Bouquet Canyon Road
Santa Clarita, California 91350
Training Room

Enclosed with and as part of this Notice and Call is an agenda for the meeting.

Signed: Dean Efstathiou
Dean Efstathiou by ED

Date: 10·31·17

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DATE: October 30, 2017

TO: Budget and Rates Committee
Dean Efstathiou, Chair
Jerry Gladbach, Vice Chair
Tom Campbell
Bob DiPrimio
R.J. Kelly

FROM: Valerie L. Pryor
Assistant General Manager

A special meeting of the Budget and Rates Committee is scheduled for **Monday, November 6, 2017 at 6:15 PM** in the Training Room at the Rio Vista Water Treatment Plant.

SPECIAL MEETING AGENDA

1. Public Comment

2. * Recommend Receiving and Filing:
   a. FY 2016/17 Comprehensive Annual Financial Report (CAFR) and the Management Report
   b. FY 2016/17 Wholesale and Retail Interdivisional Services Report

3. * Recommend Approval of a Resolution Establishing the Santa Clarita Water Division Retail Water Rates for Calendar Years 2018, 2019 and 2020

4. * Recommend Receiving and Filing of Wholesale System FY 2016/17 Year-End Budget Report

5. * Recommend Receiving and Filing of Retail System FY 2016/17 Year-End Budget Report

6. * Recommend Approval of a Resolution Revising the Castaic Lake Water Agency's Wholesale Water Rates

7. * Committee Planning Calendar

8. General Report on Budget and Rates Activities

9. Adjournment

* Indicates attachment
♦ Indicates to be distributed

cc: CLWA Board of Directors
Joe Byrne

Notice:

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

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

M65

ITEM NO. 2.a

Castaic Lake Water Agency Memorandum

October 30, 2017

To: Budget and Rates Committee

From: Valerie L. Pryor
Assistant General Manager

Subject: Recommend Receiving and Filing the FY 2016/17 Comprehensive Annual Financial Report and the Management Report

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SUMMARY AND DISCUSSION

The FY 2016/17 Comprehensive Annual Financial Report (CAFR) includes financial information related to both Castaic Lake Water Agency (CLWA) and Santa Clarita Water Division (SCWD). Fedak & Brown LLP, an independent firm of certified public accountants, has issued an unmodified (i.e., "clean") opinion on the CAFR. CLWA and SCWD are audited as one unit; however, CLWA is reported as "Governmental Activities" and "Governmental Funds" and SCWD is reported as "Business-type Activities" and "Water Enterprise Fund" in the CAFR.

The auditor will present the CAFR and the Interdivisional Services Report at the November 6, 2017 Budget and Rates Committee meeting.

FINANCIAL CONSIDERATIONS

None.

RECOMMENDATION

That the Budget and Rates Committee recommends the Board of Directors receive and file the FY 2016/17 Comprehensive Annual Financial Report and the Management Report.

VLP

Attachments

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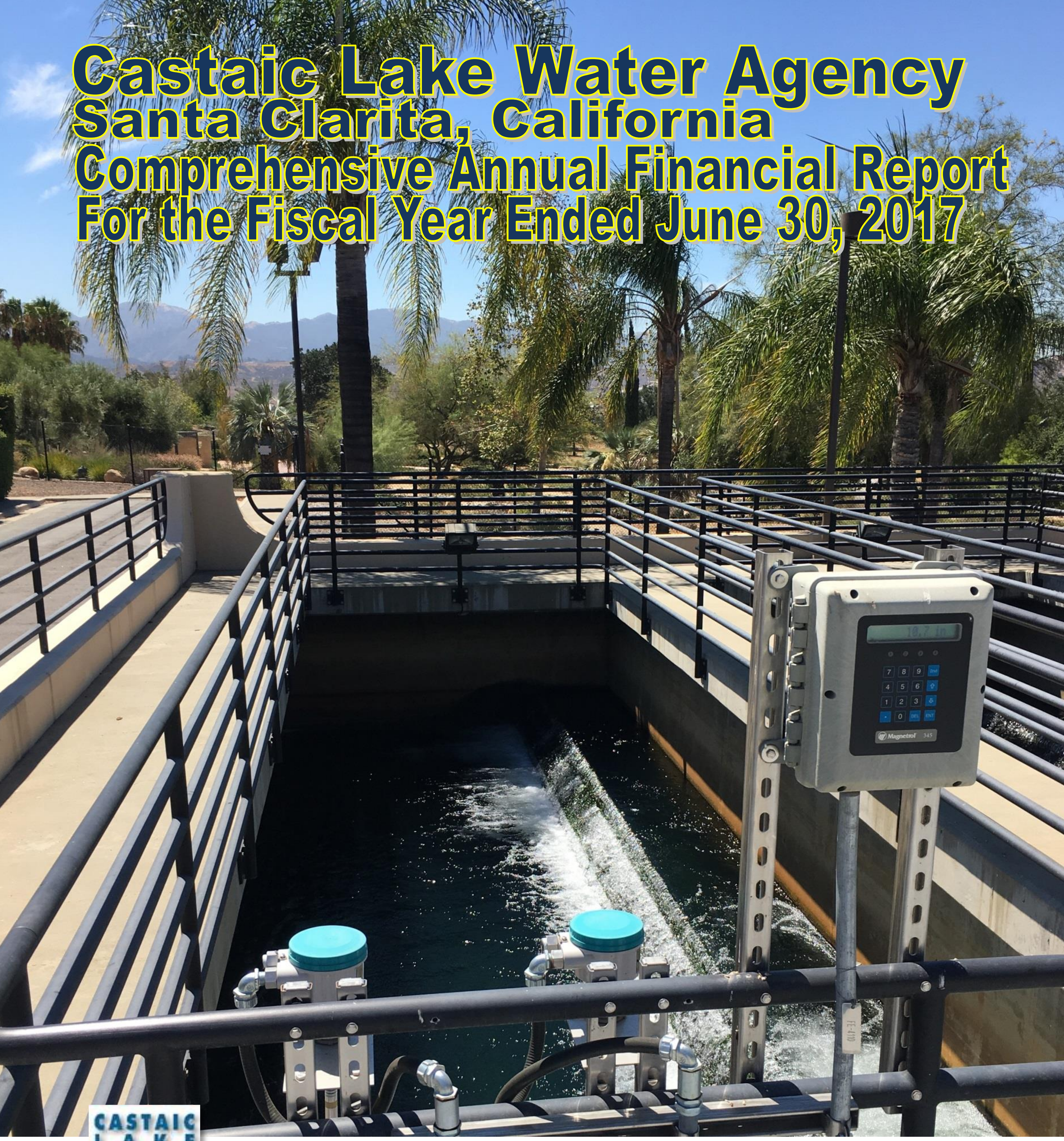
Castaic Lake Water Agency
Santa Clarita, California
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017



A public agency providing reliable, quality water
at a reasonable cost to the Santa Clarita Valley

27234 Bouquet Canyon Road, Santa Clarita, CA 91350

Castaic Lake Water Agency

Santa Clarita, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2017

Prepared by:
Valerie L. Pryor, Assistant General Manager
Keith Abercrombie, Retail Manager
Elizabeth Ooms-Graziano, Retail Administrative Officer

Castaic Lake Water Agency
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2017

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Castaic Lake Water Agency
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2017

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CASTAIC LAKE WATER AGENCY

Introductory Section

October 30, 2017

The Board of Directors of the
Castaic Lake Water Agency
Santa Clarita, California

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Castaic Lake Water Agency (Agency) for the fiscal year ended June 30, 2017. Agency staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), prepared this financial report. The Agency is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Agency's financial position and activities.

State Law and Agency by-laws require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the Agency's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the Independent Auditor's Report.

Agency Profile

The Agency is located in the northwestern portion of Los Angeles County, approximately 35 miles from downtown Los Angeles. The Agency's wholesale service area has a population of approximately 273,000 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 and other nearby communities.

The agency provides supplemental wholesale water to four local retail water purveyors – CLWA Santa Clarita Water Division (SCWD), Los Angeles County Waterworks District No. 36, Newhall County Water District (NCWD) and the Valencia Water Company (VWC). During FY 2017, actual water sales in acre-feet were as follows:

Purveyor	Imported	Saugus Wells	Total
Santa Clarita Water Division	20,581	3,000	23,581
Valencia Water Company	16,188	-	16,188
Newhall County Water Agency	3,311	1,100	4,411
L.A. County Waterworks District #36	1	-	1
Total Water Sales	40,081	4,100	44,181

The Agency began to sell recycled water in 2004. During FY 2017, 512 AF of recycled water was sold to the Valencia Water Company to provide service to the golf course and median landscaping in the Westridge Development.

Facilities

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered from the State Water Project (SWP) to the four retail purveyors within its service area. The Department of Water Resources (DWR) transports water via the California Aqueduct to Castaic Lake and releases water to the Agency through the outlet tower at Castaic Lake. The reservoir is a multiple use reservoir that is the terminal point of the West Branch of the California Aqueduct, and stores approximately 320,000 acre-feet of water. The Agency's major facilities consist of the Earl Schmidt Intake Pump Station (ESIPS), the 56 million gallons per day (mgd) Earl Schmidt Filtration Plant (ESFP), the Rio Vista Intake Pump Station (RVIPS), the 66 mgd Rio Vista Water Treatment Plant (RVWTP), the Sand Canyon Pump Station (SCPS), the Sand Canyon Reservoir (SCR), the Perchlorate Treatment Facility and a system of pipelines and ancillary facilities which convey treated water to the four retail purveyors.

The Agency's major facilities are described in more detail as follows:

- Intake Piping – The ESFP receives water from a connection to the State Water Project's 60-inch diameter outlet conduit from the Castaic Reservoir. A 54-inch diameter conduit extends from the State's outlet conduit to the ESIPS. At the ESIPS there are 54 inch and 42 inch diameter pump suction headers.
- ESIPS – The Earl Schmidt Intake Pump Station is located near the shore of the afterbay below Castaic Dam located at the southern end of Castaic Reservoir. The pump station consists of five vertical turbine pumps rated at 6 mgd each and two vertical turbine pumps rated at 14 mgd each. The pumping units are used when the water level in the reservoir falls below the elevation necessary to permit gravity flow of water from the reservoir to the filtration plant. The pump station can deliver at least 56 mgd to the Earl Schmidt Filtration Plant.
- 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.
- RVIPS – The Rio Vista Intake Pump Station pumps water from the Metropolitan Water District (MWD) Foothill Feeder to the Rio Vista Water Treatment Plant via a 102-inch diameter raw water pipeline.
- RVWTP – The Rio Vista Water Treatment Plant is located in the City of Santa Clarita and treats water for domestic use. Its current capacity is 66 mgd; however, the site has sufficient land area for a treatment plant with an ultimate capacity of 120 mgd. The treatment process technology includes ozonation, coagulation, contact clarification and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered and returned to the headworks. The RVWTP 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 concrete reservoirs provide a total of 30 million gallons of treated water storage.

The RVWTP site includes the seven-acre Water Conservatory Garden and Learning Center. The purpose of this facility is to inform and educate Santa Clarita Valley residents about the source and treatment of their water supply, as well as means to conserve this precious resource. The Garden and other water education programs of the Agency have received numerous awards, honors, and grants from the American Water Works Association, the Association of California Water Agencies and the California Department of Education, among others.

- Outlet Piping and Water Distribution Systems – The Agency maintains a network of transmission pipelines, pump stations and reservoirs that convey treated water from the ESFP and RVWTP.

  The Castaic Conduit serves as the pipeline connection between ESFP and RVWTP. It also serves as one of the main pipelines for conveying treated water to the retail purveyors through a series of turnouts and laterals.

  The portion of the Castaic Conduit between the SWP outlets works and the ESIPS has a normal design capacity of 67 mgd. Downstream of ESFP, the Castaic Conduit was designed with a nominal capacity of 51 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, eventually transitioning to a 39-inch diameter pipeline with a design capacity of 27 mgd, where it connects with the Honby and Newhall Laterals which, in turn, provide water to the retail purveyors. Approximately two miles of 84-inch pipeline with a nominal capacity of 124 mgd connect the RVWTP to the 39-inch diameter pipeline.

  The Newhall Parallel connects to the 84-inch 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 has 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.

  The Agency delivers water to the retail purveyors through 26 turnouts, as follows: CLWA Santa Clarita Water Divisions – 13, Los Angeles County Waterworks District #36 – 2, Newhall County Water District – 4 and Valencia Water Company – 7.

- 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 recycled water reservoir located near the golf course.

- Sand Canyon Pipeline System – The Sand Canyon System consists of a booster 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 48-inch pipeline is approximately five miles in length and delivers water to retail purveyors through six turnouts. The Sand Canyon Pump Station has a capacity of 30,000 gallons per minute (gpm). The Sand Canyon Reservoir can store up to 7 million gallons of water.

- Perchlorate Treatment and Distribution 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 2011. Beginning in 2007 the Agency rehabilitated Saugus 1 and 2 wells and constructed a perchlorate treatment facility and distribution pipelines. The treatment facility, which includes an ion exchange process located at the RVIPS, was placed into service in early 2011. 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 Programs – The Agency has four groundwater banking accounts in three separate programs. In January 2016, the Agency's Stored Water Recovery Program with the Semitropic Water Storage District's Groundwater 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 a 10 year renewal. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program.

  In September 2005, the Agency initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program (the "Rosedale-Rio Bravo Banking Program"). This program allows the storage of 20,000 acre-feet annually of the Agency's State Water Project Table A amount or other State Water Project supplies, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with Department of Water Resources (DWR). As of January 1, 2016, the Agency had available 94,200 acre-feet stored in the Rosedale-Rio Bravo Banking Program. In 2015, the Agency exercised an option under the Rosedale-Rio Bravo Banking Program agreement to construct additional extraction wells and conveyance facilities that are anticipated to increase the reliable quantities that can be withdrawn by approximately 7,000 acre-feet annually. These facilities are anticipated to be completed in September 2018. In calendar year 2014 and 2015, the Agency withdrew approximately 2,800 and 3,000 acre-feet respectively from its Rosedale-Rio Bravo Banking Program account. In 2014, the Agency withdrew 4,950 acre-feet from one of its Semitropic short-term accounts.

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

Santa Clarita Water Division

The Santa Clarita Water Division's (SCWD) sources of supply are imported water purchased from the Agency and local groundwater. SCWD's distribution system consists of approximately 340 miles of pipeline. System pipe sizes range from 2 inches to 24 inches in diameter, with the majority of the piping ranging from 6 inches to 16 inches in diameter. SCWD's system also includes 48 active storage tanks with a total capacity of 76 million gallons.

There are currently 29 active booster stations used to boost water throughout the SCWD water system. Individual booster stations consist of one to six pumps and range from total capacities of 500 to 5,500 gallons per minute. In addition to the booster stations, there are five pressure stations that use variable frequency drive pumps to supply water to pressure zones without elevated storage.

Revenue Sources

The Agency's major revenue sources are as follows:

- Water Sales (Wholesale) – The Agency bills its four purveyors monthly for water purchased. In March 2016, the Board of Directors adopted a new wholesale water rate structure effective April 1, 2016, and also adopted rates for calendar years (CY) 2017 and 2018. The new wholesale water rate structure is developed to meet the following objectives:

    - Ensure financial sufficiency by meeting the operations and maintenance (O&M) costs, capital replacement and improvement costs, and to provide the necessary reserves for the functions of the Agency.
    - Provide fiscal stability to the Agency by maximizing fixed cost recovery through fixed charges.
    - Provide a rate design framework consistent with the cost of service guidelines used in the industry that adequately and fairly distributes the full cost of service to clients of the Agency based on the demand they place on the Agency's system.
    - Encourage efficient use and conservation of water.

    The wholesale water rate structure includes both fixed and variable components. The fixed charge is designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor. The total imported demand fixed revenues that will be allocated among the purveyors are as follows:

	2016	2017	2018
Fixed Revenue	$ 9,765,706	$ 14,186,584	$ 14,913,205

    The variable charge is based on a per acre foot charge for the treatment and distribution of imported water within the Agency's service area and also 20 percent of the fixed costs incurred by the Agency. The variable rate is calculated based on the variable expenses of the Agency to treat and deliver imported water (generally energy and chemical expenses).

	2016	2017	2018
Variable Rate (per AF)	$ 204.80	$ 218.18	$ 223.18

    In FY 2003/04, the Agency began selling recycled water.

- Water Sales (Retail) – The retail water rates consist of two main components: a fixed monthly Service Charge and a variable water usage Commodity Charge. The rates for the Service Charge vary based on meter size, whereas the Commodity Charge is a three-tiered rate structure for single family residential (SFR) customers that varies based on the amount of water used in Ccf and separate uniform rates per Ccf of water usage for irrigation and all other customers.

    SCWD updated its Financial Plan in June 2013, which provided for a 3.5 percent rate increase effective January 1 in 2014, 2015, 2016 and 2017. Effective April 1, 2016, CLWA changed its rate structure and also increased its rates in order to recover its costs. SCWD has been absorbing the CLWA Purchased Water rate increase since April 1, 2016, but is currently analyzing possible pass-through cost adjustments starting in 2018 for any future increases in the CLWA Purchased Water and Southern California Edison power rates.

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

The retail water sales revenues are used to pay for operating expenses, capital improvement projects and to fund reserve target levels. The cost of service study was completed in September 2017. On September 27, 2017, the Board of Directors approved a resolution authorizing a Proposition 218 Notice of Public Hearing on the Proposed Retail Water Rates and Setting a Public Hearing date. The Public Hearing date is scheduled towards the end of November 2017, after which the Board will consider Retail Water Rate adjustments to be effective January 1, 2018, 2019 and 2020, pending the hearing results.

SCWD 2017 Retail Water Rates are as follows:

The following table details the rate effective January 1, 2017 as adopted by the Board on September 25, 2013. Rates effective January 1, 2018, are pending the Proposition 218 Hearing and Board action in November 2017.

Fixed Meter Services Charge by Meter Size ($ per month)

Meter Size (Inches)		January 1, 2017
5/8 by 3/4	$	19.98
3/4		25.26
1		35.80
1 1/2		62.16
2		93.80
3		178.18
4		273.11
6		536.79
8		853.19

Private Fire Service Protection

Per Diameter Inch of Service		January 1, 2017
10	$	2.84
2		5.68
4		11.36
6		17.04
8		22.72
10		28.40
12		34.08
14		39.76
16		45.44
18		51.12
20		56.80

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

Rate Block	Block Range (Ccf per Month) Bottom - Top	January 1, 2017
Tier 1	0-14	$ 1.8015
Tier 2	15-49	2.0094
Tier 3	50 and above	2.6417

Variable Water Commodity Charges for Irrigation and for All Other Customers ($ per Ccf) as of January 1, 2017:

Commodity Charges	Irrigation Customers	All Other Customers
All Use	$ 2.6417	$ 2.0094

- <u>Facility Capacity Fees</u> – The Agency reviews and establishes its facility capacity fee rates yearly through a public hearing process. These fees are paid to the Agency directly by developers or property owners within the Wholesale Service Area shortly before the issuance of building permits by the County of Los Angeles and the City of Santa Clarita. Facility Capacity Fee Revenues are used to pay future user's share of the Agency's Debt.

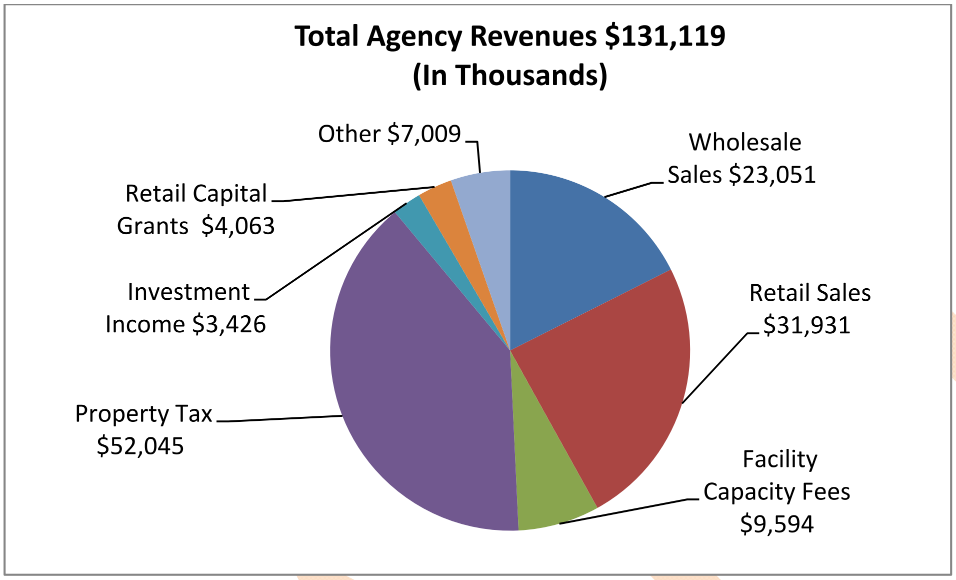
- <u>One Percent Property Tax Revenues</u> – The Counties of Los Angeles and Ventura levy a 1% property tax on behalf of all taxing agencies in the County, including the Agency. The taxes are allocated to the taxing agencies within the County on the basis of a formula established by State Law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% allowance allowed under Article XIIIA of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs.

  In general, these funds are allocated to debt service and capital improvement projects for existing users, as well as to core non-SWP supplies. During a three-year period from January 1, 2007 through December 31, 2009, these funds were also used for rate stabilization.

- <u>Agency-Set Property Tax Revenues</u> – The Counties of Los Angeles and Ventura also levy for the Agency a special tax rate to pay for the Agency's share of payments to the State of California Department of Water Resources for its fixed and variable charges. These revenues, and the interest earned thereon, is restricted to pay only these specific payments.

- Other Sources of Revenue – Capital Grants, Investment Income and Other.

All revenues of the Agency, except the Agency-set tax revenues and corresponding interest, are irrevocably pledged to the payment of debt. The following chart reflects the Agency's revenue mix for the year ending June 30, 2017, as follows:



Local Economy

The Agency's service area 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. Prospects for the future economic strength of the area are excellent.

The Santa Clarita Valley is part of a comprehensive transportation network, which includes three major freeways, commuter rail which serves over 2,100 passengers daily and easy access to the ports of Los Angeles and Long Beach. The three Metrolink commuter rail stations in Santa Clarita carry over 1,100 passengers a day to and from the San Fernando Valley and Downtown Los Angeles. The City also has nearly 40 miles of bicycle and pedestrian trails.

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, Robinson's Ranch, Tournament Players Club, 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 of 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 include Six Flags Magic Mountain, William S. Hart and Saugus Union School Districts, Princess Cruises, College of the Canyons, U.S. Postal Service, Henry Mayo Newhall Memorial Hospital, Boston Scientific, Newhall School District, and City of Santa Clarita.

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 will be the basis of the Agency's 2015 Urban Water Management Plan (UWMP). The first draft of 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.

As of December 31, 2016, the retail water purveyors served 73,821 connections, as follows:

Retail Water Purveyor	Connections
Santa Clarita Water Division	31,224
Valencia Water Company	31,485
Newhall County Water Agency	9,759
L.A. County Waterworks District #36	1,353
	73,821

Long-term Financial Planning

During FY 2008/09, the Agency developed its first Long-Term Financial Plan. This Plan is updated each year as part of the Budget process. The 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. This Plan reviews individual financial strategies and serves as the basis for future analysis and decision making by identifying potential financial issues and risks. It also groups financial strategies into near-term, mid-term and long-term issues, to help prioritize and schedule action items for implementation of the Plan. Based on decisions and guidance provided by the Board, the Plan is a rolling "look-ahead" to help identify priorities and focus. It is not intended to address each and every fiscal issue, but identify high priority fiscal programs and strategies to be monitored over time, so that the Agency is positioned to address them at the appropriate time.

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.

Rating Agency	1999 COPs	2008A COPs (VRDO)	2010A COPs	2010B COPs	2011A COPs	2014A Revenue Bonds	2015A Revenue Bonds	2016A Revenue Bonds
Fitch	AA	AA-	AA-	-	-	AA-	AA-	AA-
Standard & Poor's	AA+	AA	AA	AA	-	AA	AA	AA
Moody's	-	-	-	Aa3	Aa3	-	-	-

Debt Service Administration – various Certificates of Participations (COPs) and Revenue Bonds have been issued to finance the Agency's Capital Program. Future users' share of the debt service is funded from Facility Capacity Fees. Existing users' share is funded from One Percent Property Tax revenues. The following is a summary of the debt outstanding issues to date.

- 1994, 2004 and 2008A COP's and 2014A Revenue Bonds - In June 1990, the Agency issued $132 million in COPs to acquire and construct the Rio Vista Water Treatment Plant and related facilities. These were advance refunded in August 1994, in the amount of $124.6 million. In May 2004, the Agency refunded $28,475,000 of the 1994 COPs (2004 Series A) in a fixed rate refunding. In June 2004, the Agency refunded $37,350,000 of the 1994 COPs into a variable to fixed swap agreement for $40,000,000 (2004 Series B). At the time, the unrefunded 1994 COPs totaled $40,565,000. The last settlement was paid during FY 2013/14. In May 2008, the Agency refunded all of the 2004B certificates (2008 Series A). In June 2014, the Agency refunded $20,495,000 of the 2004A certificates (2014 A Revenue Bonds). The remaining balance after FY 2016/17 payments is $34,280,000 as follows: No balance for the 1994 COP's or 2004A COP's as these were retired during FY 2013/14; $11,455,000 for 2014 Series A and $22,825,000 for 2008 Series A. Payments totaling $8,889,358 are due during FY 2017/18.

- 1999 and 2006A COPs and 2016A Refunding Revenue Bonds - 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 the DWR and (b) to acquire certain capital improvements to the Agency's Wholesale System. In December 2006, the Agency advance refunded $45,520,000 of the 1999 certificates (2006 Series A). In May 2016, the Agency refunded $35,555,000 of the 2006A certificates (2016A Ref Revenue Bonds). The remaining balance after FY 2016/17 payments is $89,085,635 as follows: $63,355,635 unrefunded (Series 1999) and $25,730,000 for 2016 Series A Refunding. Payments totaling $2,528,900 are due during FY 2017/18.

- 2001A and 2010A COPs - In March 2001, the Agency issued $80 million in COPs to provide funds to acquire certain capital improvements to the Agency's Wholesale System. In June 2010, the Agency advance refunded all of the certificates (2010 Series A). The remaining balance after FY 2016/17 payments is $54,315,000. Payments totaling $5,278,906 are due during FY 2017/18.

- 2006C COPs and 2015A Revenue Bonds - In December 2006, the Agency issued $89.8 million in COP's to provide funds to acquire certain capital improvements to the Agency's Wholesale System. In April 2015, the Agency refunded $77,685,000 of the 2006C certificates (2015 A Revenue Bonds). The remaining balance after FY 2016/17 payment is $61,460,000. Payments totaling $5,036,725 are due during FY 2017/18.

- 2010B COPs - In May 2010, the Santa Clarita Water Division (Retail) of the Agency issued $14,475,000 of COPs to provide funds to acquire the new Administration Office Building, several reservoir tanks and wells. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The remaining balance after FY 2016/17 payment is $12,900,000. Payments totaling $956,238 are due during FY 2017/18.

- 2011A Revenue Bonds - In September 2011, the Santa Clarita Water Division (Retail) issued $52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011, between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to pay the outstanding interfund loan balance payable by Retail to the Agency. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company's (SCWC) stock for $63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The remaining balance after FY 2016/17 payment is $43,295,000. Payments totaling $4,532,137 are due during FY 2017/18.

- o <u>2016A New Revenue Bonds</u> - In May 2016, concurrent with the refunding of the 2006A COPs, the Agency issued $30,665,000 of Revenue Bonds to provide funds to acquire certain capital improvements to the Agency's Wholesale System. Payments totaling $1,960,450 are due during FY 2017/18.

<u>State Water Project Contract</u> – On April 30, 1963, the Agency entered into a water supply contract with the Department of Water Resources under which the Agency agreed to make payments which include, among other charges, capital charges and operation and maintenance charges. These contracts are deemed to be voter approved indebtedness for purposes of Article XIIIA of the California Constitution, and the Agency levies a tax sufficient to provide for all payments.

<u>Buena Vista/Rosedale-Rio Bravo Water Acquisition</u> - 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 purchase price was established in FY 2006/07 at $486.85 per AF. The purchase price will be adjusted each calendar year by the Consumer Price Index (All Urban Consumers – All Items – Southern California Area) and every 10 years based on historical changes to the cost of the State Water Project. The current purchase price is $803.54 per AF.

Relevant Financial Policies and Controls

The Agency's Financial Policies include the Reserve Policy, the Investment Policy, the Debt Management Policy, the Government Fund Balance Policy, the Derivatives Policy and the Purchasing Policy. The Agency's Controls include the Budgetary Control, Internal Control Structure and Risk Management.

<u>Reserve Policy</u>

Governmental activities – Through FY 2009/10, the Agency's reserve policy has been to set aside as "reserves" an amount equal to three times the annual (fiscal year) debt obligation, less the amount held by Trustee. In FY 2009/10, this amount was approximately $59.6 million. Beginning in FY 2010/11, the Agency began implementing new reserve policies intended to maintain the same amount of reserves, but also make the policies more specific. The new reserve policies are as follows:

1. Operating Reserves – Operating Reserves are equal to three months of operating expenditures, and are designed to provide financial flexibility to respond quickly to emergency repairs, unanticipated operations and maintenance activities, local disasters or catastrophic events, costly regulatory requirements, water quality deficiencies, or other operating emergencies. The source of funding is General Fund (wholesale water rates).

2. Debt Service Reserves – Debt Service Reserves are equal to annual debt service less restricted debt service reserve funds are restricted to help maintain debt service coverage and mitigate variability of revenues and expenditures. The sources of funding are combination of one percent property tax revenues and facility capacity fees.

3. Capital Reserves – Capital Reserves are equal to one year of the current pay-as-you-go capital improvement program. The source of funding is one percent property tax revenues.

4. Reserves for Economic Uncertainties and Catastrophic Situations – Reserves for Economic Uncertainties and Catastrophic Situations are equal to 500 days of operating expenditures less the Operating Reserves. The sources of funding are combination of one percent property tax revenues and facility capacity fees.

5. Reserves for Repair and Replacement – During FY 2012/13, the Board of Directors adopted the Reserves for Repair and Replacement as part of the new wholesale water rate structure effective July 1, 2013.

Business-type activities – A separate reserve policy for the Santa Clarita Water Division (SCWD) has been developed that requires that reserve funds be established and maintained to fund scheduled and unscheduled expense including operation and maintenance, debt service, emergencies, capital improvement project (CIP), repair and replacement, and stabilization of retail water rates. All reserve funds are to be funded through retail water revenues. The business-type activities reserve policy details are as follows:

1. Operating Reserves – The Operating Reserves is set at 25% of the Annual SCWD Operating Expense Budget.
2. Rate Stabilization Reserves – The Rate Stabilization Reserve is set at 15% of Annual Operating Revenue Budget.
3. Capital Reserves – Covers any unexpected and unplanned infrastructure repairs and replacement not included in the budget. The Capital Reserve is set at $1,000,000.
4. Emergency Reserves – Covers emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. The Emergency Reserve is set at $1,000,000.

Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, Agency ordinances and resolutions, prudent money management and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and yield.

Agency funds are normally invested in the State Treasurer's Local Agency Investment Fund, the Los Angeles County Pooled Investment Fund, Certificates of Deposit, Government Agency Obligations or other specifically authorized investments. Both governmental and business-type activities use the same investment policy.

Debt Management Policy

Governmental activities – The Agency's Debt Management Policy includes the Agency's written guidelines and restrictions that affect the amount and type of debt issued, the issuance process and the management of the debt portfolio. The policy is designed to provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning. The Derivatives Policy and the Disclosure Procedure Policy supplement the Debt Management Policy.

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

Government Fund Balance Policy

In May 2011, the Agency adopted a fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. In October 2014, the Agency updated the fund balance policy. This statement divides the fund balance into five classifications: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned. In addition to the new five fund balance classifications, GASB 54 also makes clear the definition of special revenue – for financial reporting purposes, a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.

Purchasing Policy

The Board of Directors has adopted Purchasing Policies which provides uniform procedures for acquiring equipment, goods and services for the wholesale and retail operation. Improvements or units of construction work are subject to the competitive bidding requirements of Public Contract Code, section 21530 et seq. The retail division operates in accordance with the County Water District Law (Cal. Water Code, section 30000).

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 through monthly Finance and Expenditures reports, Quarterly Investment Reports, and Midyear and Yearend Budget reports.

The Board of Directors must approve all supplemental appropriations to the Budget and transfers between major funds. The legal level of budgetary control is at the fund level. The General Manager is authorized to direct the Assistant General Manager to transfer within individual fund budgets.

Internal Controls

Agency management is responsible for the establishment and maintenance of the 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. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Major Initiatives

Significant resources are provided as identified in the Santa Clarita Valley Water Use Efficiency Strategic Plan. This plan is intended to help the Agency and the retailers to comply with SBX7-7, which calls for a 20 percent reduction in per capita water use by 2020 (i.e., 20% by 2020). This legislation requires each local water retail purveyor to develop a baseline per capita water use, an interim 2015 water use target and a 2020 compliance target.

With the recent drought situation, on April 1, 2015, the Governor of California issued an executive order mandating, among other provisions, an overall 25% reduction in urban water usage by February 28, 2016. The State Water Resources Control Board (SWRCB) issued regulations implementing the mandatory reductions and setting specific targets for each water supplier. The mandatory reductions for the retailers ranged from 24% to 32%. These restrictions were decreased 3 to 4 percent in March 2016.

On May 18, 2016, the SWRCB ordered a new "stress test" approach for wholesale and retail water agencies in light of near normal precipitation in Northern California, but continued below average precipitation in the Central and Southern portions of the State, including the Agency's service area. The Governor also ordered development of new water use efficiency targets during the coming year that will go beyond 20% x 2020 framework.

Even with the resulting reduction in the SWRCB conservation targets in 2016, and Governor Brown's declaration that the Drought State of Emergency in most of California which includes Santa Clarita ended on April 7, 2017, there are significant reductions to be achieved in a short amount of time to continue to meet the 20% x 20 targets. Development of further conservation mandates beyond the 20% x 2020 targets is anticipated. We expect this will require significant sustained investments of the Agency's resources and time.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the Castaic Lake Water Agency for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the twelfth consecutive year that the Agency has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

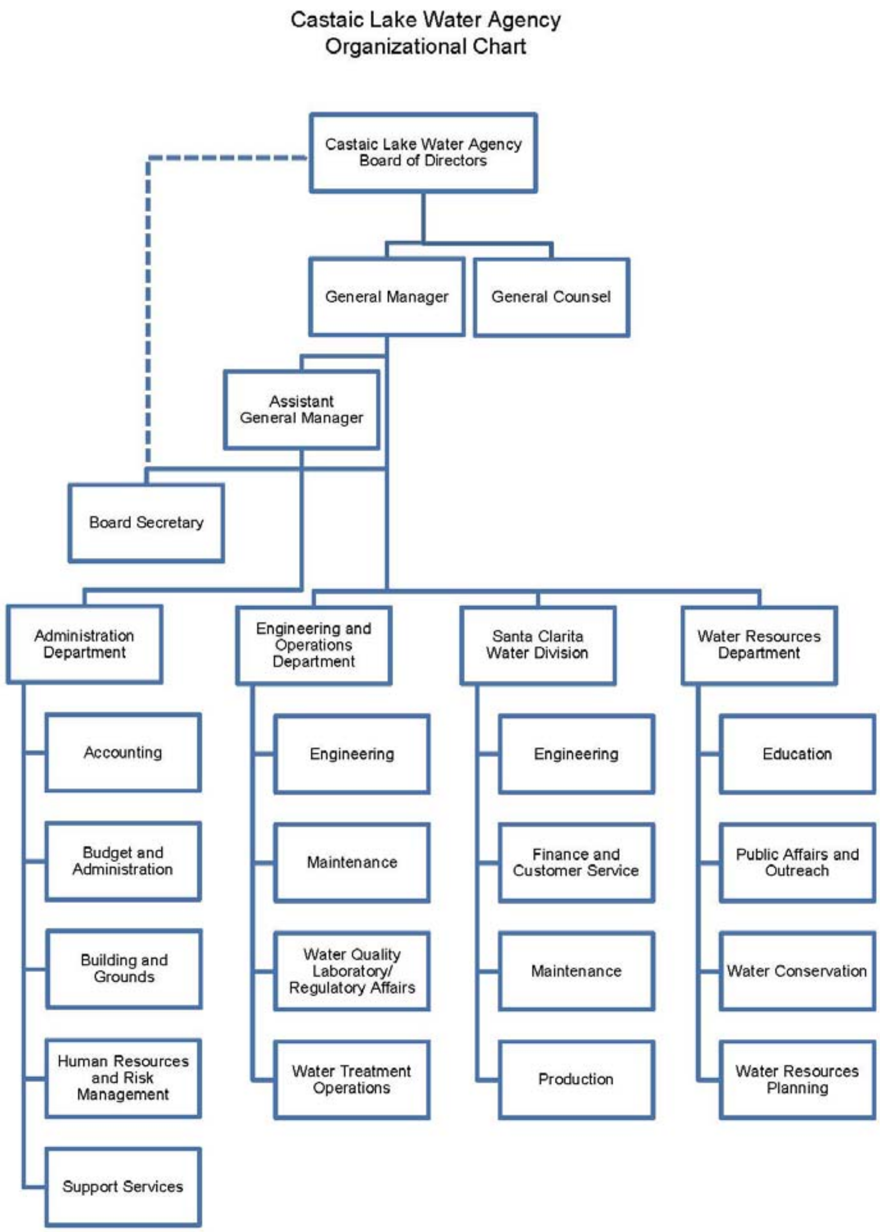
Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of Castaic Lake Water Agency's fiscal policies.

Respectfully submitted,

Matthew G. Stone
General Manager

Valerie Pryor
Assistant General Manager

Castaic Lake Water Agency
Organizational Chart



Castaic Lake Water Agency

Our Mission Statement

"Providing Reliable Quality Water at a Reasonable cost to the Santa Clarita Valley."

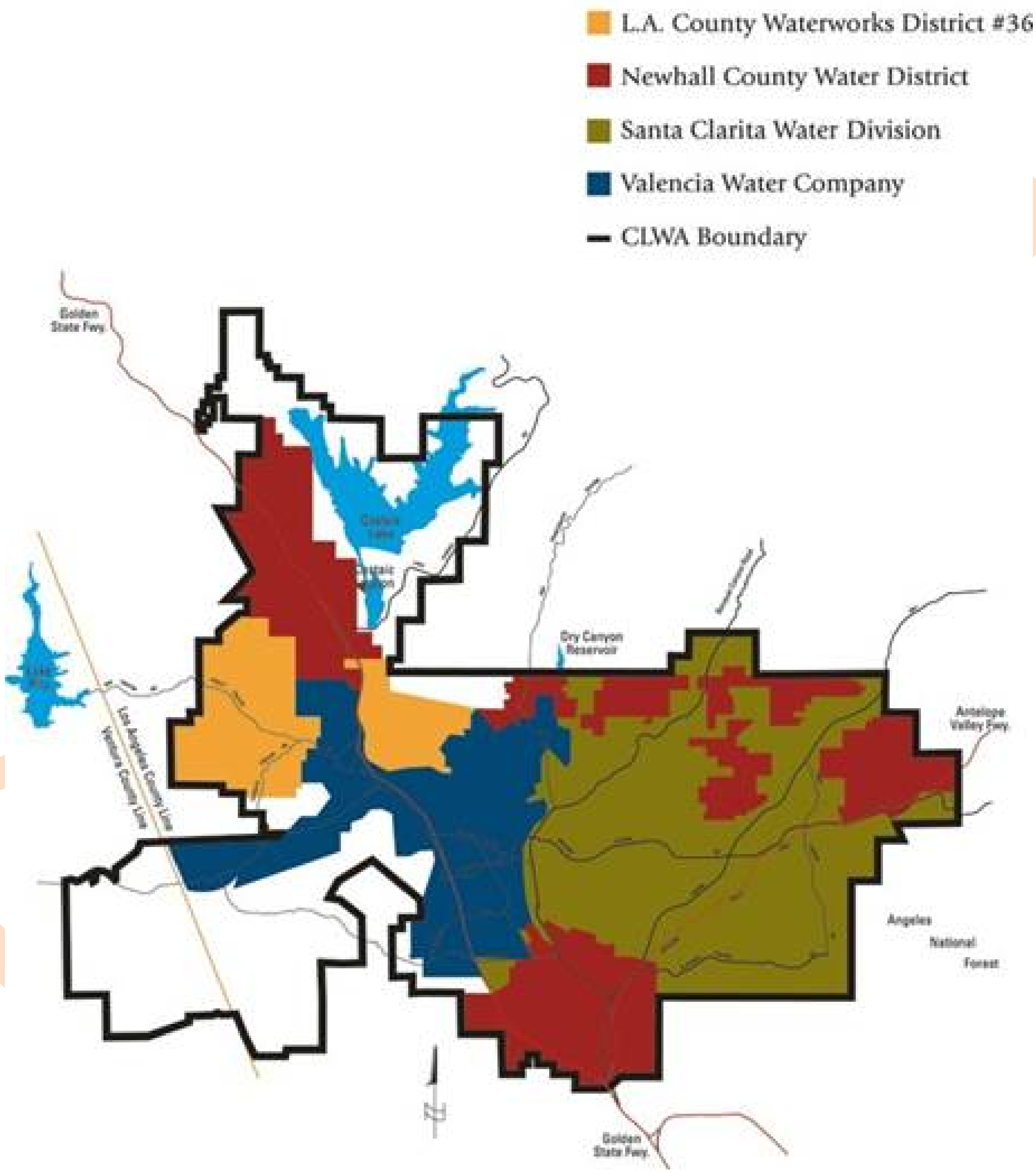
Castaic Lake Water Agency

Board of Directors as of June 30, 2017

Name	Title	Division	Elected/ Appointed	Term Expires
Robert J. DiPrimo	President	2	Elected	January 2019
Gary R. Martin	Vice-President	At-Large	Elected	January 2019
Thomas Campbell	Director	At-Large	Elected	January 2019
Ed Colley	Director	1	Elected	January 2019
William Cooper	Director	At-Large	Elected	January 2021
R. J. Kelly	Director	1	Elected	January 2021
E. G. "Jerry" Gladbach	Director	2	Elected	January 2021
Jacque McMillan	Director	3	Elected	January 2019
William Pecsi	Director	3	Elected	January 2021
Dean Efstathiou	Director	LA County WWD #36	Appointed	January 2019
B. J. Atkins	Director	NCWD	Appointed	January 2021

Matthew G. Stone, General Manager
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173
(661) 297-1600
www.clwa.org

Castaic Lake Water Agency
Service Area



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Castaic Lake Water Agency

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CASTAIC LAKE

WATER AGENCY

Financial Section

Independent Auditor's Report

Board of Directors
Castaic Lake Water Agency
Santa Clarita, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency (Agency) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 67 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section on pages I through XVIII, the other supplementary information on pages 74 through 75, and the statistical section on pages 76 through 99 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, consisting of the budget and actual capital project schedule, and the budget and actual debt service schedule, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual capital project schedule and budget and actual debt service schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Independent Auditor's Report, continued

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. That report can be found on pages 101 and 102.

Fedak & Brown LLP
Cypress, California
October 30, 2017

CASTAIC LAKE
WATER AGENCY

Castaic Lake Water Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Castaic Lake Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The Agency's net position increased 6.06%, or $26.88 million to $470.48 million, as a result of ongoing operations.
- In 2016, the Agency's net position increased 6.1%, or $25.51 million to $443.60 million, due primarily to increase in capital assets, $10.3 million grants and the results of this year's operations.
- The Agency's total revenues from all sources increased by 4.1%, or $5.17 million from the prior year primarily due to increases in charges for services of $8.59 million, grant revenue of $2.38 million, and property taxes of $2.30, which was offset by a decrease in other revenue of $8.18 million.
- In 2016, the Agency's total revenues from all sources increased by 5.44%, or $6.51 million from the prior year due primarily to increase in grant revenue and property taxes.
- The Agency's total expenses increased by 3.78%, or $3.80 million from the prior year, primarily due to an increased in water enterprise fund expenses of $3.59 million.
- In 2016, total expenses increased by 4.21%, or $4.07 million from the prior year, due primarily to increased capital projects expenditures.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources and the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the Agency's operations over the past year and can be used to determine the Agency's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Government-wide Financial Statements, continued

Statement of Net Position and Statement of Activities, continued

These two statements report the Agency's *net position* and changes in them. Think of the Agency's net position – the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors; however, such as changes in the Agency's property tax base and the types of grants the Agency applies for to assess the *overall financial health* of the Agency.

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Propriety funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Agency maintains one type of propriety fund: the Water Enterprise Fund. The Agency uses the enterprise fund to account for the Water Enterprise Fund.

The Water Enterprise Fund accounts for all activities necessary to provide retail water distribution to the service area that includes a portion of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Saugus, Canyon County and West Newhall. Some of these activities include, but are not limited to, operations and maintenance.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 66.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Agency's budgetary information and other post-employment benefits (OPEB) funding progress. Required supplementary information can be found on pages 67 through 73. Other supplementary information can be found on pages 74 through 75.

Government-wide Financial Analysis

Statements of Net Position

Statements of Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total Agency	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Assets:						
Current and other assets	$ 247.37	235.84	50.94	49.03	298.31	284.87
Capital assets, net	435.38	434.49	112.78	113.59	548.16	548.08
Total assets	682.75	670.33	163.72	162.62	846.47	832.95
Deferred outflows of resources	2.13	0.80	1.31	0.49	3.44	1.29
Liabilities:						
Current liabilities	24.14	19.97	10.08	11.02	34.22	30.99
Non-current liabilities	283.01	294.52	61.78	64.10	344.79	358.62
Total liabilities	307.15	314.49	71.86	75.12	379.01	389.61
Deferred inflows of resources	0.26	0.64	0.16	0.39	0.42	1.03
Net position:						
Net investment in capital assets	225.22	173.70	51.82	52.20	277.04	225.90
Restricted	85.85	82.42	-	-	85.85	82.42
Unrestricted	66.40	99.88	41.19	35.40	107.59	135.28
Total net position	$ 377.47	356.00	93.01	87.60	470.48	443.60

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of the Agency exceeded liabilities and deferred inflows by $470.48 million as of June 30, 2017. Compared to prior year, net position of the Agency increased 6.06%, or $26.88 million. The Agency's net position is made-up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Statement of Activities

Statements of Activities (in millions)

	Governmental Activities		Business-Type Activities		Total Agency	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program revenues:						
Charges for services	$ 23.05	17.76	31.93	28.63	54.98	46.39
Cap. grants and contribs.	9.59	6.75	4.07	4.53	13.66	11.28
General revenues:						
Property taxes	52.05	49.75	-	-	52.05	49.75
Investment earnings	3.16	2.06	0.26	0.38	3.42	2.44
Loss on impairment	-	-	(0.90)	-	(0.90)	-
Other revenues	7.52	14.98	0.39	1.11	7.91	16.09
Total revenues	95.37	91.30	35.75	34.65	131.12	125.95
Expenses:						
Wholesale water operations	62.22	61.41	-	-	62.22	61.41
Interest on long-term debt	11.68	12.28	-	-	11.68	12.28
Water enterprise fund	-	-	30.34	26.75	30.34	26.75
Total expenses	73.90	73.69	30.34	26.75	104.24	100.44
Change in net assets	21.47	17.61	5.41	7.90	26.88	25.51
Net position, beginning of year	356.00	338.39	87.60	79.70	443.60	418.09
Net position, end of year	$ 377.47	356.00	93.01	87.60	470.48	443.60

Government-wide Financial Analysis, continued

Statement of Activities, continued

Statement of Activities shows how the Agency's net position changed during the fiscal year.

Government and business-type activities increased the Agency's net position by $26.88 million, accounting for the 6.06% increase in the net position of the Agency as a result of ongoing operations. Key elements for this increase are as follows:

Governmental activities increased the Agency's net position by $21.47 million or 6.03% from the prior year, mainly from the results of this year's operations.

Business activities increased the Agency's net position by $5.41 million, or 6.18% from prior year, mainly from the results of this year's operations.

Fund Financial Analysis

The General fund is the operating fund of the Agency. At the end of the fiscal year, the fund balance of the General fund was $12.25 million. The General fund increased by $1.97 million; primarily due to increased water demand from the four purveyors.

The Pledged Revenue fund balance increased by $4.28 million; primarily due to increases in facility capacity fees of $2.90 million, and property taxes of $1.10 million.

The State Water Contract fund balance increased by $6.36 million; primarily due to increases in property tax revenue of $1.3 million and the results of this year's operations.

The Capital Project fund balance decreased by $2.93 million; primarily due to capital expenditures of $5.53 million, which was offset by grant revenues of $2.38 million, and interest earnings of $0.23 million.

Please see page 13 for the details of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund as of June 30, 2017 were less than budgeted by $827,774. Actual revenues as of June 30, 2017 were more than the anticipated budget by $3,005,488. (See Budgetary Comparison Schedule for General Fund under the Required Supplementary Information section on page 67.

Capital Asset Administration

Capital Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Capital assets:						
Non-depreciable	$ 50.71	42.72	5.66	3.84	56.37	46.56
Depreciable	609.78	598.79	170.91	168.72	780.69	767.51
Total capital assets	660.49	641.51	176.57	172.56	837.06	814.07
Accumulated depreciation	(225.11)	(207.02)	(63.79)	(58.97)	(288.90)	(265.99)
Total capital assets, net	$ 435.38	434.49	112.78	113.59	548.16	548.08

At the end of fiscal year 2017, the Agency's investment in capital assets amounted to $548.16 million (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, pumping plants and rights, buildings and structures, equipment, vehicles, and construction-in-process.

Capital Asset Administration, continued

Major capital asset additions in the business-type activities area included upgrades to water tanks and mains, and developer contributions to the water retail enterprise's transmission and distribution system. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. The capital assets of the Agency are more fully analyzed in Note 8 to the basic financial statements.

Long-Term Debt Administration

Long-term Debt (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Long-term debt:						
Certificates of participation	$ 292.07	302.57	60.96	61.40	353.03	363.97
Total long-term debt	$ 292.07	302.57	60.96	61.40	353.03	363.97

Long-term debt decreased $10.94 million in 2017 primarily due to (1) a decrease of $14.45 million due to principal payments, and (2) accretion of debt principal of $3.51 million on the 1999 Certificates of Participation. The long-term debt position of the Agency is more fully analyzed in Note 9 to the basic financial statements.

Conditions Affecting Current Financial Position

Expanding in Infrastructure – Management has identified a need to invest in the Agency's infrastructure and Capital Improvement Program (CIP). As the Agency's infrastructure continues to expand, the Agency understands the importance of monitoring the impacts of CIP projects on operating expenditures. Each major 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. The current CIP includes a number of water quality and pipeline projects that will not have significant operating costs. However, the future development of the recycled water program will have significant operating costs that should be identified as part of the planning process.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Assistant General Manager at 27234 Bouquet Canyon Road, Santa Clarita, California 91350-2173 or (661) 297-1600.

CASTAIC LAKE WATER AGENCY

Basic Financial Statements

Castaic Lake Water Agency
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents (note 2)	$ 79,380,605	5,205,841	84,586,446
Cash and cash equivalents with fiscal agent (note 2)	5,425,669	-	5,425,669
Investments (note 2)	87,638,315	37,494,321	125,132,636
Investment in the stock of the Valencia Water Company (note 5)	64,462,590	-	64,462,590
Accrued interest receivable	451,114	108,907	560,021
Accounts receivable - water sales and services	2,607,995	5,052,910	7,660,905
Accounts receivable - other	1,272,216	57,257	1,329,473
Property taxes receivable	1,383,729	-	1,383,729
Materials and supplies inventory	-	760,991	760,991
Prepaid expenses and other deposits	174,940	75,653	250,593
Other post employment benefits asset (note 15)	4,573,349	2,188,325	6,761,674
Capital assets - not being depreciated (note 8)	50,705,222	5,658,737	56,363,959
Capital assets, net - being depreciated (note 8)	384,674,006	107,122,348	491,796,354
Total assets	682,749,750	163,725,290	846,475,040
Deferred outflows of resources:			
Deferred pension outflows (note 6 and 14)	2,129,482	1,305,734	3,435,216
Total deferred outflows of resources	2,129,482	1,305,734	3,435,216
Liabilities:			
Accounts payable and accrued expenses	4,329,208	2,698,733	7,027,941
Accrued salaries and wages	604,253	98,882	703,135
Customer deposits and unearned revenue	7,645	533,183	540,828
Advances for construction	-	2,728,157	2,728,157
Accrued interest - long-term debt	4,139,207	1,170,458	5,309,665
Long-term liabilities - due within one year:			
Compensated absences (note 4)	172,619	103,367	275,986
Revenue bonds (note 9)	6,645,000	2,455,000	9,100,000
Certificates of participation (note 9)	8,240,000	290,000	8,530,000
Long-term liabilities - due in more than one year:			
Compensated absences (note 4)	517,855	310,101	827,956
Net pension liability (note 14)	5,307,610	3,251,551	8,559,161
Revenue bonds (note 9)	143,572,879	44,983,173	188,556,052
Certificates of participation (note 9)	133,609,141	13,234,358	146,843,499
Total liabilities	307,145,417	71,856,963	379,002,380
Deferred inflows of resources:			
Deferred pension inflows (note 7 and 14)	261,277	163,009	424,286
Total deferred inflows of resources	261,277	163,009	424,286
Net position:			
Net invested in capital assets (note 10)	225,221,543	51,818,554	277,040,097
Restricted for capital improvement	33,687,112	-	33,687,112
Restricted for state water contract	46,695,745	-	46,695,745
Restricted for debt service	5,465,687	-	5,465,687
Unrestricted	66,402,451	41,192,498	107,594,949
Total net position	$ 377,472,538	93,011,052	470,483,590

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Positions		
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Wholesale water agency	$ 62,217,503	23,050,602	9,594,164	(29,572,737)	-	(29,572,737)
Interest on long-term debt	11,679,963	-	-	(11,679,963)	-	(11,679,963)
Total governmental activities	73,897,466	23,050,602	9,594,164	(41,252,700)	-	(41,252,700)
Business-type activities:						
Retail water enterprise	31,243,916	31,931,260	4,063,320	-	4,750,664	4,750,664
Total government	$ 105,141,382	54,981,862	13,657,484	(41,252,700)	4,750,664	(36,502,036)
General revenues:						
Property taxes levied for general purposes				$ 52,045,240	-	52,045,240
Interest and investment earnings				3,161,480	264,128	3,425,608
Gain on disposal of capital assets				-	8,069	8,069
Non-operating revenues, net				7,517,408	385,852	7,903,260
Total general revenues				62,724,128	658,049	63,382,177
Change in net position				21,471,428	5,408,713	26,880,141
Net position, beginning of year				356,001,110	87,602,339	443,603,449
Net position, end of year				$ 377,472,538	93,011,052	470,483,590

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Balance Sheet – Governmental Funds
June 30, 2017

		General	Pledged Revenue	State Water Contract	Capital Project	Debt Service	Total Governmental Funds
Assets:							
Cash and investments	$	10,439,305	50,832,778	47,303,523	34,743,314	23,700,000	167,018,920
Cash and cash equivalents with fiscal agent		-	-	-		5,425,669	5,425,669
Investment in the stock of the Valencia Water Company (note 5)		-	64,462,590	-	-	-	64,462,590
Accrued interest receivable		27,108	195,249	122,246	66,492	40,018	451,113
Accounts receivable - water sales, net		2,607,995	-	-	-	-	2,607,995
Accounts receivable - other		1,071,815	73,211	13,517	113,673	-	1,272,216
Property taxes receivable		-	816,434	567,295	-	-	1,383,729
Prepaid items		19,209	-	155,731	-	-	174,940
Due from other funds (note 3)		-	23,700,000	-	-	-	23,700,000
Total assets		14,165,432	140,080,262	48,162,312	34,923,479	29,165,687	266,497,172
Liabilities:							
Accounts payable		1,304,962	321,313	1,466,567	1,236,367	-	4,329,209
Accrued expenditures		611,899	-	-	-	-	611,899
Due to other funds (note 3)		-	-	-	-	23,700,000	23,700,000
Total liabilities		1,916,861	321,313	1,466,567	1,236,367	23,700,000	28,641,108
Fund balances (note 11):							
Nonspendable		19,209	-	155,731	-	-	174,940
Restricted		-	-	46,540,014	33,687,112	5,465,687	85,692,813
Committed		5,920,000	119,653,290	-	-	-	125,573,290
Assigned		6,309,362	20,105,659	-	-	-	26,415,021
Total fund balances		12,248,571	139,758,949	46,695,745	33,687,112	5,465,687	237,856,064
Total liabilities and fund balances	$	14,165,432	140,080,262	48,162,312	34,923,479	29,165,687	266,497,172

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances – Governmental funds		$ 237,856,064
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the Agency as a whole.		
Beginning balance, net of depreciation	$ 434,485,269	
Current year additions	18,982,553	
Current year depreciation	(18,088,591)	
Ending balance, net of depreciation		435,379,231
Long-term liabilities applicable to the Agency are not due and payable in the current period and accordingly, are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position.		
Other post employment benefits asset	4,573,349	
Net pension liability	(5,307,610)	
Compensated absences	(690,474)	
Premium on debt	(22,261,386)	
Certificates of participation and revenue bonds	(269,805,634)	
		(293,491,755)
Deferred inflows of resources		(261,277)
Deferred outflows of resources		2,129,482
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(4,139,207)
Net position of governmental activities		$ 377,472,538

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2017

	General	Pledged Revenue	State Water Contract	Capital Project	Debt Service	Total Governmental Funds
Revenues:						
Property taxes	$ -	23,678,437	28,366,804	-	-	52,045,241
Water sales - Agency	22,945,290	-	-	-	-	22,945,290
Facility capacity fee	-	9,594,164	-	-	-	9,594,164
Laboratory fees	105,309	-	-	-	-	105,309
Interest and investment earnings	118,517	2,212,942	451,000	226,795	152,226	3,161,480
Other	1,653,972	1,851,579	1,635,972	2,375,885	-	7,517,408
Total revenues	24,823,088	37,337,122	30,453,776	2,602,680	152,226	95,368,892
Expenditures:						
Water treatment operations	5,395,285	-	-	-	-	5,395,285
Water resources	5,095,835	-	-	-	-	5,095,835
Maintenance	3,278,275	-	-	-	-	3,278,275
Water quality and regulatory affairs	994,096	-	-	-	-	994,096
Administration	4,472,984	-	-	-	-	4,472,984
Management	2,464,425	-	-	-	-	2,464,425
Engineering	1,151,426	-	-	-	-	1,151,426
State water contract payments	-	-	21,113,751	-	-	21,113,751
Capital outlay	-	12,323,386	2,978,560	5,528,211	-	20,830,157
Debt service:						
Interest	-	-	-	-	8,343,337	8,343,337
Principal	-	-	-	-	12,550,000	12,550,000
Total expenditures	22,852,326	12,323,386	24,092,311	5,528,211	20,893,337	85,689,571
Excess of revenues over(under) expenditures	1,970,762	25,013,736	6,361,465	(2,925,531)	(20,741,111)	9,679,321
Other financing sources(uses):						
Transfers in (note 3)	-	-	-	-	20,729,161	20,729,161
Transfers out (note 3)	-	(20,729,161)	-	-	-	(20,729,161)
Total other financing sources(uses)	-	(20,729,161)	-	-	20,729,161	-
Net change in fund balances	1,970,762	4,284,575	6,361,465	(2,925,531)	(11,950)	9,679,321
Fund balance, beginning of year	10,277,809	135,474,374	40,334,280	36,612,643	5,477,637	228,176,743
Fund balance, end of year	$ 12,248,571	139,758,949	46,695,745	33,687,112	5,465,687	237,856,064

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances – Total governmental funds	$	9,679,321
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Revenues, Expenses and Changes in Fund Balance, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital expenditures ($20,830,157) and depreciation ($18,088,591) in the current period.		2,741,566
Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Revenues, Expenses and Change in Fund Balance.		12,550,000
The accretion of interest on long-term debt is not reported as an expenditure in governmental funds, but as an addition to principal outstanding in the statement of activities.		(3,509,326)
Amortization of original issued premiums and original issued discounts on debt issued by the Agency. These amounts are the net effect amortized over the life of the debt service.		(385,362)
Pension expense		231,947
Some expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net change in accrued interest for the current period		(1,159,792)
Net change in compensated absences for the current period.		201,538
Net change in other post retirement benefits obligation for the current period.		1,121,536
Change in net position of governmental activities	$	21,471,428

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Statement of Net Position – Water Enterprise Fund
June 30, 2017

		Business-Type Activities
Current assets:		
Cash and cash equivalents	$	5,205,841
Accrued interest receivable		108,907
Accounts receivable - water sales and services		5,052,910
Accounts receivable - other		57,257
Materials and supplies inventory		760,991
Prepaid expenses and other deposits		75,653
Total current assets		11,261,559
Non-current assets:		
Investments		37,494,321
Other post employment benefits assets		2,188,325
Capital assets - not being depreciated (note 8)		5,658,737
Capital assets, net - being depreciated (note 8)		107,122,348
Total non-current assets		152,463,731
Total assets		163,725,290
Deferred outflows of resources:		
Deferred pension outflows		1,305,734
Total deferred outflows of resources	$	1,305,734

Continued on next page

See accompanying notes to the basic financial statements.

Castaic Lake Water Agency
Statement of Net Position – Water Enterprise Fund, continued
June 30, 2017

	Business-Type Activities
Current liabilities:	
Accounts payable and accrued expenses	$ 2,698,733
Accrued wages and related payables	98,882
Customer deposits and unearned revenue	533,183
Advances for construction	2,728,157
Accrued interest	1,170,458
Long-term liabilities - due within one year:	
Compensated absences (note 4)	103,367
Revenue bonds (note 9)	2,455,000
Certificates of participation (note 9)	290,000
Total current liabilities	10,077,780
Non-current liabilites:	
Long-term liabilities - due in more than one year:	
Compensated absences (note 4)	310,101
Net pension liability	3,251,551
Revenue bonds (note 9)	44,983,173
Certificates of participation (note 9)	13,234,358
Total non-current liabilities	61,779,183
Total liabilities	71,856,963
Deferred inflows of resources:	
Deferred pension inflows	163,009
Total deferred inflows of resources	163,009
Net position:	
Net investment in capital assets (note 10)	51,818,554
Unrestricted	41,192,498
Total net position	$ 93,011,052

See accompanying notes to the basic financial statements.

Castaic Lake Water Agency
Statement of Revenues, Expenses and Changes in Net Position – Water Enterprise Fund
For the Year Ended June 30, 2017

	Business-type Activities
Operating revenues:	
Water consumption sales and services	$ 31,064,774
Other charges and services	866,486
Total operating revenues	31,931,260
Operating expenses:	
Source of supply	11,574,114
Pumping	2,471,444
Water treatment	890,005
Transmission and distribution	3,594,393
Customer accounts	777,398
Engineering	577,199
General and administrative	2,676,484
Total operating expenses	22,561,037
Operating income before depreciation and amortization	9,370,223
Depreciation and amortization	(5,401,369)
Operating income	3,968,854
Non-operating revenue (expense):	
Interest earnings	264,128
Interest expense	(2,379,542)
Loss on impairment of capital assets (note 8)	(901,968)
Gain on disposal of capital assets	8,069
Other non-operating revenues, net	385,852
Total non-operating expense, net	(2,623,461)
Net income before capital contributions	1,345,393
Capital contributions – developer and customer	4,063,320
Change in net assets	5,408,713
Net assets, beginning of year	87,602,339
Net assets, end of year	$ 93,011,052

See accompanying notes to the basic financial statements

Castaic Lake Water Agency
Statement of Cash Flows – Water Enterprise Fund
For the Year Ended June 30, 2017

		Business-type Activities
Cash flows from operating activities:		
Receipts from customers for water sales and services	$	31,625,791
Payments to employees for salaries and wages		(4,945,705)
Payments to vendors and suppliers for materials and services		(22,017,199)
Net cash provided by operating activities		4,662,887
Cash flows from non-capital financing activities:		
Proceeds from non-operating revenues, net		385,852
Net cash provided by non-capital financing activities		385,852
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(5,475,206)
Capital contributions		4,063,320
Principal paid		(437,941)
Interest paid		(2,371,159)
Net cash used in capital and related financing activities		(4,220,986)
Cash flows from investing activities:		
Purchase of investments		(5,185,360)
Interest earnings		213,856
Net cash used in investing activities		(4,971,504)
Net decrease in cash and cash equivalents		(4,143,751)
Cash and cash equivalents, beginning of year		9,349,592
Cash and cash equivalents, end of year	$	5,205,841

Continued on next page

See accompanying notes to the basic financial statements.

Castaic Lake Water Agency
Statement of Cash Flows – Water Enterprise Fund, continued
For the Year Ended June 30, 2017

		Business-type Activities
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	3,968,854
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		5,401,369
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable - water sales and services, net		(154,332)
Accounts receivable - other		(23,031)
Materials and supplies inventory		(83,049)
Prepaid expenses and other deposits		2,396
Other post-employment benefit asset		(570,280)
Deferred outflows of resources		(812,577)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses		(2,244,564)
Accrued salaries and wages		(254,671)
Customer deposits and unearned revenue		(128,106)
Advances for construction		(1,053,535)
Compensated absences		(56,169)
Net pension liability		900,728
Deferred inflows of resources		(230,146)
Total adjustments		694,033
Net cash provided by operating activities	$	4,662,887

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Castaic Lake Water Agency (Agency) (formerly the Upper Santa Clara Valley Water Agency) was organized on April 20, 1962, by virtue of Assembly Bill No. 26, Chapter 28, California Statutes of 1962, to contract with the State of California for the delivery of a portion of the water to be brought over the Tehachapi Mountains from the Sacramento-San Joaquin Delta through the state water resources development system.

The Agency provides supplemental wholesale water to four local retail water purveyors as follows: the Newhall County Water District, the Valencia Water Company, the Los Angeles County Waterworks District No. 36, and the Santa Clarita Water Division (blended component unit – retail water enterprise fund). The Agency covers an area of approximately 195 square miles situated in northwest Los Angeles County. It is divided into three elective divisions; its governing board is made up of two directors from each division, three directors at-large, and one director appointed by each of two of the retail water purveyors (Newhall County Water District and Los Angeles County Waterworks District No. 36).

The Agency's operations to date have consisted of participation in the development of the State Water Project, construction of its water treatment and delivery facilities and the sale of water to local water distribution agencies. All costs incurred by the Agency for construction, engineering, contract payments to the State Water Project and administrative costs through June 30, 1980, were capitalized. Water sales commenced during the fiscal year ended June 30, 1981.

Blended Component Units

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

The Agency acquired 100% of the outstanding shares of the Santa Clarita Water Company (Company) through a Stock Purchase Agreement (Agreement). The Agreement was entered into in the settlement of the Agency's condemnation action files against the Company in which the Agency planned to exercise the power of eminent domain to acquire the Company. The Agency sells and distributes water to residential and commercial customers located in the Santa Clarita Valley of Southern California. The stock sale resulting in the acquisition of assets and assuming the liabilities of the Company became effective September 3, 1999. The acquisition of the Company was intended to maximize local revenues within the Santa Clarita Water Company's service area and integrate them with the Agency's resources. This will reduce long-term capital costs and increase water reliability while enhancing the Agency's financial strength. Although the Division is legally separate, it is included as a blended component unit – water enterprise fund of the Agency, as it is in substance part of the Agency's operations. There are no separate basic financial statements prepared for the Division or the Company.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

A. Organization and Operations of the Reporting Entity, continued

The Castaic Lake Water Agency Financing Corporation (Corporation) was formed in 1990. The Corporation is a California nonprofit public benefit corporation formed to assist the Castaic Lake Water Agency (Agency) by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the Agency and leasing or selling such property to the Agency and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations. There are no separate basic financial statements prepared for the Corporation.

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 (District). The District encompasses 8,676 acres. The cost of acquiring the land and equipment was approximately $5.0 million. The land is being leased to an outside party to the Agency under terms of an operating lease agreement. The annual lease payments received by the Agency range from $105 to $150 per acre foot of all water supplied to the leased property. The accompanying basic financial statements contain all above-mentioned land and water allocation transactions.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the Agency's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the Agency are charges for services directly related to the operations of the Agency. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Agency. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Agency are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

Inter-fund activity in the amount of $20,729,161 (see note 3) has been eliminated from the general governmental function for the government-wide financial statements except for charges between the Agency's Water Enterprise Fund and various other functions of the government. Elimination of these charges prevents any potential distortion of the direct costs and program revenues for the various functions considered.

The accrual basis of accounting is followed by the proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled water and utility services receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues, such as water sales, result from exchange transactions associated with the principal activity of the Company. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the Agency gives (receives) value without directly receiving (giving) value in exchange.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the Agency, or meets the following criteria:

a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

c) The entity has determined that a fund is important to the financial statement user.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental and enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to governmental entities.

The funds of the financial reporting entity are described below:

Governmental Fund Types

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

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Project Funds – These funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Fund Types

Enterprise Funds – These funds account for operations that are financed and operated in a manner similar to a private enterprise – where the intent of the entity is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The major funds of the Agency are:

Governmental Funds

General Fund – is the general operating fund of the Agency. It is used to account for and report all financial resources not accounted for and reported in another fund.

Pledged Revenue Fund – is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Major revenue sources are property tax and facility capacity fees. Pledged revenue funds are used to finance certain capital improvements to the Agency's wholesale water system.

State Water Contract Fund – is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Revenue is derived from a tax collected to pay for participation in the State Water Project. Its use is restricted for costs of the State Water Project.

The funds of the financial reporting entity are described below:

Capital Project Fund – is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund – is used to account for resources and payments of various debt obligation instruments issued by the Agency.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Proprietary Fund

Water Enterprise Fund – is used to account for the operations of the Agency's retail water enterprise division including the amount of funds advanced to the fund to purchase the Company.

The Agency has adopted the following GASB pronouncements in the current year:

Government Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* effective for financial statements for periods beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

Government Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures,* effective for fiscal years beginning after December 15, 2015.

The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

Government Accounting Standards Board Statement No. 78

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for financial statements for periods beginning after December 15, 2015.

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,* effective for financial statements for periods beginning after June 15, 2016.

The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Government Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* effective for financial statements for periods beginning after June 15, 2016.

This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Investments and Investment Policy

The Agency has adopted an investment policy directing the Treasurer to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The Agency's policy is to hold its investments until maturity, or until market values equal or exceed cost.

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the assets, as follows:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets.
- Level 2 – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

3. Property Taxes and Assessments

The Counties of Los Angeles and Ventura Assessor's Offices assesses all real and personal property within each respective County each year. The Counties of Los Angeles and Ventura Tax Collector's Offices bills and collects the Agency's share of property taxes and/or tax assessments. The Counties of Los Angeles and Ventura Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes and tax assessments collected by the Counties of Los Angeles and Ventura, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

4. Accounts Receivable

The Agency extends credit to customers in the normal course of operations. Management deems not all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has been recorded.

5. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the Agency's retail water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

6. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Premium on Debt Issued

The premium received on debt issued will be amortized over the remaining life of the respective debt service.

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

8. Capital Assets, continued

Governmental Activities

- Castaic turnout, reservoirs, tanks and water mains – 50 years
- Treatment plant and facilities – 2 to 50 years
- Maintenance facility – 30 years
- Lighting and roads – 25 years
- Fencing – 5 to 25 years
- Meters and services – 2 to 40 years
- Office furniture and equipment – 2 to 20 years
- Vehicles, tools and equipment – 1 to 20 years

Business-Type Activities

- Wells – 30 years
- Pumping – equipment, structures and improvements – 10 to 30 years
- Water treatment equipment and storage tanks – 10 to 30 years
- Transmission and distribution mains – 60 years
- Services, meters and hydrants – 30 years
- Structures and improvements – 25 to 30 years
- Furniture, equipment, tools and other – 6 to 20 years

9. Compensated Absences

The Agency's policy is to permit employees to accumulate earned vacation with maximum hours ranging between 200 and 400 hours, based on years of service, and 480 hours of sick leave. Accumulated vacation and sick time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed.

Governmental fund types and enterprise fund recognize the vested vacation and sick leave as expenditure in the current year to the extent it is paid during the year. The General and Water Enterprise funds have been used in prior years to liquidate compensated absences for vested vacation as a result of resignations or retirements. Accrued vacation and sick leave relating to governmental and water enterprise funds are included as a long-term liability in the Statement of Net Position as those are payable from future resources.

10. Pensions

For the purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

- Valuation Date: June 30, 2015
- Measurement Date: June 30, 2016
- Measurement Period: July 1, 2015 to June 30, 2016

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Net Positions/Fund Balances

The government-wide financial statements follow the financial reporting requirements of the GASB and reports net position under the following classifications:

- **Net Investment in Capital Assets** – Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those asserts.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted –** Unrestricted consists of any remaining balance of the Agency's net position that do not meet the definition of "restricted" or "net investment in capital assets".

In the case where both restricted and unrestricted resources are available for use for the same purpose (restricted bond proceeds and unrestricted resources for the same capital project, for example), the Agency will first apply the restricted resources.

In the fund financial statements, fund balances are reported based on the GASB Statement No. 54, which divide fund balance into the five classifications below:

- **Non-spendable** – includes amounts that cannot be spent because they are (1) not in spendable form, or (b) legally or contractually required to be maintained intact. This classification accounts for the Agency inventories and prepaid amounts.
- **Restricted** – includes amounts that have constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislations.
- **Committed** – includes amounts than can only be used for specific purposes pursuant to constraints imposed by resolution of the government's highest level of decision making authority, the Board of Directors of the Agency.
- **Assigned** – includes amounts that are constrained by the government's "intent" to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Intent should be expressed by the Board of Directors of the Agency itself or a subordinate high level body (the Agency's Finance and Administration committee, for example) or official to which the board has delegated the authority to assign amounts to be used for specific purposes. The Agency has delegated the authority to assign amounts for specific purposes to Assistant General Manager.
- **Unassigned** – includes amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

The Agency's reserve amounts are reviewed annually to ensure compliance with the Agency's reserve policy. During the budget process, the designation of reserves are established first (committed), then the remaining resources will be available for other purposes. The order of spending is first committed fund balance, then assigned fund balance, and last is unassigned fund balance.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

12. Water Sales

Water sales, retail and wholesale, are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30, has been accrued at year-end for the water enterprise fund.

13. Facility Capacity Fee

Assembly Bill 4175 was signed into California law on September 16, 1986, and became effective January 1, 1987. This bill authorizes the Agency to impose standby charges and a facility capacity fee to generate revenues to pay for future Agency expansion. The Agency's Board of Directors elected to begin imposing facility capacity fees on October 1, 1987, but has not elected to impose any standby charges.

14. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

15. Use of Estimates

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

16. Budgetary Policies

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Assistant General Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general fund, pledged revenue fund and state water contract fund. Budget information is presented as other supplementary information for the debt service fund.

(2) Cash and Investments

Cash and investments as of June 30, are classified in the Statement of Net Position as follows:

	2017
Cash and cash equivalents	$ 84,586,446
Cash and cash equivalents with fiscal agent	5,425,669
Investments	125,132,636
Total cash and investments	$ 215,144,751

(2) Cash and Investments, continued

Cash and investments as of June 30, consist of the following:

		2017
Cash on hand	$	1,600
Deposits with financial institutions		10,623,893
Investments		204,519,258
Total cash and investments	$	215,144,751

As of June 30, the District's authorized deposits had the following maturities:

	2017
Deposits held with California Local Agency Investment Fund	194 Days
Deposits held with Los Angeles County Pooled Investment Fund	672 Days

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does 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 or the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency and Sponsored Enterprise Securities	5 years	None	None
Banker's Acceptances	180 days	30%	5%
Medium-Term Notes	5 years	30%	5%
Commercial Paper	270 days	10%	5%
Certificates of Deposit and Time Deposits	5 years	30%	10%
Municipal Obligations	5 years	30%	5%
Repurchase agreements	30 days	10%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Los Angeles County Pooled Investment Fund (LACPIF)	N/A	30%	None
Investment Trust of California (CalTRUST)	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
Investment Contracts	30 years	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured, and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the Agency's name.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of a $1,000 dollars.
- Withdrawals of $10,000,000 or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

(2) Cash and Investments, continued

Los Angeles County Pooled Investment Fund

The Los Angeles County Pooled Investment Fund (LACPIF) is a pooled investment fund program governed by the County of Los Angeles Board of Supervisors, and administered by the County of Los Angeles Treasurer and Tax Collector. Investments in LACPIF are highly liquid as deposits, and withdrawals can be made at any time without penalty. LACPIF does not impose a maximum investment limit. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the fair value provided by LACPIF for the Agency's LACPIF portfolio.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- No limit of transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement rounded to the next highest dollar.
- Prior to funds transfer, an authorized person must complete a deposit or withdrawal form and fax to LACPIF.

The County of Los Angeles' bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Los Angeles's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Los Angeles Auditor-Controller's Office – 500 West Temple Street – Los Angeles, CA 90012.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date:

Maturities of investments and cash equivalents at June 30, 2017 were as follows:

		Remaining Maturity (in Months)		
Investment Type	**Total**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
Federal Farm Credit Bank	$ 35,004,060	-	-	35,004,060
Federal National Mortgage Association	30,271,468	-	-	30,271,468
Federal Home Loan Bank	13,379,762	-	-	13,379,762
Federal Home Loan Mortgage Corp.	21,923,420	-	-	21,923,420
Local Agency Investment Fund (LAIF)	56,637,213	56,637,213	-	-
Los Angeles County Pooled Investment Fund (LACPIF)	36,061,149	36,061,149	-	-
Certificates of Deposit	8,018,421	8,018,421	-	-
Money market funds	3,223,765	3,223,765	-	-
Total	$ 204,519,258	103,940,548	-	100,578,710

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings of investments and cash equivalents as of June 30, 2017, were as follows:

Investment Types		Total	Minimum Legal Rating		Exempt From Disclosure	Rating as of Year End AAA	Not Rated
Federal Farm Credit Bank	$	35,004,060	N/A	$	-	35,004,060	-
Federal National Mortgage Association		30,271,468	N/A		-	30,271,468	-
Federal Home Loan Bank		13,379,762	N/A		-	13,379,762	-
Federal Home Loan Mortgage Corp		21,923,420	N/A		-	21,923,420	-
Local Agency Investment Fund (LAIF)		56,637,213	N/A		-	-	56,637,213
Los Angeles County Pooled Investment Fund (LACPIF)		36,061,149	N/A		-	-	36,061,149
Certificates of Deposit		8,018,421	N/A		8,018,421	-	-
Money market funds		3,223,765	AAA		3,223,765	-	-
Total	$	204,519,258		$	11,242,186	100,578,710	92,698,362

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

Issuer	Investment type		Amount
Federal Farm Credit Bank	Federal agency securities	$	35,004,060
Federal National Mortgage Association	Federal agency securities		30,271,468
Federal Home Loan Bank	Federal agency securities		13,379,762
Federal Home Loan Mortgage Corp.	Federal agency securities		21,923,420
		$	100,578,710

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

			Fair Value Measurement Using		
Investment type		Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agencies	$	100,578,710	100,578,710	-	-
Certificates of Deposit		8,018,421	8,018,421		
Money market		3,223,765	3,223,765	-	-
Total investments measured at fair value		111,820,896	111,820,896	-	-
Investments measured at amortized cost:					
Local Agency Investment Fund (LAIF)		56,637,213			
Los Angeles County Pooled Investment Fund (LACPIF)		36,061,149			
Total	$	204,519,258			

(3) Interfund Receivables and Payables

Due from/to Other Funds

Receivable Fund	Payable Fund	Amount
Pledged Revenue	Debt Service	$ 23,700,000
	Total	$ 23,700,000

Due from the Pledged Revenue Fund to the Debt Service Fund is to provide funds for next fiscal year's debt service payments.

Interfund Transfers

Transfers From	Transfers to	Amount
Pledged Revenue	Debt Service	$ 20,729,161
	Total	$ 20,729,161

Transfers are used to move revenues received and recorded in the Pledged Revenue Fund to Debt Service Fund to provide funds to pay debt service payments as they become due.

(4) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave, personal, and other leave which is accrued as earned. The Agency's liability for compensated absences is determined annually.

The changes to governmental compensated absences balance at June 30, were as follows:

Balance 2016	Earned	Taken	Balance 2017	Current Portion	Long-Term Portion
$ 892,012	15,917	(217,455)	690,474	172,619	517,855

The changes to business-type compensated absences balance at June 30, were as follows:

Balance 2016	Earned	Taken	Balance 2017	Current Portion	Long-Term Portion
$ 469,637	12,216	(68,385)	413,468	103,367	310,101

(5) Investment in the Stock of the Valencia Water Company

On December 12, 2012, the Agency acquired all of the stock of the Valencia Water Company (VWC) which comprised the total fair market value of the stock as of July 1, 2012. As of February 2013, the acquisition of VWC by the Agency has been challenged in court. The Agency has accounted for the investment in VWC under the equity method of accounting as adjusted for changes in net income and dividends paid during fiscal year. The Agency has recognized the equity in the earnings of VWC in the statement of activities as non-operating income. The financial statements of the Valencia Water Company dated December 31, 2016, were audited by another auditing firm who has issued an unmodified opinion dated March 30, 2017.

(5) Investment in the Stock of the Valencia Water Company, continued

As of June 30, 2017, the investment in Valencia Water Company ("VWC") was $64,462,590.

Investment balance at June 30, 2017, consists of the following:

Fair-market value as of June 30, 2016	$	62,673,570
Adjustments to investment in VWC:		
Issuance of dividends to Agency*		(798,980)
VWC calendar year 2016 net income**		2,588,000
Total adjustments		1,789,020
Investment in VWC, June 30, 2017	$	64,462,590

* Recorded as interest earnings on governmental funds.
** From VWC calendar year 2016 audited financial statements.

(6) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2017, were as follows:

		Balance 2016	Additions	Amortization	Balance 2017
Deferred outflows of resources:					
Deferred pension outflows	$	1,295,305	3,647,893	(1,507,982)	3,435,216
Total deferred outflows of resources	$	1,295,305	3,647,893	(1,507,982)	3,435,216

(7) Deferred Inflows of Resources

Changes in deferred inflows of resources for 2017, were as follows:

		Balance 2016	Additions	Amortization	Balance 2017
Deferred inflows of resources:					
Deferred pension inflows	$	1,030,372	-	(606,086)	424,286
Total deferred inflows of resources	$	1,030,372	-	(606,086)	424,286

(8) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

		Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Non-depreciable assets:					
Land	$	28,372,111	-	-	28,372,111
Construction-in-process		14,345,330	9,835,388	(1,847,607)	22,333,111
Total non-depreciable assets		42,717,441	9,835,388	(1,847,607)	50,705,222
Depreciable assets:					
Contractual state water project rights		140,933,518	2,978,560	-	143,912,078
Contractual water rights - other agencies		86,689,108	7,222,983	-	93,912,091
Treatment plant		167,489,392	441,342	-	167,930,734
Water mains		26,747,245	-	-	26,747,245
Reservoirs and tanks		1,649,965	-	-	1,649,965
Reclaimed water		4,638,901	-	-	4,638,901
Control system		168,261,595	102,774	-	168,364,369
Castaic turnout		398,243	-	-	398,243
Services and meters		153,965	-	-	153,965
Large tools and equipment		173,802	82,221	-	256,023
Furniture and fixtures		120,036	-	-	120,036
Vehicles		346,429	33,925	-	380,354
Office equipment		1,186,937	132,967	-	1,319,904
Total depreciable assets		598,789,136	10,994,772	-	609,783,908
Accumulated depreciation and amortization:					
Contractual state water project rights		(71,510,704)	(2,852,667)	-	(74,363,371)
Contractual water rights - other agencies		(19,916,022)	(3,920,332)	-	(23,836,354)
Treatment plant		(57,021,150)	(5,523,123)	-	(62,544,273)
Water mains		(10,613,646)	(534,944)	-	(11,148,590)
Reservoirs and tanks		(1,187,956)	(33,000)	-	(1,220,956)
Reclaimed water		(1,917,068)	(132,541)	-	(2,049,609)
Control system		(43,143,067)	(4,745,036)	-	(47,888,103)
Castaic turnout		(286,741)	(7,965)	-	(294,706)
Services and meters		(139,258)	(3,948)	-	(143,206)
Large tools and equipment		(109,160)	(36,994)	-	(146,154)
Furniture and fixtures		(75,313)	(18,241)	-	(93,554)
Vehicles		(148,327)	(68,471)	-	(216,798)
Office equipment		(952,899)	(211,329)	-	(1,164,228)
Total accumulated depreciation and amortization		(207,021,311)	(18,088,591)	-	(225,109,902)
Total depreciable assets, net		391,767,828	(7,093,819)	-	384,674,006
Total capital assets, net	$	434,485,269	2,741,569	(1,847,607)	435,379,228

A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under governmental activities, wholesale water agency, totaled $18,088,591.

(8) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Non-depreciable assets:				
Land and land rights	$ 640,837	250,713	-	891,550
Construction-in-process	3,202,967	5,486,684	(3,922,464)	4,767,187
Total non-depreciable assets	3,843,804	5,737,397	(3,922,464)	5,658,737
Depreciable assets:				
Transmission and distribution mains	78,005,875	-	(1,173,281)	76,832,594
Reservoirs and tanks	27,702,482	601,443	-	28,303,925
Services	16,302,123	1,665,267	-	17,967,390
Hydrants	8,464,363	364,280		8,828,643
Boosters	10,837,758	102,436	(102,800)	10,837,394
Meters	6,297,749	601,411	-	6,899,160
Wells	2,918,156	-	(174,695)	2,743,461
Structures and improvements	7,261,553	632,866	-	7,894,419
Machinery and equipment	9,045,347	-	(244,780)	8,800,567
Transportation equipment	1,583,802	170,378	(27,226)	1,726,954
General plant	295,739	143,591	(362,065)	77,265
Total depreciable assets	168,714,947	4,281,672	(2,084,847)	170,911,772
Accumulated depreciation and amortization:				
Transmission and distribution mains	(18,826,711)	(1,177,304)	-	(20,004,015)
Reservoirs and tanks	(12,880,618)	(984,880)	-	(13,865,498)
Services	(7,502,422)	(539,373)	-	(8,041,795)
Hydrants	(4,685,648)	(239,004)	-	(4,924,652)
Boosters	(4,514,841)	(553,116)	102,436	(4,965,521)
Meters	(2,118,066)	(411,215)	-	(2,529,281)
Wells	(1,327,453)	(81,846)	-	(1,409,299)
Structures and improvements	(1,899,799)	(270,393)	-	(2,170,192)
Machinery and equipment	(3,913,068)	(887,329)	77,821	(4,722,576)
Transportation equipment	(1,003,825)	(110,966)	27,227	(1,087,564)
General plant	(285,153)	(145,943)	362,065	(69,031)
Total accumulated depreciation and amortization	(58,957,604)	(5,401,369)	569,549	(63,789,424)
Total depreciable assets, net	109,757,343	(1,119,697)	(1,515,298)	107,122,348
Total capital assets, net	$ 113,601,147	4,617,700	(5,437,762)	112,781,085

Major capital asset additions in the business-type activities area included developer contributions to the water retail enterprise’s transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under business-type activities, retail water enterprise, totaled $5,401,369.

(8) Capital Assets, continued

Loss on impairment

In fiscal year 2017, the Agency determined that several projects within the Agency's Retail Water Division would be discontinued. As a result, the Agency has recorded a one-time loss on impairment related to these project cost in the amount of $901,968 as of June 30, 2017.

Construction-In-Process

The Agency has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at year-end are as follows:

Governmental Activities

The balance at June 30, consists of the following projects:		2017	2016
Rio Vista water treatment plant and expansion	$	2,794,702	2,235,809
Recycled water project		3,608,920	3,530,044
Lateral extension and storage projects		3,063,031	2,307,051
Water Banking Projects		6,463,451	-
Various minor projects		6,403,007	6,272,426
Construction-in-process	$	22,333,111	14,345,330

Business-Type Activities

The balance at June 30, consists of the following projects:		2017	2016
Internal construction projects	$	890,664	808,621
Developer on-site construction projects		3,876,523	2,394,346
Construction-in-process	$	4,767,187	3,202,967

(9) Long-Term Debt

The following is a summary of the Agency's Long-Term Debt as of June 30, 2017:

Governmental Activities

	Balance 2016	Additions	Payments/ Retirements	Balance 2017
Certificates of Participation (COPs):				
1999 Series A Revenue COPs - Capital Appr.	$ 59,846,309	3,509,326	-	63,355,635
2008 Series A Revenue Refunding COPs	27,975,000	-	(5,150,000)	22,825,000
2010 Series A Revenue Refunding COPs	57,055,000	-	(2,740,000)	54,315,000
Premium on issuance - 2010 Series A	1,457,622	-	(104,116)	1,353,506
Total	146,333,931	3,509,326	(7,994,116)	141,849,141
Less: Current Portion	(7,890,000)			(8,240,000)
Total Non-Current	138,443,931			133,609,141
Revenue Bonds:				
2014 Series A Revenue Refunding Bonds	14,050,000	-	(2,595,000)	11,455,000
Premium on issuance - 2014 Series A	1,193,492	-	(238,698)	954,794
2015 Series A Revenue Refunding Bonds	63,525,000	-	(2,065,000)	61,460,000
Premium on issuance - 2015 Series A	9,836,880	-	(546,494)	9,290,386
2016 Series A Refunding Revenue Bonds	25,730,000	-	-	25,730,000
Premium on issuance - 2016 Series A Ref	5,020,862	-	(358,633)	4,662,229
2016 Series A New Revenue Bonds	30,665,000	-	-	30,665,000
Premium on issuance - 2016 Series A New	6,214,772	-	(214,302)	6,000,470
Total	156,236,006	-	(6,018,127)	150,217,879
Less: Current Portion	(4,660,000)			(6,645,000)
Total Non-Current	151,576,006			143,572,879
Total Governmental Activities	$ 302,569,937			292,067,020

Business-Type Activities

	Balance 2016	Additions	Payments/ Retirements	Balance 2017
Certificates of Participation (COPs):				
2010 Series B Revenue Refunding COPs	$ 12,900,000	-	-	12,900,000
Premium on issuance - 2010 Series B	651,406	-	(27,048)	624,358
Total	13,551,406	-	(27,048)	13,524,358
Less: Current Portion	-			(290,000)
Total Non-Current	13,551,406			13,234,358
Revenue Bonds:				
2011 Series A Revenue Bonds	43,295,000	-	-	43,295,000
Premium on issuance - 2011 Series A	4,554,066	-	(410,893)	4,143,173
Total	47,849,066	-	(410,893)	47,438,173
Less: Current Portion	-			(2,455,000)
Total Non-Current	47,849,066			44,983,173
Total Business-Type Activities	$ 61,400,472			60,962,531

(9) Long-Term Debt, continued

1994 Refunding Revenue Certificates of Participation

On June 1, 1990, the Corporation issued $132,000,000 of certificates of participation to provide financing for the acquisition and construction of a second water treatment plant and related facilities (Project). On August 31, 1994, the Corporation issued $124,600,000 of certificates of participation to provide funds to refund in advance the June 1, 1990 certificates of participation issued by the Agency. A portion of the issuance of debt from the certificates of participation issued in 1994 were placed in an escrow fund to provide the debt service on the 1990, certificates of participation through August 1, 2000, and the prepayment price for all certificates outstanding on August 1, 2000. The advance refunding met the requirements of an in-substance defeasance and the certificates of participation were removed from the Agency's long-term liabilities. The refunded 1990 certificates of participation were paid in full on August 1, 2000.

The 1994 certificates of participation are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments from all revenue derived from the ownership of its water system, including existing portions, on or after June 1, 1990. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates. Management believes that the physical condition of the water system meets the stated requirements of the installment purchase agreements with the Corporation.

On May 5, 2004, the Agency refunded $28,475,000 of the 1994 certificates (2004 Series A). On June 10, 2004, the Agency refunded $37,350,000 of the 1994 certificates and concurrently entered into a variable-to-fixed swap agreement for $40,000,000 (2004 Series B). On May 9, 2008, the Agency refunded all of the 2004B certificates (2008 Series A). In June 2014, the Agency refunded $20,495,000 of the 2004A certificates (2014 A Revenue Bonds). The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1, and principal is due annually on August 1st. The outstanding balance at June 30, 2016, is $42,025,000 as follows: No balance for the 1994 COP's or 2004A COP's as these were retired during FY 2013/14; $27,975,000 for 2008 Series A; and $14,050,000 for 2014 Series A. (See 2004 Series A, 2004 Series B, 2008 Series A Certificates of Participation and 2014 Series A for their respective debt service requirements.)

The last settlement for 1994 COP's was paid during FY 2013/14.

1999 Series A Revenue Certificates of Participation

In August 1999, the Corporation issued $75,813,498 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system and reimbursement of the Agency's cost of acquisition of certain state water project entitlements. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership of its water system (which expressly excluded revenues derived from the retail sales of water). These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

On December 7, 2006, the Agency refunded $45,520,000 of the 1999 certificates (2006 Series A). A total of $45,520,000 from the 2006 Series A COPs was used to pay off the outstanding principal of the 1999 Series A Revenue Certificates of Participation. As a result, the 1999 Series A Revenue Certificates of Participation are considered retired and the liability for those obligations has been removed from the financial statements. The Agency completed the advance refunding to reduce the Agency's total debt service payments over the next 24 years by achieving a 5.6% net present value savings.

(9) Long-Term Debt, continued

1999 Series A Revenue Certificates of Participation, continued

In May 2016, the Agency refunded all of the 2006A certificates of participation (2016 Series A Refunding). (See 2016 Series A Refunding for their respective debt service requirements.)

The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1 of each year, and principal is due annually on August 1. The outstanding balance at June 30, 2016, is $59,846,309 as follows: $59,846,309 Series 1999 remaining; and no balance for the Series 2006 A (refunded portion of 1999 Series A) as these were refunded during FY 2015/16 (2016A Refunded Revenue Bonds). (See 2006 Series A Certificates of Participation and 2016A Refunding Revenue Bonds for their respective debt service requirements.)

The par amount of the certificates is comprised of $23,408,498 (original amount) capital appreciation certificates. No regular payments of interest are made on the capital appreciation certificates prior to maturity. Interest on the capital appreciation certificates is compounded semi-annually on February 1 and August 1 and is payable at maturity. The interest compounded annually is added to the principal amount outstanding.

The yield to maturity for the capital appreciation certificates ranges from 5.76% to 5.8%. Principal on the capital appreciation certificates matures annually on August 1 from 2021 through 2030. All the certificates are subject to extraordinary prepayment as a whole or in part on any date in order of maturity if the Agency makes prepaid installment payments from insurance proceeds or condemnation awards.

Below is a schedule of future annual principal to be issued that will be added to the capital appreciation certificate's current outstanding principal balance of $63,355,635.

	Fiscal Year	Principal Issued
Balance as of June 30, 2017		$ 63,355,635
Annual principal issued:	2018	3,715,111
	2019	3,932,963
	2020	4,163,590
	2021	4,407,741
	2022	4,365,394
	2023-2027	16,071,245
	2028-2031	4,438,321
	Total	$ 104,450,000

2001 Series A Revenue Certificates of Participation

In February 2001, the Corporation issued $80,000,000 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system and reimbursement of the Agency's cost of acquisition of the outstanding stock of the Santa Clarita Water Company (the retail company). The certificates are payable solely from installment payments to be made by the Agency. By the first supplement dated June 13, 2001, to the installment agreement dated February 2001, between the Agency and the Corporation, the Agency agreed to apply solely to the acquisition of certain capital improvements the amount which could have been reimbursed to the Agency for the acquisition of the stock of the Company.

(9) Long-Term Debt, continued

2001 Series A Revenue Certificates of Participation, continued

The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership or operation of its water system. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

On June 8, 2010, the Agency refunded all of the 2001A certificates (2010 Series A). (See 2010 Series A Certificates of Participation for their respective debt service requirements.)

2004 Series A Revenue Refunding Certificates of Participation (Fixed Rate)

In May 2004, the Corporation issued $29,085,000 of certificates of participation to provide funds to prepay $28,475,000 of the Agency's outstanding 1994 Refunding Revenue Certificates of Participation, to acquire a reserve policy and pay certain costs of delivery. The certificates are payable solely from installment payments to be made by the Agency. Interest on the certificates is payable semi-annually on February 1 and August 1of each year. Principal matures August 1 of each year through August 1, 2020. Certificates are in denominations of $5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.0% to 4.0% per annum.

In June 2014, the Agency refunded all of the 2004A certificates (2014 Series A). (See 2014 Series A for their respective debt service requirements.)

2006 Series A Revenue Refunding Certificates of Participation

In December 2006, the Corporation issued $45,520,000 of certificates of participation to provide funds to prepay $45,385,000 of the Agency's outstanding 1999 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by the Agency. Pursuant to the reserve requirement, $3,317,609 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of $5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 3.35% to 5.00% per annum.

Premium on Issuance – 2006 A

The Series 2006 A Certificates of Participation are structured as serial bonds with maturities ranging from 2007 through 2023 and two term bonds maturing on 2026 and 2030 respectively. Yields for the serial bonds range from 3.35% to 4.08% (yields to call for maturities 2017 through 2023), with the term bonds yielding 4.41% and 4.46% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being priced to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of $1,145,317 that will be amortized over the life of the debt service.

In May 2016, the Agency refunded all of the 2006A certificates (2016 Series A Refunding). (See 2016 Series A Refunding for their respective debt service requirements.)

(9) Long-Term Debt, continued

2006 Series C Revenue Certificates of Participation

In December 2006, the Corporation issued $89,830,000 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership or operation of its water system. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

Premium on Issuance – 2006 C

The Series 2006 C Certificates of Participation are structured as serial bonds with maturities ranging from 2008 through 2026 and two term bonds maturing on 2030 and 2036, respectively. Yields for the serial bonds range from 3.40% to 4.14% (yields to call for maturities 2017 through 2026), with the term bonds yielding 4.16% and 4.20% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being price to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of $4,978,449 that will be amortized over the life of the debt service.

In April 2015, the Agency refunded all of the 2006C certificates (2015 Series A). (See 2015 Series A for their respective debt service requirements.)

2008 Series A Revenue Refunding Certificates of Participation

In May 2008, the Agency refunded all of the 2004B certificates; the swap agreement remained in effect until August 2014 for the 2008A certificates (2008 Series A). The certificates are payable solely from installment payments to be made by the Agency. Interest on the certificates is calculated weekly at rates for Weekly Interest Rate Periods and payable monthly. Principal matures August 1 of each year through August 1, 2020. Certificates are in denominations of $100,000 and bear interest from the date of issue to their maturity. The interest rate on the refunding certificates is determined by the remarketing agent on Tuesday of each week during the Weekly Interest Rate Period.

Annual debt service requirements on the 2008 Series A Revenue Refunding Certificates of Participation are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 5,375,000	364,958	5,739,958
2019	5,600,000	345,417	5,945,417
2020	5,800,000	249,303	6,049,303
2021	6,050,000	48,284	6,098,284
Total	22,825,000	1,007,962	23,832,962
Less current portion	(5,375,000)		
Total non-current	$ 17,450,000		

In June 2010, the Agency implemented GASB Statement No. 53, which established accounting and financial reporting standards for all state and local governments that enter into derivative instrument agreements. The analysis of the swap valuation is conducted annually to comply with the reporting requirement of the GASB Statement No. 53.

(9) Long-Term Debt, continued

2010 Series A Revenue Refunding Certificates of Participation

In June 2010, the Corporation issued $70,595,000 of certificates of participation to provide funds to prepay $68,520,000 of the Agency's outstanding 2001 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by the Agency. Pursuant to the reserve requirement, $5,349,556 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of $5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum.

Annual debt service requirements on the 2010 Series A Revenue Certificates of Participation are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 2,865,000	2,413,906	5,278,906
2019	2,995,000	2,289,056	5,284,056
2020	3,115,000	2,158,681	5,273,681
2021	3,260,000	2,014,506	5,274,506
2022	3,405,000	1,860,681	5,265,681
2023-2027	19,590,000	6,675,849	26,265,849
2028-2031	19,085,000	1,850,851	20,935,851
Total	54,315,000	19,263,530	73,578,530
Add: bond premium	1,353,506		
Less current portion	(2,865,000)		
Total non-current	$ 52,803,506		

Premium on Issuance – 2010 A

The Series 2010 A Certificates of Participation are structured as serial bonds with maturities ranging from 2011 through 2031. Yields for the serial bonds range from 2.00% to 5.00% and market conditions required that the Certificates be structured in a manner that resulted in an original issue premium of $2,082,316 that will be amortized over the life of the debt service.

2010 Series B Revenue Certificates of Participation

In May 2010, the Santa Clarita Water Division (Retail) of the Agency issued $14,475,000 of certificates of participation to provide funds to acquire the new Administration Office Building, several reservoir tanks and well. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2016, the fiscal year 2017 principal was defeased. The balance at the end of the FY 2016/17 is $12,900,000.

(9) Long-Term Debt, continued

2010 Series B Revenue Certificates of Participation, continued

Annual debt service requirements on the 2010 Series B Revenue Certificates of Participation are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 290,000	666,238	956,238
2019-2022	1,295,000	2,540,106	3,835,106
2023-2027	2,010,000	2,766,494	4,776,494
2028-2032	2,585,000	2,168,694	4,753,694
2033-2037	3,340,000	1,394,312	4,734,312
2038-2041	3,380,000	384,176	3,764,176
Total	12,900,000	9,920,020	22,820,020
Add: bond premium	624,358		
Less current portion	(290,000)		
Total non-current	$ 13,234,358		

Premium on Issuance – 2010 B

The Series 2010 A Certificates of Participation are structured as serial bonds with maturities ranging from 2011 through 2040. Yields for the serial bonds range from 2.00% to 5.50%, and market conditions required that the Certificates be structured in a manner that resulted in an original issue premium of $818,202 that will be amortized over the life of the debt service.

2011 Series A Revenue Bonds

In September 2011, the Retail division issued $52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the Castaic Lake Water Agency (the “Agency”) and Devil’s Den Water District (the “District”), to provide funds to prepay the outstanding interfund loan balance payable by Retail to the Agency. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company’s (SCWC) stock for $63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2016, the fiscal year 2017 principal was defeased. The balance at the end of the FY 2016/17 is $43,295,000.

(9) Long-Term Debt, continued

2011 Series A Revenue Bonds, continued

Annual debt service requirements on the 2011 Series A Revenue Bonds are as follows:

Fiscal Year		Principal	Interest	Total
2018	$	2,455,000	2,077,137	4,532,137
2019		2,705,000	1,948,137	4,653,137
2020		2,950,000	1,821,513	4,771,513
2021		3,210,000	1,682,263	4,892,263
2022		3,490,000	1,527,263	5,017,263
2023-2027		22,400,000	4,635,290	27,035,290
2028		6,085,000	159,729	6,244,729
Total		43,295,000	13,851,332	57,146,332
Add: bond premium		4,143,173		
Less current portion		(2,455,000)		
Total non-current	$	44,983,173		

Premium on Issuance – 2011 A

The Series 2011 A Revenue Bonds are structured as serial bonds with maturities ranging from 2013 through 2028. Yields for the serial bonds range from 3.00% to 5.25% and market conditions required that the Bonds be structured in a manner that resulted in an original issue premium of $6,540,049 that will be amortized over the life of the debt service.

2014 Series A Revenue Refunding Bonds

In June 2014, the Agency issued $16,750,000 of revenue bonds to provide funds to prepay $20,495,000 of the Agency's outstanding 2004 A Revenue Certificates of Participation. The aggregate difference between the refunding debt and the refunded debt is $2,055,250. This amount is being netted against the new debt and amortized over the life of the refunding debt. The Agency completed the refunding to reduce the Agency's total debt service payments over the next 6 years by achieving a $2,147,813 savings, 10.48% net present value savings. The bonds are payable solely from installment payments to be made by the Agency. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2020. Bonds are in denominations of $5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum.

(9) Long-Term Debt, continued

2014 Series A Revenue Refunding Bonds, continued

Annual debt service requirements on the 2014 Series A Revenue Refunding Bonds are as follows:

Fiscal Year		Principal	Interest	Total
2018	$	2,685,000	464,400	3,149,400
2019		2,920,000	355,100	3,275,100
2020		3,070,000	226,500	3,296,500
2021		2,780,000	76,750	2,856,750
Total		11,455,000	1,122,750	12,577,750
Add: bond premium		954,794		
Less current portion		(2,685,000)		
Total non-current	$	9,724,794		

2015 Series A Revenue Refunding Bonds

In April 2015, the Agency issued $64,000,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to prepay $77,685,000 of the Agency's outstanding 2006 C Revenue Certificates of Participation. The difference between the net carrying amount and the reacquisition price is considered immaterial and recognized upon refunding. The Agency completed the refunding to reduce the Agency's total debt service payments over the next 20 years by achieving a $10,311,149 savings, 13.27% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

Annual debt service requirements on the 2015 Series A Revenue Refunding Bonds are as follows:

Fiscal Year		Principal	Interest	Total
2018	$	2,105,000	2,931,725	5,036,725
2019		2,165,000	2,856,850	5,021,850
2020		2,250,000	2,768,550	5,018,550
2021		2,345,000	2,676,650	5,021,650
2022-2026		13,465,000	11,530,625	24,995,625
2027-2031		17,185,000	7,718,125	24,903,125
2032-2036		21,945,000	2,849,625	24,794,625
Total		61,460,000	33,332,150	94,792,150
Add: bond premium		9,290,386		
Less current portion		(2,105,000)		
Total non-current	$	68,645,386		

(9) Long-Term Debt, continued

2016 Series A Revenue Refunding Bonds

In May 2016, the Agency issued $56,395,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to prepay $35,555,000 of the Agency's outstanding 2006 A Revenue Certificates of Participation (2016 Series A Refunding) and to provide $30,665,000 new funds (2016 Series A New) to acquire certain capital improvements to the Agency's Wholesale System. The difference between the net carrying amount and the reacquisition price is considered immaterial and recognized upon refunding. The Agency completed the refunding portion to reduce the Agency's total debt service payments over the next 15 years by achieving a $5,909,717 savings, 16.62% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

Annual debt service requirements on the 2016 Series A Revenue Refunding Bonds are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,380,000	1,148,900	2,528,900
2019	1,410,000	1,113,950	2,523,950
2020	1,460,000	1,063,600	2,523,600
2021	1,520,000	996,400	2,516,400
2022	1,600,000	918,400	2,518,400
2023-2027	9,270,000	3,314,700	12,584,700
2028-2031	9,090,000	936,250	10,026,250
Total	25,730,000	9,492,200	35,222,200
Add: bond premium	4,662,229		
Less current portion	(1,380,000)		
Total non-current	$ 29,012,229		

(9) Long-Term Debt, continued

2016 Series A Revenue Refunding Bonds

Fiscal Year	Principal	Interest	Total
2018	$ 475,000	1,485,450	1,960,450
2019	490,000	1,473,350	1,963,350
2020	510,000	1,455,800	1,965,800
2021	535,000	1,432,225	1,967,225
2022	560,000	1,404,850	1,964,850
2023-2027	3,250,000	6,576,750	9,826,750
2028-2032	4,105,000	5,718,625	9,823,625
2033-2037	5,270,000	4,553,000	9,823,000
2038-2042	6,775,000	3,054,375	9,829,375
2043-2047	8,695,000	1,130,125	9,825,125
Total	30,665,000	28,284,550	58,949,550
Add: bond premium	6,000,471		
Less current portion	(475,000)		
Total non-current	$ 36,190,471		

(10) Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At June 30, 2017, the net investment in capital assets for governmental activities was $225,221,543 and the net investment in capital assets for business-type activities was $51,818,554.

The balance consists of the following:

	Governmental Activities	Business-type Activities	Total
Capital assets, net	$ 435,379,228	112,781,085	548,160,313
Long-term debt payable	(292,067,020)	(60,962,531)	(353,029,551)
Adjustments on long-term debt payable:			
1999 Series A cap appreciation bonds accreation since issuance	39,947,136	-	39,947,136
2010 Series A reserve fund	5,349,556	-	5,349,556
Unspent proceeds for capital improvement	36,612,643	-	36,612,643
Total	$ 225,221,543	51,818,554	277,040,097

(11) Fund Balances

In May 2011, the Agency adopted a fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications: (1) non-spendable – accounts for fund balances that are not in "spendable" form, such as inventories and prepaid amounts; (2) restricted – accounts for fund balances that are restricted by debt covenants and laws; (3) committed – accounts for fund balances that are committed for specific purposes by formal action of the Board of Directors of the Agency; (4) assigned – accounts for fund balances that are constrained by the Agency's "intent" to be used for specific purposes, but are neither restricted nor committed except for stabilization arrangements; and (5) unassigned – accounts for fund balances that have not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes.

At June 30, 2017, fund balances are as follows:

	General Fund	Pledged Revenue	State Water Contract	Capital Project	Debt Service	Total Governmental Funds
Fund Balances:						
Non-spendable (prepaid items)	$ 19,209	-	155,731	-	-	174,940
Restricted	-	-	46,540,014	33,687,112	5,465,687	85,692,813
Committed:						
Reserve policy	5,920,000	64,462,590	-	-	-	70,382,590
Investment in the stock of the Valencia Water Co.	-	55,190,700	-	-	-	55,190,700
Assigned:						
Capital projects	-	20,105,659	-	-	-	20,105,659
Operations	6,309,362	-	-	-	-	6,309,362
Total	$ 12,248,571	139,758,949	46,695,745	33,687,112	5,465,687	237,856,064

Restricted:

State Water Contract – The Burns-Porter Act (Act) was approved by voters in 1960 to assist in the construction of a State Water Resources Development System for the State of California. The right to levy taxes for this purpose is included in the provisions of Section 11652 of the Water Code governing Central Valley Project, which are incorporated by reference into the Act. This law authorized the Agency to levy property taxes, but only for payment of the Agency's State Water Project obligation or debt services on general obligations bonds.

Capital Project – fund to account for major capital projects, acquisition and improvements to the Agency's wholesale water system.

Debt Service – funds held by US Bank, the trustee, for various debt reserve requirements.

Committed:

Reserve Policy – Agency Board approved reserve amount.

Investment in the stock of the Valencia Water Company – Agency Board approved the acquisition of the stock of the Valencia Water Company.

Assigned:

General Fund – intended for the Agency's operations and maintenance expenditures.

Pledged Revenue – intended for the Agency's minor capital projects, planning studies and administration, new equipment, repair and replacement program and compensated absences.

(12) Deferred Compensation Savings Plan

457 Deferred Compensation Savings Plan

For the benefit of its employees, the Agency participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2017, was $13,195,107.

The Agency has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the Agency has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net assets.

(13) Defined Benefit Plan

401(a) Defined Benefit Plan

Also, for the benefit of its employees, the Agency participates in a 401(a) Defined Benefit Program (401(a) Program. The purpose of this 401(a) Program is to provide a defined benefit for public employees who fully contribute to their 457 Program. Generally, the Agency will match up to a certain amount for employees who fully contribute to their 457 Plan for the year. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the defined benefit for income tax purposes.

Federal law requires defined benefit assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2017, was $528,918.

(14) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Agency's separate Miscellaneous Employee Pension Plans, cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

(14) Defined Benefit Pension Plan, continued

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 2% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired on or after January 1, 2013 are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The following plan groups are as follows:

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

New Members - in accordance with the PEPRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

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

	Miscellaneous Pool	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2011	On or after January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	Monthly for life	
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.50%
Required employer contribution rates	11.90%	6.73%

Contributions

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

(14) Defined Benefit Pension Plan, continued

Contributions, continued

For the fiscal years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	2017	2016
Contributions – employer	$ 1,140,043	1,138,635

Net Pension Liability

As of June 30, 2017 and 2016, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2017	2016
Proportionate share of net pension liability	$ 8,559,161	6,187,106

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

The Agency's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2015 and 2016, were as follows:

	Miscellaneous
Proportion – June 30, 2014	0.09601%
Decrease in proportion	-0.00587%
Proportion – June 30, 2015	0.09014%
Increase in proportion	0.00877%
Proportion – June 30, 2016	0.09891%

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2017 and 2016, the Agency recognized pension (credit) expense of $(373,942) and $1,145,764, respectively.

(14) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2017 and 2016, the Agency reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	2017		2016	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,256,199	-	1,140,043	-
Differences between actual and expected experience	30,895	-	72,542	-
Differences in actual contribution and proportionate share of contribution	-	45,108	20,294	-
Changes in assumptions	-	379,178	-	686,314
Net differences between projected and actual earnings on plan investments	1,973,498	-	-	344,058
Adjustment due to differences in proportions of net pension liability	174,624	-	62,426	-
Total	$ 3,435,216	424,286	1,295,305	1,030,372

As of June 30, 2017 and 2016, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $114,507 and $83,557, respectively and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 and 2017.

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

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2018	$ 147,556
2019	239,365
2020	841,294
2021	526,516

(14) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined by actuarial valuation reports as of June 30, 2015, which were rolled forward to June 30, 2016, using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Retirement	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

Discount rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

(14) Defined Benefit Pension Plan, continued

Discount rate, continued

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2017, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate:

(14) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

As of June 30, 2017, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
Agency's Net Pension Liability	$ 12,891,300	8,559,161	4,458,764

As of June 30, 2016, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.50%	Current Discount Rate 7.50%	Discount Rate + 1% 8.50%
Agency's Net Pension Liability	$ 10,004,555	6,187,106	2,630,786

Payable to the Pension Plan

At June 30, 2017 and 2016, the Agency reported no payables for the outstanding amount of contribution to the pension plan.

Pension Plan Basis of Presentation and Basis of Accounting

Employers participating in the Plan are required to report pension information in their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedules of Employer Allocations by Rate Plan of the miscellaneous and safety risk pools and Schedule of Collective Pension Amounts (the Schedules) provide employers with certain required information for financial reporting related to CalPERS pensions.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 71 through 72 for the Required Supplementary Schedules.

(14) Defined Benefit Pension Plan, continued

Allocation of Pension Amounts to Individual Plans

CalPERS prepared separate GASB 68 Accounting Valuation Reports for the miscellaneous risk pool and the safety risk pool. The schedules of employer allocations provide allocation factors by rate plan for rate plans within the miscellaneous and safety risk pools based on the following allocation methodology:

The schedules of employer allocation by rate plan include three ratios:

1) Actuarial accrued liability – determined based on the actuarial accrued liability from the most recent Actuarial Valuation Report as of June 30, 2015, used for funding purposes.

2) Market Value of Assets – determined based on the sum of the Market Value of Assets (MVA) from the most recent Actuarial Valuation as of June 30, 2015 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

3) Contributions – determined based on the legally or statutorily required employer contributions for the fiscal year ended June 30, 2016, including reported contribution adjustments and suspended payroll information. Legally or statutorily required employer contributions were determined by multiplying the employer's contribution rate by the annual benefit compensation (payroll) for the fiscal year and excluding payments for benefit improvements known as Golden Handshakes, which CalPERS considers to be separately finance employer-specific liabilities.

When applying the allocation methodology to the collective miscellaneous or safety risk pool pension amounts, employers should determine the proportionate shares for individual rate plans using the employer rate plan allocation factors as follows:

1) Total pension liability (TPL) – allocate based on the rate plan's share of the Actuarial Accrued Liability.

2) Fiduciary Net Position (FNP) – allocate based on the rate plan's share of the Market Value of Assets.

3) Net Pension Liability – after completing the above calculations, subtract (or deduct) FNP from TPL to calculate the individual rate plan's Net Pension Liability.

4) Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense – allocate based on the rate plan's share of Contributions.

Employers should add the proportionate share percentages of their miscellaneous and safety rate plans to determine the employer's total proportion of the related miscellaneous and safety risk pools, and apply those proportionate share percentages to the appropriate pension amounts reported in the Schedule of Collective Pension Amounts.

The preparation of the Schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

(15) Other Post-Employment Benefits Assets

The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in GASB Statement No. 45. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The new reporting requirements for these benefit programs as they pertain to the Agency are set forth below.

Plan Description – Eligibility

The following requirements must be satisfied in order to be eligible for post-employment medical and dental benefits:

Full time employees hired before January 1, 2009, – attainment of age 55 and retirement from the Agency (the Agency must be the last employer prior to retirement).

Full time employees hired on or after January 1, 2009, – attainment of age 55 and requires at least five years of CalPERS-eligible service earned through employment with the Agency. The amount of benefit is based on the number of CalPERS credited years ranging from 50% to 100% of premium paid by the Agency. The maximum benefit amounts are set by the State each year as provided by Government Code Section 22825.2(1).

Membership in the OPEB plan consisted of the following members as of June 30:

	2017	2016	2015
Active plan members	122	121	110
Retirees and beneficiaries receiving benefits	40	37	37
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	162	158	147

Plan Description – Benefits

The Agency offers post employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the Agency's medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The Agency is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The fiscal year 15/16 ARC rate is 7% of the annual covered payroll.

(15) Other Post-Employment Benefits Assets, continued

Annual Cost

For the year ended June 30, 2017, the Agency's Annual Required Contribution (ARC) cost is $1,016,310. The Agency's net OPEB asset amounted to $6,761,674. The Agency contributed $1,218,547 and $438,212 in adjustment contributions for current retiree OPEB premiums for the year ended June 30, 2017.

The balance at December 31, consists of the following:		2017	2016	2015
Annual OPEB expense:				
Annual required contribution (ARC)	$	1,016,310	631,790	631,795
Interest on net OPEB obligation		(998,686)	(109,332)	4,478
Adjustment to annual required contribution		(52,680)	4,011	7,785
Total annual OPEB expense		(35,056)	526,469	644,058
Change in net OPEB payable obligation:				
Age adjusted contributions made		(438,212)	(411,585)	(363,378)
Contributions to irrevocable trust		(1,218,547)	(685,796)	(658,893)
Total change in net OPEB payable obligation		(1,656,759)	(1,097,381)	(1,022,271)
OPEB payable (asset) – beginning of year		(5,069,859)	(4,498,947)	(4,120,734)
OPEB payable (asset) – end of year	$	(6,761,674)	(5,069,859)	(4,498,947)

The Agency's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017, and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation/Assets

Fiscal Year Ended		Annual Required Contribution	Interest On Net OPEB	Adjustment to ARC	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable (Assets)
2017	$	1,016,310	998,686	52,680	(35,056)	1,656,759	-4726.04%	(6,761,674)
2016		631,790	109,332	(4,011)	526,469	1,097,381	208.44%	(5,069,859)
2015		631,795	(4,478)	(7,785)	644,058	1,022,271	158.72%	(4,498,947)

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of $15,712,218. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016, was $9,797,086. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 68.89%. See the actuarially determined Schedule of Funding Progress on page 73.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods, and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

(15) Other Post-Employment Benefits Assets, continued

Actuarial Methods and Assumptions

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Amortization period	Open
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.28%
Projected salary increase	3.00%
Healthcare - discount rate	10.50%
Inflation - discount rate	7.28%
Individual salary growth	Agency bi-annual salary survey

(16) Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. As of June 30, 2017, the Agency limits and deductibles for liability, property, and workers compensation programs of the ACWA/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. The ACWA/JPIA purchased additional excess coverage layers: $59 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

- Property loss is paid at the replacement cost for buildings, fixed equipment, and personal property on file, if replaced within two years after the loss, otherwise paid on 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. ACWA/JPIA purchased excess coverage for a combined total of $100 million per occurrence.

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

- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law, and Employer's Liability Coverage up to $4 million. The Authority is self-insured up to $2 million and excess loss insurance has been purchased.

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

- Crime coverage up to $1,000,000 per loss includes 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.

(16) Risk Management

- Cyber liability coverage up to $2,000,000 per occurrence with an aggregate of $5,000,000 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, subject to a $50,000 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2017. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2017.

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

Governmental Accounting Standards Board Statement No. 83, continued

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

(18) Commitments and Contingencies

Department of Water Resources (DWR) Water Contract Commitment

On April 30, 1963, a contract was entered into between the State of California acting by and through its Department of Water Resources and the Agency (the Contract), pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California. The contract provides for a maximum annual water entitlement for the Agency of up tot 41,500 acre feet. As amended, on January 1, 1991, the Agency began receiving the Devil's Den agricultural entitlement of 12,700 acre feet. In March 1999, the Agency purchased an additional 41,000 acre feet from Wheeler Ridge-Maricopa Water Storage District, bringing the total maximum entitlement to 95,200 acre feet. The agreement contemplated water delivery of 20,100 acre feet beginning in 1981, with increasing deliveries through the years until the maximum entitlement was reached in 1991. However, as of June 30, 2003, the water delivery objectives of the Contract cannot be achieved unless additional conservation features are constructed. The term of the Contract is for the project re-payment period or 75 year, whichever is longer, and provides for a pledge of certain Agency revenues to the bondholders of the State under the Bond Act.

(18) Commitments and Contingencies, continued

Department of Water Resources (DWR) Water Contract Commitment, continued

Provision is made in the Contract for two general charges: (1) a Delta water charge and (2) a transportation charge, which are divided into components. The Delta water charge is intended to return to the State all costs of project conservation facilities including capital, maintenance, operation and replacement components, and is charged to the Agency on the basis of water entitlement and/or delivery. The transportation charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation and replacement component.

At June 30, 2017, the remaining estimated commitment for these charges is as follows:

Calendar year ending December 31		Amount
2017	$	25,573,156
2018		28,917,776
2019		29,043,631
2020		29,162,168
2021		28,887,671
2022-2026		144,183,550
2027-2031		143,747,229
2032-2035		115,179,898
Total	$	544,695,079

Buena Vista/Rosedale-Rio Bravo (BVRRB) Water Acquisition Commitment

On May 22, 2007, the Agency entered into a 30-year agreement with the Buena Vista Water Storage District and 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 purchase price was established in FY 2006/07 at $486.85 per AF, or $5,335,350. The purchase price will be adjusted each calendar year by Consumer Price Index (All Urban Consumers – All Items – Southern California Area) and every 10 years based on historical changes to the cost of the State Water Project. The current purchase price is $803.54 per AF.

Payments due under the DWR and BVRRB agreements are similar in nature to a long-term operating lease, since the Agency does not take title to any assets of the DWR and BVRRB at the end of the water delivery period. Accordingly, no liability under this contract is recorded in the Statement of Net Position.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

(18) Commitments and Contingencies, continued

Construction Contracts

The Agency has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems and other Agency activities. The financing of such contracts is being provided primarily from the Agency's replacement reserves and advances for construction. The Agency has committed to approximately $10,453,401 of open construction contracts as of June 30, 2017.

The contracts outstanding include:

Project Name	Contractor	Total Approved Contract	Construction Costs to Date	Balance to Complete
Governmental activities:				
Earl Smith Filtration Plant Clearwell/CT Improvements	Clark Brothers	$ 5,623,745	313,029	5,310,716
Rio Vista Valve No. 2 Modifications	Environmental Construction	2,089,672	-	2,089,672
Newhall Lateral Facility Reach 2B Modifications	GSE Construction	440,100	440,100	-
Foothill Feeder Turnout CLWA-01	GSE Construction	2,691,300	-	2,691,300
RVWTP Ozone Collection System Modification	GSE Construction	169,975	169,975	-
Earl Smith Intake Pump Station Additional Pump	GSE Construction	546,645	546,645	-
Sub-Total		11,561,437	1,469,749	10,091,688
Business-type activities:				
Pardee Aliento Age Qualified - Tract 52414-05	STAATS Construction	318,085	161,176	156,909
Toll Brothers Plum Canyon Phase 2 - Tract 46018-11	STAATS Construction	932,513	774,754	157,759
Interior Coating Replacement Retrofit - Deane Tank No. 2	Spiess Construction Co., Inc.	160,015	112,970	47,045
Sub-Total		1,410,613	1,048,900	361,713
Total		$ 12,972,050	2,518,649	10,453,401

(19) Subsequent Events

Events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosure as of October 30, 2017, which is the date the financial statements.

In October 11, 2017, the Upper Santa Clara Valley Joint Powers Authority (Authority) issued $50,745,000 Refunding Revenue Bonds, Series 2017A, which refunded the Authority's outstanding Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division), refunded the outstanding Agency Retail System Revenue Certificates of Participation, Series 2010B (Santa Clarita Water Division), as well as provided funds for the cost of issuance of the Series 2017A Bonds.

On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency and Newhall County Water District to create Santa Clarita Valley Water Agency (New Agency). The effect of the agreement creating this new entity will be January 1, 2018.

Required Supplementary Information

Castaic Lake Water Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended June 30, 2017

		Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues				
Water sales – Agency	$	20,049,300	22,945,290	2,895,990
Laboratory fees		106,000	105,309	(691)
Interest and investment earnings		74,000	118,517	44,517
Other		1,588,300	1,653,972	65,672
Total revenues		21,817,600	24,823,088	3,005,488
Expenditures:				
Water treatment operations		5,175,700	5,395,285	(219,585)
Water resources		6,533,600	5,095,835	1,437,765
Maintenance		3,173,200	3,278,275	(105,075)
Water quality and regulatory affairs		1,014,000	994,096	19,904
Administration		4,779,000	4,472,984	306,016
Management		2,147,700	2,464,425	(316,725)
Engineering		856,900	1,151,426	(294,526)
Total expenditures		23,680,100	22,852,326	827,774
Excess of revenues (under) expenditures		(1,862,500)	1,970,762	3,833,262
Net change in fund balance		(1,862,500)	1,970,762	3,833,262
Fund balance – beginning of period		10,277,809	10,277,809	
Fund balance – end of period	$	8,415,309	12,248,571	

Castaic Lake Water Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Pledged Revenue Fund
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	$ 23,851,900	23,678,437	(173,463)
Facility capacity fee	8,700,000	9,594,164	894,164
Interest and investment earnings	1,321,400	2,212,942	891,542
Other	1,237,000	1,851,579	614,579
Total revenues	35,110,300	37,337,122	2,226,822
Expenditures:			
Capital outlay	13,165,500	12,323,386	842,114
Total expenditures	13,165,500	12,323,386	842,114
Excess of revenues over expenditures	21,944,800	25,013,736	3,068,936
Other financing sources:			
Transfers out	(20,744,765)	(20,729,161)	(15,604)
Total other financing sources	(20,744,765)	(20,729,161)	(15,604)
Net change in fund balance	1,200,035	4,284,575	3,084,540
Fund balance - beginning of period	135,474,374	135,474,374	
Fund balance - end of period	$ 136,674,409	139,758,949	

Castaic Lake Water Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – State Water Contract Fund
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Property taxes	$ 28,767,200	28,366,804	(400,396)
Interest and investment earnings	287,000	451,000	164,000
Other	1,000,000	1,635,972	635,972
Total revenues	30,054,200	30,453,776	399,576
Expenditures:			
State water contract payments	22,300,000	21,113,751	1,186,249
Capital Outlay	9,062,000	2,978,560	6,083,440
Total expenditures	31,362,000	24,092,311	7,269,689
Excess of revenues (under) expenditures	(1,307,800)	6,361,465	7,669,265
Net change in fund balance	(1,307,800)	6,361,465	7,669,265
Fund balance – beginning of period	40,334,280	40,334,280	
Fund balance – end of period	$ 39,026,480	46,695,745	

Basis of Budgeting

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Assistant General Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general fund, pledged revenue fund and state water contract fund.

Castaic Lake Water Agency
Schedule of the Agency's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last 10 Fiscal Years*

		Measurement Dates	
Description	**6/30/2016**	**6/30/2015**	**6/30/2014**
Agency's Proportion of the Net Pension Liability	0.09891%	0.09014%	0.09601%
Agency's Proportionate Share of the Net Pension Liability	$ 8,559,161	6,187,106	5,974,266
Agency's Covered-Employee Payroll	$ 9,517,107	9,606,446	8,961,588
Agency's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	89.93%	64.41%	66.67%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.28%	83.87%	83.03%

Notes:

***Changes in Benefit Terms* –** There were no changes in benefit terms for the measurement date June 30, 2017.

***Changes of Assumptions* –** There were no changes of assumption for the measurement date June 30, 2017.

***** The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

Castaic Lake Water Agency
Schedule of Pension Plan Contributions
As of June 30, 2017
Last 10 Fiscal Years*

Description		Measurement Dates 6/30/2016	6/30/2015	6/30/2014
Actuarially Determined Contribution	$	1,261,244	1,127,997	1,049,369
Contributions in Relation to the Actuarially Determined Contribution		(1,140,043)	(1,138,635)	(1,049,369)
Contribution Deficiency (Excess)	$	121,201	(10,638)	-
Agency's Covered Payroll	$	9,517,107	9,606,446	8,961,588
Contribution's as a percentage of Covered-Employee Payroll		11.98%	11.85%	11.71%

Note:

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

Castaic Lake Water Agency
Schedule of Funding Progress – Other Post-Employment Benefits Plan (OPEB)
For the Year Ended June 30, 2017

The schedule of funding progress below shows the Agency's actuarial value of plan assets, actuarial accrued liability, unfunded actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	7/1/2013	$ 7,524,921	10,139,000	2,614,079	74.22%	$ 9,079,904	28.79%
2015	7/1/2013	8,171,551	10,926,467	2,754,916	74.79%	9,412,753	29.27%
2016	7/1/2015	8,962,671	15,712,218	6,749,547	57.04%	9,797,086	68.89%

CASTAIC LAKE

WATER AGENCY

Other Supplementary Information

Castaic Lake Water Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2017

`		Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:				
Interest and investment earnings	$	100,000	226,795	126,795
Others		4,215,000	2,375,885	(1,839,115)
Total revenues		4,315,000	2,602,680	(1,712,320)
Expenditures:				
Capital outlay		18,563,900	5,528,211	13,035,689
Total expenditures		18,563,900	5,528,211	13,035,689
Excess of revenues (under) expenditures		(14,248,900)	(2,925,531)	11,323,369
Net change in fund balance		(14,248,900)	(2,925,531)	11,323,369
Fund balance - beginning of period		36,612,643	36,612,643	
Fund balance - end of period	$	22,363,743	33,687,112	

Castaic Lake Water Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Debt Service Fund
For the Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:	$		
Interest and investment earnings	151,000	152,226	1,226
Total revenues	151,000	152,226	1,226
Expenditures:			
Interest expense	8,345,765	8,343,337	2,428
Principal payments expense	12,550,000	12,550,000	-
Total expenditures	20,895,765	20,893,337	2,428
Excess of revenues (under) expenditures	(20,744,765)	(20,741,111)	3,654
Other financing sources:			
Transfers in	20,744,765	20,729,161	(15,604)
Total other financing sources	20,744,765	20,729,161	(15,604)
Net change in fund balance	-	(11,950)	(11,950)
Fund balance - beginning of period	5,477,637	5,477,637	
Fund balance - end of period	$ 5,477,637	5,465,687	

CASTAIC LAKE
WATER AGENCY

Statistical Section

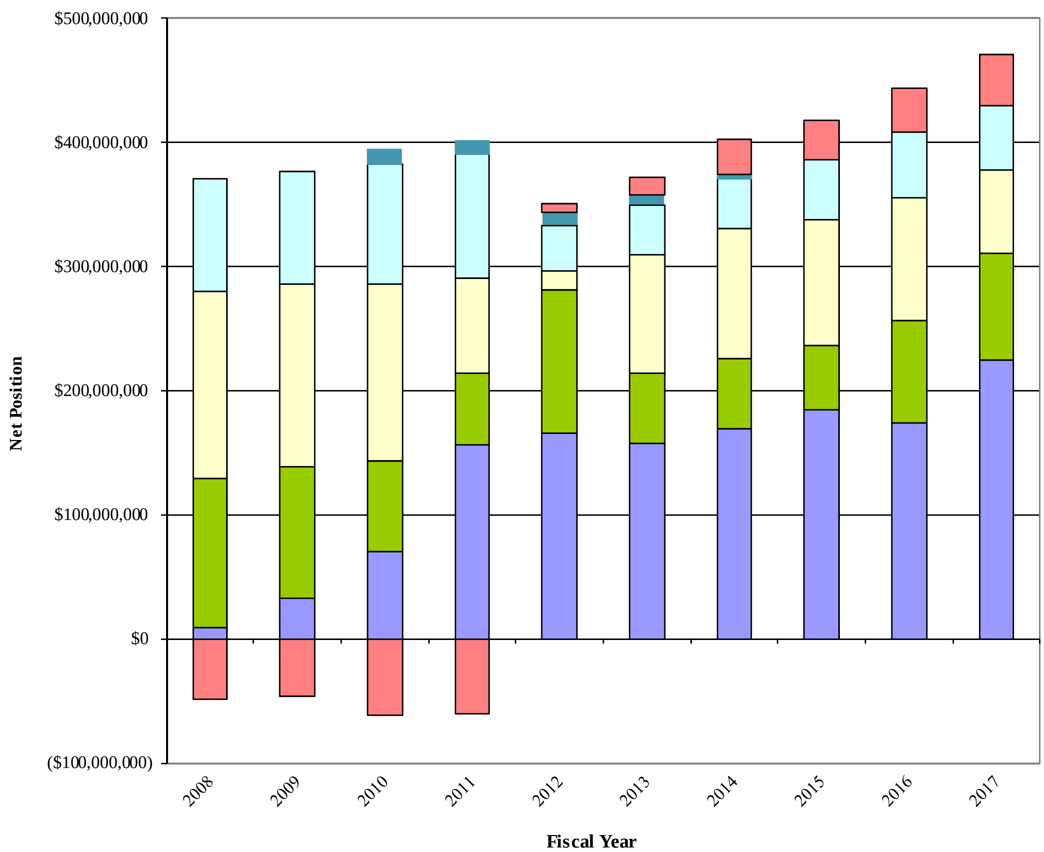
Castaic Lake Water Agency
Statistical Section

This part of the Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

Table of Contents

Castaic Lake Water Agency
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
Governmental activities					
Invested in capital assets, net of related debt	$ 8,519,004	32,533,377	70,579,699	156,643,758	165,223,050
Restricted	120,596,282	105,758,118	72,605,463	57,911,515	115,753,427
Unrestricted	151,323,567	147,449,404	142,428,175	76,256,980	16,080,166
Total governmental activities net position	280,438,853	285,740,899	285,613,337	290,812,253	297,056,643
Business-type activities					
Invested in capital assets, net of related debt	90,863,292	91,383,684	96,749,019	99,974,771	36,339,546
Restricted	-	-	12,238,117	10,692,889	10,451,190
Unrestricted	(49,098,684)	(46,884,101)	(61,505,829)	(60,249,188)	7,027,088
Total business-type activities net position	41,764,608	44,499,583	47,481,307	50,418,472	53,817,824
Primary government					
Invested in capital assets, net of related debt	99,382,296	123,917,061	167,328,718	256,618,529	201,562,596
Restricted	120,596,282	105,758,118	72,605,463	57,911,515	126,204,617
Unrestricted	102,224,883	100,565,303	80,922,346	16,007,792	23,107,254
Total primary government net position	$ 322,203,461	330,240,482	320,856,527	330,537,836	350,874,467



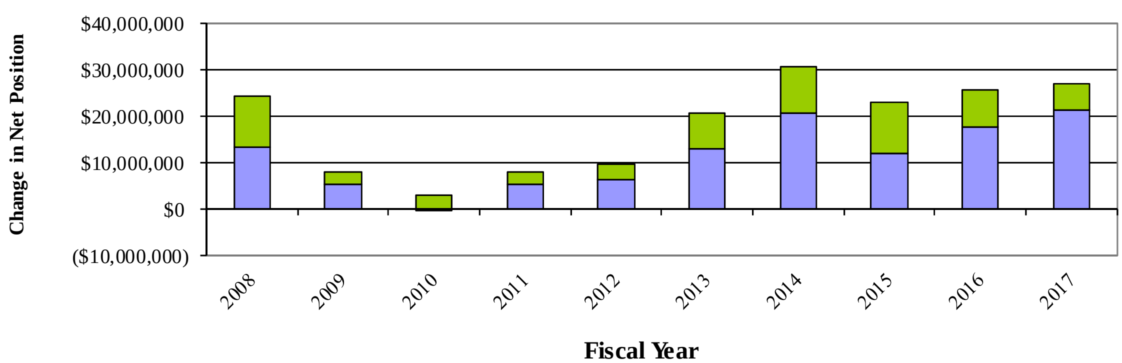
Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Net Position by Component, continued
Last Ten Fiscal Years

		Fiscal Year		
2013	2014	2015	2016	2017
157,758,346	168,967,912	184,777,073	173,702,698	225,221,543
55,760,793	57,396,285	51,538,524	82,424,560	85,848,544
96,518,251	104,442,481	102,073,443	99,873,852	66,402,451
310,037,390	330,806,678	338,389,040	356,001,110	377,472,538
39,583,851	39,893,716	47,216,529	52,200,675	51,818,554
8,307,214	3,835,076	-	-	-
13,743,212	27,866,509	32,487,657	35,401,664	41,192,498
61,634,277	71,595,301	79,704,186	87,602,339	93,011,052
197,342,197	208,861,628	231,993,602	225,903,373	277,040,097
64,068,007	61,231,361	51,538,524	82,424,560	85,848,544
110,261,463	132,308,990	134,561,100	135,275,516	107,594,949
371,671,667	402,401,979	418,093,226	443,603,449	470,483,590

Castaic Lake Water Agency
Changes in Net Position
Last Ten Fiscal Years

		Fiscal Year			
	2008	2009	2010	2011	2012
Expenses					
Governmental activities:					
Wholesale water operations	$ 38,557,149	51,285,178	47,922,365	49,539,982	52,630,577
Interest on long-term debt	18,929,576	17,021,922	19,341,062	15,492,620	15,227,580
Total governmental activities expenses	57,486,725	68,307,100	67,263,427	65,032,602	67,858,157
Business-type activities:					
Water enterprise	18,620,416	20,503,320	21,669,243	23,447,992	27,114,494
Total primary government expenses	76,107,141	88,810,420	88,932,670	88,480,594	94,972,651
Program Revenues					
Governmental activities:					
Charges for services – wholesale water operations	10,151,507	9,933,606	11,172,749	14,433,782	17,056,699
Capital grants and contributions	9,197,376	1,824,712	4,016,683	3,220,225	5,986,620
Total governmental activities program revenues	19,348,883	11,758,318	15,189,432	17,654,007	23,043,319
Business-type activities:					
Charges for services – water enterprise	19,649,755	21,462,927	22,058,050	25,139,755	28,697,456
Capital grants and contributions	6,417,457	1,267,966	2,031,072	536,066	1,156,504
Total business-type activities program revenues	26,067,212	22,730,893	24,089,122	25,675,821	29,853,960
Net (Expense)/Revenue					
Governmental activities	(38,137,842)	(56,548,782)	(52,073,995)	(47,378,595)	(44,814,838)
Business-type activities	7,446,796	2,227,573	2,419,879	2,227,829	2,739,466
Total primary government net expense	(30,691,046)	(54,321,209)	(49,654,116)	(45,150,766)	(42,075,372)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	33,964,175	35,692,587	40,461,183	43,220,544	42,433,421
Investment income	12,131,840	9,197,675	5,393,873	4,027,026	4,086,199
Other income	5,378,069	16,960,566	6,091,377	5,329,941	4,539,608
Total governmental activities	51,474,084	61,850,828	51,946,433	52,577,511	51,059,228
Business-type activities:					
Investment income	573,857	294,234	94,742	154,699	162,957
Other income, net	2,852,765	213,168	467,103	554,637	496,930
Total business-type activities	3,426,622	507,402	561,845	709,336	659,887
Total primary government	54,900,706	62,358,230	52,508,278	53,286,847	51,719,115
Changes in Net Position					
Governmental activities	13,336,242	5,302,046	(127,562)	5,198,916	6,244,390
Business-type activities	10,873,418	2,734,975	2,981,724	2,937,165	3,399,353
Total primary government	$ 24,209,660	8,037,021	2,854,162	8,136,081	9,643,743



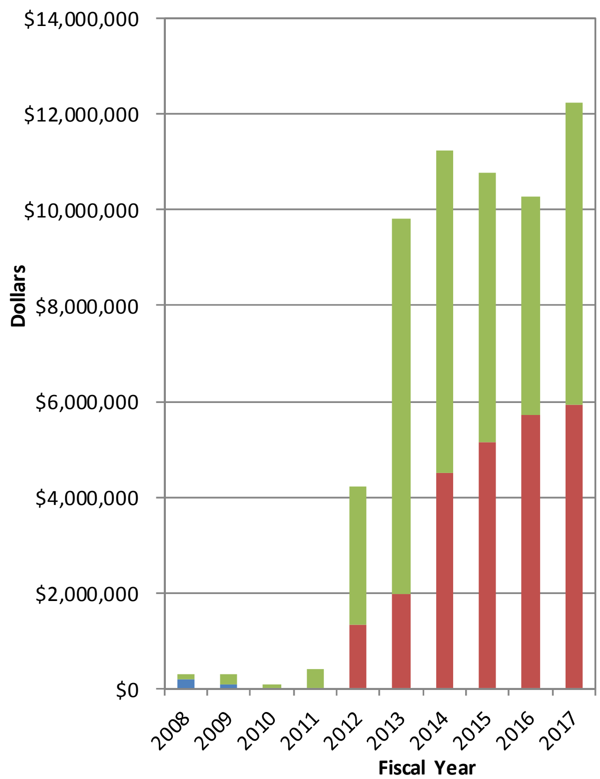
Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Changes in Net Position, continued
Last Ten Fiscal Years

		Fiscal Year		
2013	**2014**	**2015**	**2016**	**2017**
51,835,649	54,000,193	52,647,241	61,412,484	62,217,503
14,755,927	14,451,234	17,160,001	12,273,440	11,679,963
66,591,576	68,451,427	69,807,242	73,685,924	73,897,466
26,116,807	25,243,032	26,569,328	26,754,793	31,243,916
92,708,383	93,694,459	96,376,570	100,440,717	105,141,382
19,578,749	18,093,049	17,255,485	17,763,755	23,050,602
7,914,109	8,695,534	8,193,540	6,747,047	9,594,164
27,492,858	26,788,583	25,449,025	24,510,802	32,644,766
31,031,943	32,504,936	28,872,861	28,624,712	31,931,260
2,201,830	1,869,487	7,566,266	4,536,624	4,063,320
33,233,773	34,374,423	36,439,127	33,161,336	35,994,580
(39,098,718)	(41,662,844)	(44,358,217)	(49,175,122)	(41,252,700)
7,116,966	9,131,391	9,869,799	6,406,543	4,750,664
(31,981,752)	(32,531,453)	(34,488,418)	(42,768,579)	(36,502,036)
42,630,692	44,114,076	47,688,819	49,748,061	52,045,240
3,083,860	3,564,264	2,315,574	2,059,717	3,161,480
6,364,913	14,753,792	6,507,210	14,979,414	7,517,408
52,079,465	62,432,132	56,511,603	66,787,192	62,724,128
132,653	148,852	280,151	381,434	264,128
566,834	680,781	760,534	1,110,176	393,921
699,487	829,633	1,040,685	1,491,610	658,049
52,778,952	63,261,765	57,552,288	68,278,802	63,382,177
12,980,747	20,769,288	12,153,386	17,612,070	21,471,428
7,816,453	9,961,024	10,910,484	7,898,153	5,408,713
20,797,200	30,730,312	23,063,870	25,510,223	26,880,141

Castaic Lake Water Agency
Fund Balances – Governmental Funds
Last Ten Fiscal Years

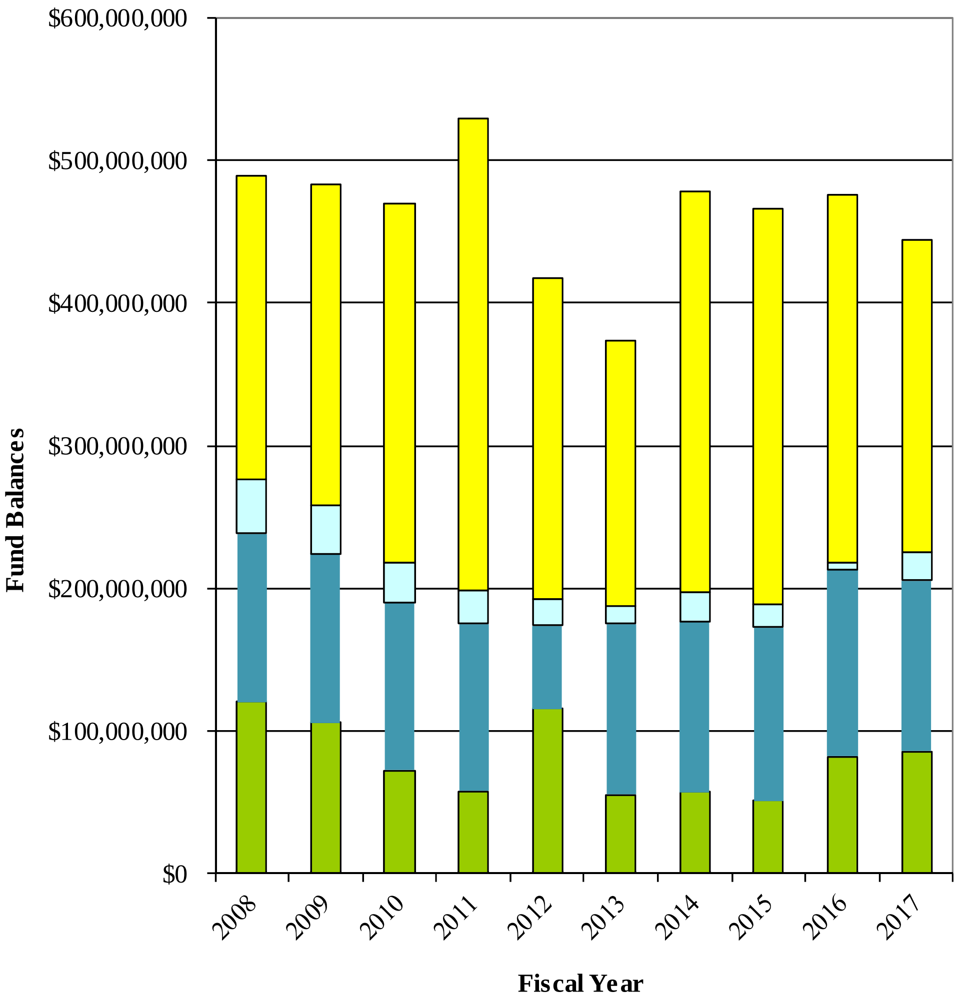
		Fiscal Year				
		2008	2009	2010	2011	2012
General Fund						
Nonspendable	$	196,871	109,339	17,135	13,480	10,000
Committed		-	-	-	-	1,330,000
Assigned		103,129	190,661	82,865	413,805	2,875,923
Total general fund		300,000	300,000	100,000	427,285	4,215,923
All Other Governmental Funds						
Nonspendable		17,125	345,432	228,391	159,935	142,758
Restricted		120,596,282	105,758,118	72,605,463	57,911,515	115,753,427
Committed		118,003,551	118,551,071	117,581,148	116,948,896	57,962,800
Assigned		37,971,867	33,414,877	27,931,828	23,557,711	18,176,577
Unassigned		-	-	-	-	-
Total all other governmental funds	$	276,588,825	258,069,498	218,346,830	198,578,057	192,035,562



Source: Castaic Lake Water Agency audited financial statements

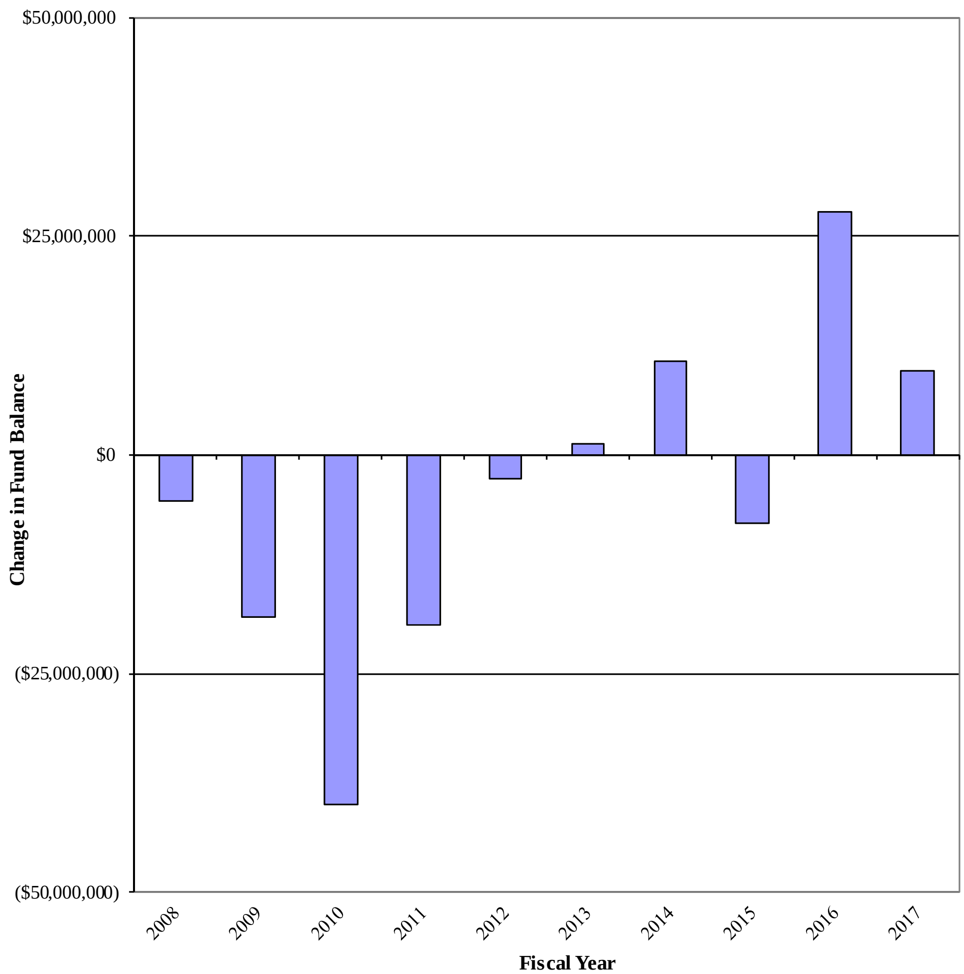
Castaic Lake Water Agency
Fund Balances – Governmental Funds, continued
Last Ten Fiscal Years

Fiscal Year				
2013	2014	2015	2016	2017
10,000	10,000	10,000	13,996	19,209
1,958,679	4,505,300	5,123,600	5,707,000	5,920,000
7,827,766	6,733,546	5,630,901	4,556,813	6,309,362
9,796,445	11,248,846	10,764,501	10,277,809	12,248,571
171,329	188,656	144,459	174,060	155,731
55,589,464	57,207,629	51,394,065	82,250,500	85,692,813
119,249,210	119,804,730	121,064,450	131,422,770	119,653,290
12,749,683	19,732,346	16,975,523	4,051,604	20,105,659
-	-	-	-	
187,759,686	196,933,361	189,578,497	217,898,934	225,607,493



Castaic Lake Water Agency
Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years

	Fiscal Year 2008	2009	2010	2011	2012
Revenues	$ 70,822,967	73,609,146	67,135,865	70,231,518	74,102,547
Expenditures	76,022,355	92,128,477	107,058,533	89,673,006	76,856,404
Excess of revenues over (under) expenditures	(5,199,388)	(18,519,331)	(39,922,668)	(19,441,488)	(2,753,857)
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	-	-	-
Operating transfers in	33,335,882	36,598,715	37,440,721	37,469,290	81,985,446
Operating transfers out	(33,335,882)	(36,598,715)	(37,440,721)	(37,469,290)	(81,985,446)
Total Other Financing Sources (Uses)	-	-	-	-	-
Net change in fund balances	$ (5,199,388)	(18,519,331)	(39,922,668)	(19,441,488)	(2,753,857)
Debt service ratio to non capital expenditures	40.91%	37.50%	40.65%	37.18%	38.81%



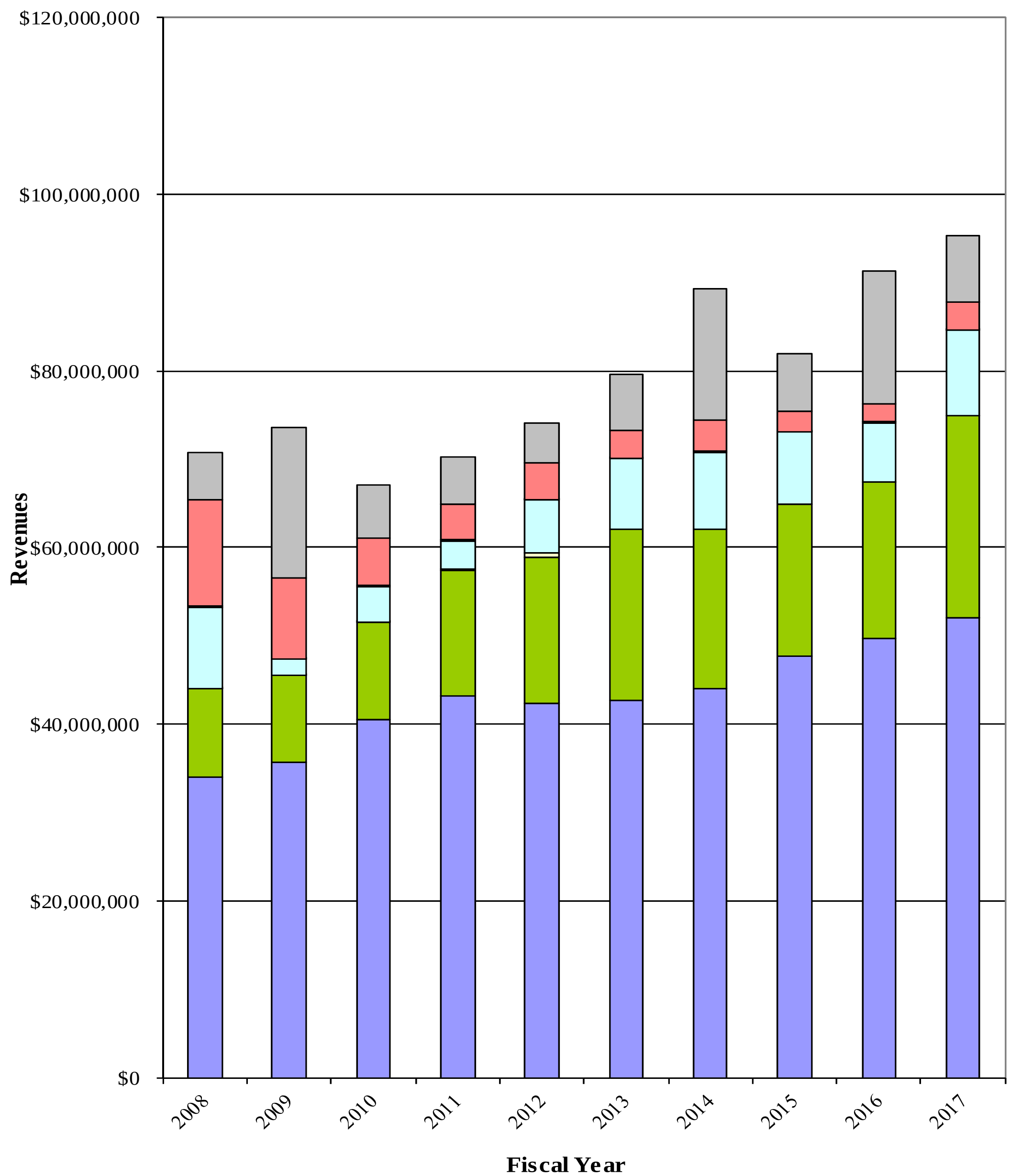
Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Changes in Fund Balances – Governmental Funds, continued
Last Ten Fiscal Years

Fiscal Year				
2013	2014	2015	2016	2017
79,572,323	89,220,715	81,960,628	91,297,994	95,368,892
78,267,677	78,814,475	83,957,042	97,274,027	85,689,571
1,304,646	10,406,240	(1,996,414)	(5,976,033)	9,679,321
-	219,836	(5,842,795)	33,809,778	-
82,826,667	26,225,116	22,239,653	58,477,095	20,729,161
(82,826,667)	(26,225,116)	(22,239,653)	(58,477,095)	(20,729,161)
-	219,836	(5,842,795)	33,809,778	-
1,304,646	10,626,076	(7,839,209)	27,833,745	9,679,321
39.31%	40.83%	36.56%	33.79%	32.21%

Castaic Lake Water Agency
Governmental Fund Revenues
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Property taxes	$ 33,964,175	35,692,587	40,461,183	43,220,544	42,433,421
Water sales - Agency	10,035,533	9,831,410	11,074,364	14,236,852	16,410,876
Water sales - Devil's Den	20,819	7,114	6,434	114,544	560,409
Facility capacity fees	9,197,376	1,824,712	4,016,683	3,220,225	5,986,620
Laboratory fees	95,155	95,082	91,951	82,386	85,414
Interest	12,131,840	9,197,675	5,393,873	4,027,026	4,086,199
Other	5,378,069	16,960,566	6,091,377	5,329,941	4,539,608
Total governmental revenues	$ 70,822,967	73,609,146	67,135,865	70,231,518	74,102,547



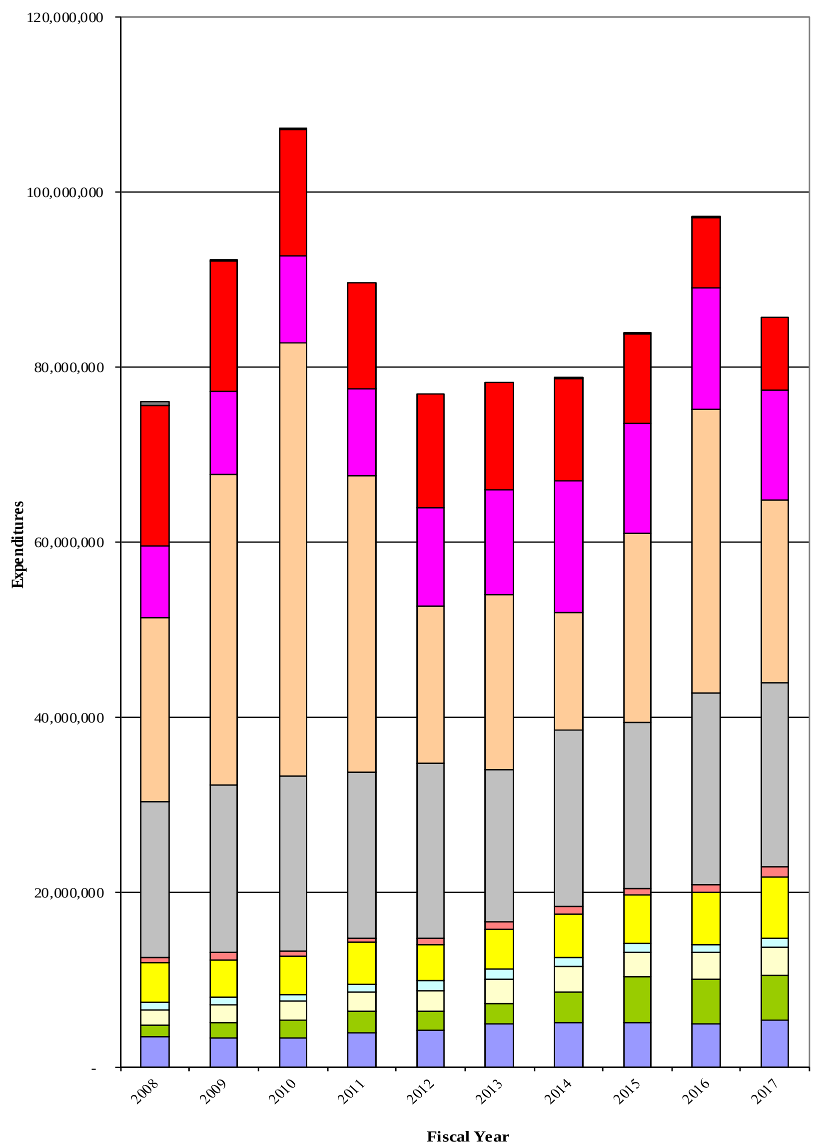
Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Governmental Fund Revenues, continued
Last Ten Fiscal Years

Fiscal Year				
2013	**2014**	**2015**	**2016**	**2017**
42,630,692	44,114,076	47,688,819	49,748,061	52,045,241
19,474,884	17,973,854	17,148,631	17,660,871	22,945,290
-	-	-	-	-
7,914,109	8,695,534	8,193,540	6,747,047	9,594,164
103,865	119,195	106,854	102,884	105,309
3,083,860	3,564,264	2,315,574	2,059,717	3,161,480
6,364,913	14,753,792	6,507,210	14,979,414	7,517,408
79,572,323	89,220,715	81,960,628	91,297,994	95,368,892

Castaic Lake Water Agency
Governmental Fund Expenditures
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Water treatment operations	$ 3,565,133	3,295,972	3,414,408	3,961,439	4,292,775
Water resources	1,222,234	1,750,276	1,929,400	2,461,971	2,103,345
Maintenance	1,835,902	2,061,030	2,195,822	2,230,338	2,418,199
Water quality and regulatory affairs	790,097	866,709	844,750	877,626	1,046,056
Management and Administration	4,562,287	4,343,068	4,253,303	4,752,754	4,132,249
Engineering	593,133	788,433	656,485	508,833	696,661
State water contract payments	17,856,749	19,124,636	19,942,213	18,994,668	20,097,200
Capital outlay	20,947,111	35,521,472	49,479,405	33,845,652	17,841,845
Debt service:					
Principal	8,160,000	9,405,000	9,960,000	9,865,000	11,375,000
Interest	16,104,142	14,965,694	14,390,597	12,174,725	12,853,074
Issuance costs	385,567	6,187	233,500	-	-
Total governmental expenditures	$ 76,022,355	92,128,477	107,299,883	89,673,006	76,856,404



Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Governmental Fund Expenditures
Last Ten Fiscal Years

Fiscal Year				
2013	2014	2015	2016	2017
5,021,354	5,156,265	5,100,474	4,954,109	5,395,285
2,262,890	3,448,559	5,289,336	5,072,042	5,095,835
2,849,415	2,984,218	2,806,058	3,082,075	3,278,275
1,063,255	922,075	924,929	941,920	994,096
4,548,511	5,048,221	5,575,557	5,971,658	6,937,409
852,914	769,294	812,270	894,863	1,151,426
17,484,296	20,274,642	18,919,286	21,799,974	21,113,751
19,975,922	13,369,161	21,618,995	32,483,359	20,830,157
11,980,000	15,080,000	12,471,250	13,865,000	12,550,000
12,229,120	11,558,969	10,251,000	7,938,309	8,343,337
-	203,071	187,887	270,718	-
78,267,677	78,814,475	83,957,042	97,274,027	85,689,571

Castaic Lake Water Agency
Assessed Valuations – Los Angeles and Ventura Counties
Last Ten Fiscal Years

	Secured			Unsecured			
Fiscal Year	Los Angeles County	Ventura County	Totals	Los Angeles County	Ventura County	Totals	Total Direct Tax Rate
2008	32,925,381,541	27,260,648	32,952,642,189	1,048,909,083	483,493	1,049,392,576	0.040000%
2009	34,456,856,037	27,921,923	34,484,777,960	1,226,855,382	650,042	1,227,505,424	0.040000%
2010	32,423,796,679	27,668,978	32,451,465,657	1,239,808,314	662,551	1,240,470,865	0.060750%
2011	32,127,907,283	46,066,529	32,173,973,812	1,163,577,979	1,119,263	1,164,697,242	0.070600%
2012	32,293,545,857	42,944,069	32,336,489,926	1,110,112,019	1,085,258	1,111,197,277	0.070600%
2013	31,694,907,000	34,323,664	31,729,230,664	1,146,810,742	1,085,136	1,147,895,878	0.070600%
2014	32,434,666,420	33,635,458	32,468,301,878	1,138,677,261	1,158,788	1,139,836,049	0.070600%
2015	35,021,562,706	31,767,444	35,053,330,150	1,156,885,532	1,179,843	1,158,065,375	0.070600%
2016	36,891,911,901	28,865,170	36,920,777,071	1,143,502,834	1,150,103	1,144,652,937	0.070600%
2017	38,722,621,194	28,457,979	38,751,079,173	1,095,940,228	1,106,511	1,097,046,739	0.070600%

Note: Property in Los Angeles and Ventura County are reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to the actual values.

Source: Los Angeles and Ventura County Assessor offices

Castaic Lake Water Agency
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	General Levy	Castaic Lake Water Agency	Los Angeles County	School Districts	County Sanitation Districts	County Flood Control	Total
2008	1.000000	0.040000	0.000000	0.061636	0.000000	0.000000	1.101636
2009	1.000000	0.040000	0.000000	0.062621	0.000000	0.000000	1.102621
2010	1.000000	0.060750	0.000000	0.074476	0.000000	0.000000	1.135226
2011	1.000000	0.070600	0.000000	0.079079	0.000000	0.000000	1.149679
2012	1.000000	0.070600	0.000000	0.087663	0.000000	0.000000	1.158263
2013	1.000000	0.070600	0.000000	0.103757	0.000000	0.000000	1.174357
2014	1.000000	0.070600	0.000000	0.131959	0.000000	0.000000	1.202559
2015	1.000000	0.070600	0.000000	0.141497	0.000000	0.000000	1.212097
2016	1.000000	0.070600	0.000000	0.136522	0.000000	0.000000	1.207122
2017	1.000000	0.070600	0.000000	0.158784	0.000000	0.000000	1.229384

Source: Los Angeles and Ventura County Assessor offices

Castaic Lake Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy: Collections	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years Amount	Total Collections: Amount	Total Collections: Percentage of Levy
2008	32,697,975	28,267,658	86.45%	2,237,535	30,505,193	93.29%
2009	34,406,250	29,798,576	86.61%	2,435,206	32,233,782	93.69%
2010	39,040,906	34,748,670	89.01%	1,947,972	36,696,642	94.00%
2011	41,915,206	38,767,789	92.49%	1,430,650	40,198,439	95.90%
2012	42,225,389	38,357,468	90.84%	336,529	38,693,997	91.64%
2013	41,783,211	40,268,441	96.37%	276,156	40,544,597	97.04%
2014	42,822,203	41,692,241	97.36%	(596,502)	41,095,739	95.97%
2015	46,389,302	45,140,714	97.31%	(332,779)	44,807,935	96.59%
2016	48,700,741	47,312,930	97.15%	(17,615)	47,295,315	97.11%
2017	52,727,413	49,899,894	94.64%	1,825,201	51,725,095	98.10%

Source: Los Angeles and Ventura County Assessor offices

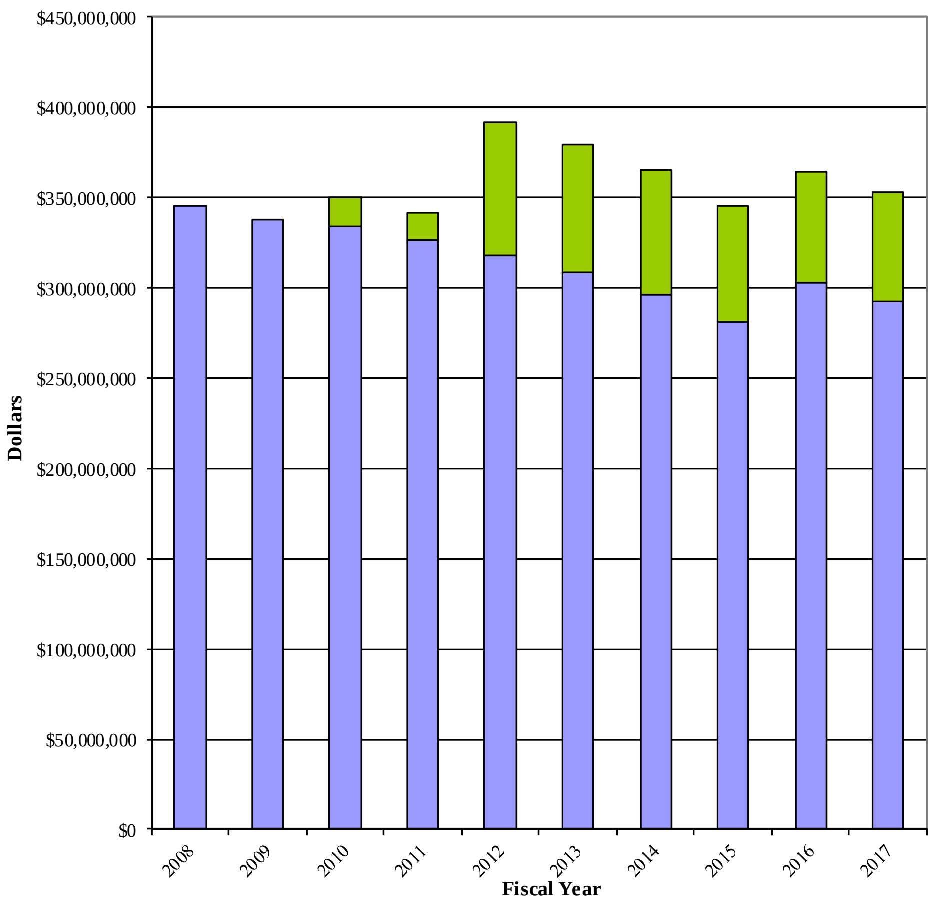
Castaic Lake Water Agency
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago

2017			2008		
Customer	Assessed Value	Percentage of Total	Customer	Assessed Value	Percentage of Total
Valencia Town Center Venture LP	185,978,625	0.47%	LNR Valencia Town Center	119,443,416	0.35%
Quest Diagnostics	82,223,067	0.21%	Newhall Land & Farming	112,840,303	0.33%
The Summit Apartments	76,851,178	0.19%	RREEF America Reit II Corp D	67,317,341	0.20%
Provence Apartments	76,188,067	0.19%	California Institute of the Arts	56,456,920	0.17%
Parc Chateaux Apartment Homes	76,154,299	0.19%	Premier Parks Incorporated	53,812,772	0.16%
California Institute of the Arts	70,207,646	0.18%	Town Center Apartments I	51,050,062	0.15%
The Fairways at Westridge Apartments	69,649,375	0.17%	EQR Essex Place Financing	48,093,289	0.14%
Vistas at West Hills Apartments	67,388,454	0.17%	Newhall Land & Farming	46,500,201	0.14%
Townhomes at Lost Canyon Apartments	61,000,000	0.15%	Lexington Lion Clarita LP	42,427,008	0.12%
Magic Mountain LLC	60,903,936	0.15%	LNR Town Center Entertainment	35,550,468	0.10%
Total	826,544,647	2.07%	Total	633,491,780	1.86%
All Others	39,021,581,105	97.93%	All Others	33,368,542,985	98.14%
Total Assessed Value	39,848,125,752	100.00%	Total Assessed Value	34,002,034,765	100.00%

Source: Los Angeles and Ventura County Assessor offices & CLWA CAFR for June 30, 2017 and 2008

Castaic Lake Water Agency
Ratio of Outstanding Debt
Last Ten Fiscal Years

						As a Share of Personal Income	
Fiscal Year	Governmental Activities	Business-type Activities	Total Debt	Per Capita	Total	Governmental Activities	Business-type Activities
2008	345,473,561	-	345,473,561	1,951.33	4.62%	4.62%	0.00%
2009	338,077,352	-	338,077,352	1,908.42	4.66%	4.66%	0.00%
2010	334,413,904	15,288,694	349,702,598	1,968.59	4.72%	4.51%	0.21%
2011	326,722,119	15,016,646	341,738,765	1,931.04	4.44%	4.25%	0.20%
2012	317,666,527	73,477,236	391,143,763	2,204.31	4.82%	3.91%	0.90%
2013	308,160,699	71,589,295	379,749,994	1,852.88	3.96%	3.21%	0.75%
2014	296,129,598	69,211,354	365,340,952	1,746.96	3.51%	2.85%	0.67%
2015	280,955,820	64,353,413	345,309,233	1,599.47	3.14%	2.55%	0.58%
2016	302,569,937	61,400,472	363,970,409	1,657.34	3.11%	2.59%	0.53%
2017	292,067,020	60,962,531	353,029,551	1,631.75	3.00%	2.46%	0.54%



Source: Castaic Lake Water Agency Audited Financial Statements

Castaic Lake Water Agency
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Taxable Value of Property	Per Capita
2008	-	N/A	N/A
2009	-	N/A	N/A
2010	-	N/A	N/A
2011	-	N/A	N/A
2012	-	N/A	N/A
2013	-	N/A	N/A
2014	-	N/A	N/A
2015	-	N/A	N/A
2016	-	N/A	N/A
2017	-	N/A	N/A

Sources: Castaic Lake Water Agency audited financial statements, Assessed Values at Schedule, and Demographic and Economics Schedule

N/A - Not applicable

Castaic Lake Water Agency
Direct and Overlapping Governmental Activities Debt
At June 30, 2017

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Overlapping Debt:			
Los Angeles County Flood Control District	12,630,000	2.966%	374,606
Los Angeles County Sanitation District	165,918,875	2.966%	4,921,154
Total overlapping debt			5,295,760
Agency Governmental Activities Direct Debt	292,067,020	100.000%	292,067,020
Total direct and overlapping debt			297,362,780

2016/17 Assessed Valuation: $39,848,125,912

Debt to Assessed Valuation Ratios	Direct Debt	0.73%
(based on 2016/17 assessed valuation)	Overlapping Debt	0.01%
	Total Debt	0.75%

(1) Percentage of overlapping debt applicable to the Agency is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping agency's assessed value that is within the boundaries of the agency divided by the agency's total taxable assessed value.

Source: County of Los Angeles 2016 CAFR (2017 CAFR not available)

Castaic Lake Water Agency
Debt Coverage
Last Ten Fiscal Years

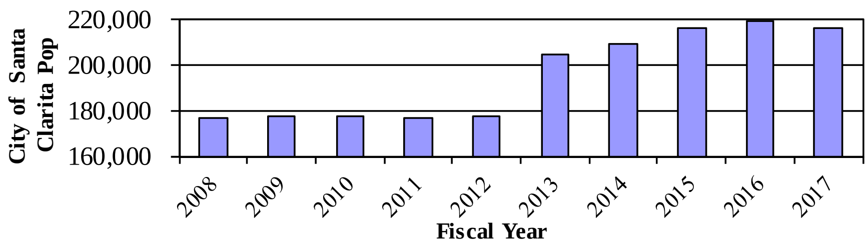
Fiscal Year	Revenues [1]	Expenses [2]	Net Available Revenues	Debt Service Principal [3]	Debt Service Interest	Debt Service Total	Coverage Ratio
2008	$ 56,145,308	(11,972,443)	44,172,865	8,160,000	16,104,142	24,264,142	1.82
2009	57,708,489	(13,105,488)	44,603,001	9,405,000	14,965,694	24,370,694	1.83
2010	42,564,503	(13,294,168)	29,270,335	9,960,000	14,390,597	24,350,597	1.20
2011	42,636,122	(14,792,961)	27,843,161	9,865,000	12,174,725	22,039,725	1.26
2012	47,619,340	(14,689,285)	32,930,055	11,375,000	12,853,074	24,228,074	1.36
2013	53,922,687	(16,598,339)	37,324,348	11,980,000	12,229,120	24,209,120	1.54
2014	62,234,158	(18,328,632)	43,905,526	15,080,000	11,558,969	26,638,969	1.65
2015	52,254,188	(20,508,624)	31,745,564	12,471,250	10,251,000	22,722,250	1.40
2016	52,540,255	(20,916,667)	31,623,588	13,865,000	7,938,309	21,803,309	1.45
2017	62,160,210	(22,852,326)	39,307,884	12,550,000	8,343,337	20,893,337	1.88

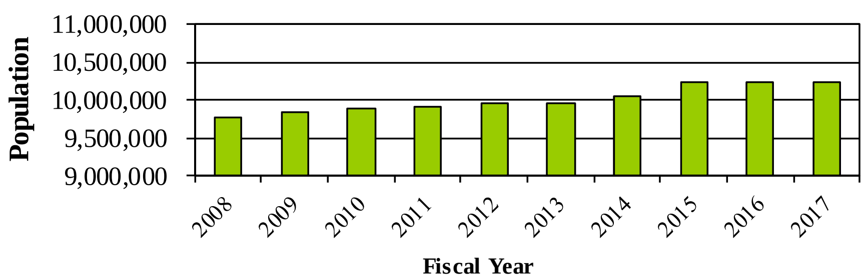
Notes: Debt Coverage for Governmental Activities.
(1) Per official statements, revenue pledged includes amounts collected from all sources except State Water Contract, Capital Project and Debt Service Funds.
(2) Expenses are General Fund expenditures only
(3) Includes only normal principal payments (does not include payments as a result of refinancing or issuance of debt)

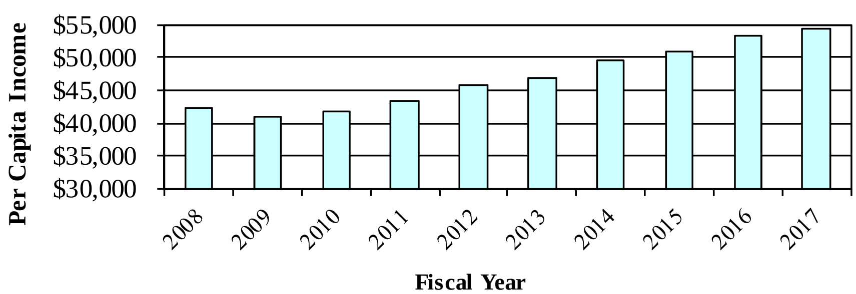
Source: Castaic Lake Water Agency audited financial statements

Castaic Lake Water Agency
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	City of Santa Clarita Population	County of Los Angeles[1] Unemployment Rate	County of Los Angeles[1] Population	County of Los Angeles[1] Personal Income (thousands of dollars)	County of Los Angeles[1] Personal Income per Capita
2008	177,045	7.5%	9,771,500	412,600,000	42,225
2009	177,150	11.5%	9,831,900	402,500,000	40,938
2010	177,641	12.6%	9,880,600	412,200,000	41,718
2011	176,971	12.2%	9,920,100	431,100,000	43,457
2012	177,445	10.9%	9,959,800	455,800,000	45,764
2013	204,951	9.8%	9,958,091	466,100,000	46,806
2014	209,130	8.3%	10,041,797	499,200,000	49,712
2015	215,890	6.9%	10,231,861	521,900,000	51,007
2016	219,611	6.2%	10,241,335	545,100,000	53,225
2017	216,350	5.1%	10,241,278	557,400,000	54,427







Sources: Los Angeles County Economic Development Corporation (The Kyser Center for Economic Research)

Notes:
(1) Only County data is updated annually. Therefore, the Agency has chose to use its data since the Agency believes that the County data is representative of the conditions and experience of the Agency.

Castaic Lake Water Agency
Principal Employers
Current and Four Fiscal Years Ago

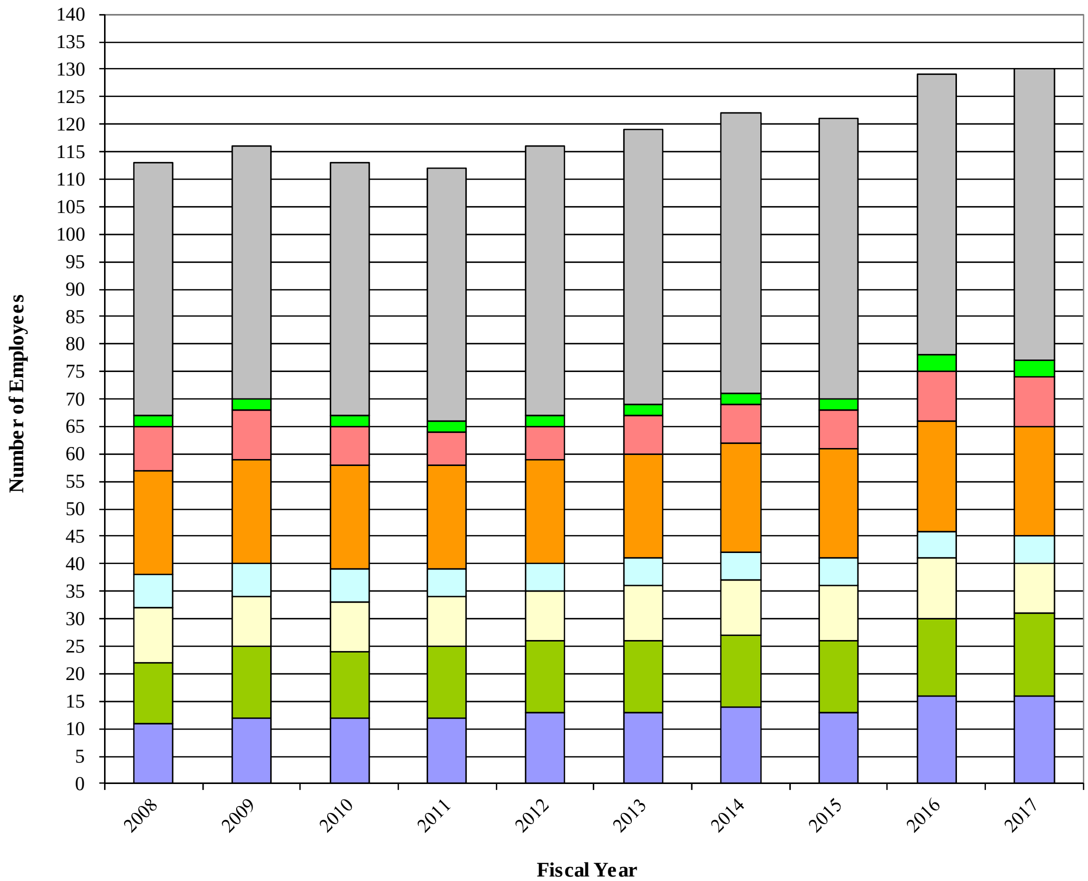
	2017			2013		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Six Flags Magic Mountain	3,200	1	11.11%	4,500	1	17.50%
Princess Cruises	2,026	2	7.03%	1,600	2	6.22%
Henry Mayo Newhall Memorial Hospital	1,948	3	6.76%	1,400	4	5.45%
College of the Canyons	1,941	4	6.74%	1,725	5	6.71%
William S. Hart Union School District	1,932	5	6.71%	1,919	7	7.46%
Saugus Union School District	1,692	6	5.87%	1,840	3	7.16%
U.S. Postal Service	1,010	7	3.51%	1,725	6	6.71%
Boston Scientific	900	8	3.12%	n/a	8	n/a
Newhall School District	785	9	2.73%	824	9	3.21%
The Master's College	760	10	2.64%	800	n/a	3.11%
Total	16,194		56.22%	16,333		63.53%
All Others	12,612		43.78%	9,376		36.47%
Total employment in Santa Clarita	28,806		100.00%	25,709		100.00%

Source: 2017 Economic & Real Estate Outlook - Santa Clarita Valley Economic Development Corporation (data for nine years ago not available)

Castaic Lake Water Agency
Operating and Capacity Indicators
Last Ten Fiscal Years

Agency Employees by Department

Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Resources	11	12	12	12	13	13	14	13	16	16
Maintenance	11	13	12	13	13	13	13	13	14	15
Water Treatment Operations	10	9	9	9	9	10	10	10	11	9
Water Quality & Regul. Affairs	6	6	6	5	5	5	5	5	5	5
Administration	19	19	19	19	19	19	20	20	20	20
Engineering	8	9	7	6	6	7	7	7	9	9
Management	2	2	2	2	2	2	2	2	3	3
Retail (Water Enterprise)	46	46	46	46	49	50	51	51	51	53
	113	116	113	112	116	119	122	121	129	130



Castaic Lake Water Agency
Operating and Capacity Indicators, continued
Last Ten Fiscal Years

Other Operating and Capacity Indicators

Fiscal Year	Water in Storage (AF)	State Water Purchased	Retail Division (Water Enterprise) Service Connections	Average Consumption (MGD)	Maximum Storage Capacity (MG)	Miles of Water Mains	Number of Fire Hydrants	Number of Groundwater Wells
2008	297,804	49,549	28,071	25	79	305	2,923	13
2009	252,006	39,221	28,244	25	72	308	2,931	14
2010	249,928	34,610	28,457	22	72	310	2,942	14
2011	309,862	28,752	28,592	21	72	312	2,954	14
2012	299,104	33,316	28,829	22	72	315	2,964	14
2013	254,815	43,152	29,157	23	72	330	2,978	14
2014	154,266	31,315	29,999	24	76	330	2,984	14
2015	110,498	33,672	30,322	21	76	330	2,984	14
2016	244,749	24,897	30,918	18	76	340	3,034	14
2017	149,132	41,293	31,478	20	76	340	2,913	14

AF - Acre feet
MGD - Millions of Gallons per Day
MG - Million Gallons
N/A - Data not applicable or not available

Sources: Castaic Lake Water Agency Administration Department

Report on Internal Controls and Compliance

Independent Auditor's Report on Compliance on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Castaic Lake Water Agency
Santa Clarita, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report on Compliance on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards, Continued*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
October 30, 2017

Castaic Lake Water Agency

Management Report

June 30, 2017

Castaic Lake Water Agency

Management Report

Table of Contents

<u>CONFIDENTIAL</u>

Board of Directors
Castaic Lake Water Agency
Santa Clarita, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Castaic Lake Water Agency (Agency) and the Santa Clarita Water Division (Division) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's and Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's and Division's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited period described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness. Given these limitations during our audit we did not identify any deficiencies in internal control to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Capital Assets / Construction-in Progress

During our audit of the Agency's financial statements for the year ended June 30, 2017, we noted that various capital projects were not closed and capitalized in a timely manner at year-end. Additional audit procedures indicated that inter-department communication at the Retail Division did not provide for accurate financial reporting related to the status of completed and or ongoing capital projects. As a result, an adjustment was made to the Retail Division's trial balance as originally provided to us. We recommend that the Retail Division evaluate inter-department communications and policies to ensure that accurate and timely information is provided to the accounting and finance department for inclusion in the Agency's comprehensive annual financial report.

Summary of Current Year Comments and Recommendations, continued

Management's Response

We agree with the auditor's suggestion and will review and adopt accounting procedures necessary to ensure that capital projects are analyzed in a timely manner, closed, and reported in the correct accounting period.

Management's Response

We agree with the auditor's suggestion and will review and establish procedures necessary to ensure that capital projects are evaluated periodically and report any material write-offs of capital assets to the Board.

Status of Comments and Recommendations Made in the Previous Year

None Noted

* * * * * * * * * *

This communication is intended solely for the information and use of management and the Board of Directors of the Agency. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP
Cypress, California
October 30, 2017

APPENDIX

Castaic Lake Water Agency

Audit/Finance Committee Letter

June 30, 2017

Board of Directors
Castaic Lake Water Agency
Santa Clarita, California

We have audited the basic financial statements of the Castaic Lake Water Agency (Agency) for the year ended June 30, 2017 and have issued our report thereon dated October 30, 2017. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Agency's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated May 23, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Agency during fiscal year 2017 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's knowledge, experience and current judgments about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's basic financial statements were:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits asset is based on an actuarial evaluation that was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate the annual required contribution for the Agency to determine that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the Agency to determine that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements are:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the Division's allowance for delinquent/doubtful accounts in the basic financial statements represents amounts susceptible to external factors the Division has no control over or may not be aware of, such as, the state of the economy in the Division's service area.

The disclosure of capital assets in Note 8 to the basic financial statements is based on historical cost information. The related depreciation expense and accumulated depreciation accounts are based on the estimated useful life of the asset at the time the asset was purchased or constructed which could differ from actual useful lives of each capitalized item.

The disclosure of the Agency's other post-employment benefits in Note 15 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the Agency's defined benefit pension plan in Notes 6, 7 and 14 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management. (See Page 5)

Governmental activities

Audit adjustments were proposed by management to comply with accounting policies related to GASB 68 and 71 for fiscal year 2017, and were reviewed by the Auditor.

Business-type activities

Audit adjustments were proposed by management to comply with accounting policies related to GASB 68 and 71 for fiscal year 2017, and were reviewed by the Auditor.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the Agency.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated October 30, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Agency's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Conclusion

We appreciate the cooperation extended us by Valerie Pryor, Assistant General Manager, Keith Abercrombie, Retail Manager and Elizabeth Ooms-Graziano, Retail Administrative Officer, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

Fedak & Brown LLP
Cypress, California
October 30, 2017

Santa Clarita Water Division
Schedule of Audit Adjusting Journal Entries
June 30, 2017

Adjusting Journal Entries JE # 1
To reclassify retired assets (unsuccessful projects) from depreciation to loss on capital assets

901000000-46031	GAIN/LOSS ON SALE OF C E	$	53,194.20	
901000000-46031	GAIN/LOSS ON SALE OF C E		90,139.96	
901000000-46031	GAIN/LOSS ON SALE OF C E		94,352.49	
901000000-46031	GAIN/LOSS ON SALE OF C E		126,102.69	
901000000-46031	GAIN/LOSS ON SALE OF C E		215,617.60	
901000000-46031	GAIN/LOSS ON SALE OF C E		322,561.00	
901210001-53302	DEPRECIATION			53,194.20
901210001-53302	DEPRECIATION			90,139.96
901210001-53302	DEPRECIATION			94,352.49
901210001-53302	DEPRECIATION			126,102.69
901210001-53302	DEPRECIATION			215,617.60
901210001-53302	DEPRECIATION			322,561.00

Adjusting Journal Entries JE # 2
To reclass accumulated depreciation - communications equipment to its proper balance as of June 30, 2017

901000000-18376	ACC DEP-COMM EQUIPMENT		1,526,269.19	
901210001-53302	DEPRECIATION	$		1,526,269.19

ITEM NO.
2.b

Castaic Lake Water Agency
Memorandum

October 25, 2017

To: Budget and Rates Committee

From: Valerie L. Pryor
Assistant General Manager

Subject: Recommend Receiving and Filing of FY 2016/17 Wholesale and Retail Interdivisional Services Report

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SUMMARY

The Castaic Lake Water Agency (CLWA) purchased the Santa Clarita Water Company (SCWC) in September 1999. SCWC became the Santa Clarita Water Division of the Castaic Lake Water Agency (SCWD) and operates as the retail division of CLWA. Capitalizing on economies of scale, the CLWA wholesale system provides various services to the retail system. This situation offsets duplication of services and creates cost savings by limiting the use of outside sources. Both wholesale and retail benefit from these savings.

DISCUSSION

Advances from Other Funds

The Agency funded the purchase of the SCWC through its Pledged Revenue Fund. The Interfund Loan was established as a repayment of the acquisition. In September 2011, the Interfund Loan was paid in full by Retail's issuance of revenue bonds through the Upper Santa Clara Valley Joint Powers Authority.

Summary of Retail Payments to Wholesale

FY 2016/17 Retail Payments to Wholesale	
Salary and Benefits (Pass-through Retail Payroll)	$ 5,965,717
Salary and Benefits (Shared Employees)	623,988
Materials and Supplies	88,008
Outside Services	257,576
Insurance	227,586
Utilities	354,696
Total	$ 7,517,571

Shared Employees

Assistant General Manager – 23%
Administrative Services Manager – 23%
Controller – 33%
Human Resources and Risk Management Supervisor – 46%
Human Resources Analyst – 46%
Human Resources/Risk Management Administrative Technician – 46%
Senior Information Technology Technician – 46%
Information Technology Technician – 46%
Safety Officer – 46%
Senior Accounting Technician (Payroll) – 46%
Facilities and other staff – actual hours

FY 2016/17 Shared Charges		
Assistant General Manger	$	17,380
Administrative Services Manager		48,176
Controller		75,813
Human Resources and Risk Management Supervisor		102,882
Human Resources Analyst		59,977
Human Resources/Risk Management Administrative Technician		51,273
Senior Information Technology Technician		66,783
Information Technology Technician		42,311
Safety Officer		68,736
Senior Accounting Technician (Payroll)		66,236
Facilities and other Staff		24,422
Total	$	623,989

Legal Services

For consistency and efficiency, Wholesale and Retail both use Best, Best and Krieger, LLP (BBK). BBK generally assigns separate client matter numbers to each project. BBK then bills Retail and Wholesale separately for individual projects.

Financial Reporting

Effective January 1, 2007, Wholesale and Retail have been using common financial software, SunGard Finance Plus. Retail transactions are reported as the Water Enterprise Fund of the Agency. Retail produces a budget separate from the Wholesale division and provides monthly financial and disbursement reports to the Budget and Rates Committee. Both are audited as one unit; however, Retail is reported as "Business-Type Activities" and the Water Enterprise Fund in the Comprehensive Annual Financial Report (CAFR). Since the Agency has no other enterprise funds, these statements can be viewed as standalone statements for the retail system. The auditing firm bills Retail and Wholesale separately for its audit work.

The following table summarizes the internal balances between Retail and Wholesale as incorporated in FY 2016/17 CAFR:

FY 2016/17 Internal Balances				
Water Billing			$	1,180,008
Due from Retail				
Salary and Benefits	$	749,532		
Materials and Supplies		5,512		
Outside Services		30,132		
Insurance		13,473		
Utilities		(60,532)		
Net Total Due from Retail	$	738,117		
Total Interdivisional Balance			$	1,918,125

RECOMMENDATION

That the Budget and Rates Committee recommends that the Board of Directors receive and file this report.

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ITEM NO. 3

Castaic Lake Water Agency Memorandum

October 23, 2017

To: Budget and Rates Committee

From: Keith Abercrombie
Retail Manager

Subject: Recommend Approval of a Resolution Establishing the Santa Clarita Water Division Retail Water Rates for Calendar Years 2018, 2019 and 2020

SUMMARY

The Santa Clarita Water Division (SCWD) of Castaic Lake Water Agency (CLWA) is committed to providing a cost-effective service and reasonably priced commodity to our customers. On September 11, 2015, SCWD engaged a rate consultant, Raftelis Financial Consultants, Inc. (RFC) to prepare the SCWD Retail Water Rate Cost of Service Study (Study). The Study includes an updated financial plan to assist in rate analysis for the next three years based on the financial forecast and the goals and objectives of SCWD. RFC also prepared a cost of service and rate design as required by California Article XIII D, section 6 (commonly referred to as Proposition 218). RFC has concluded its analysis, which is encompassed in the “Santa Clarita Water Division Retail Water Rate Cost of Service Study Report” (Report) dated September 2017 (Exhibit C). The analysis recognized that SCWD is selling more water than projected during the drought when the State of California required mandatory conservation. It also takes into account savings from the formation of the new Agency and refunding of the 2010B Certificate of Participation and 2011A Revenue Bonds.

The proposed revenue adjustments and increases in the SCWD retail water rates will enable it to:

- recover current and projected costs of operations and maintenance (including pass-through increases for energy and purchased water costs);
- fund 100 percent of capital infrastructure improvements needed to repair and update SCWD’s aging water system;
- maintain the operational and financial stability of the utility;
- comply with State mandated regulatory requirements;
- meet and comply with annual debt service requirements; and
- avoid operational deficits and depletion of reserves.

The recommended rate increases will cover a three-year period from 2018 to 2020. The effective dates of the increases will be January 1, 2018, 2019 and 2020.

DISCUSSION

SCWD’s current rates for retail water service charges will not generate sufficient revenues to meet its future operating expenses, reserve targets and 100% of its capital infrastructure improvement needs. CLWA’s governing act requires that the rates be set at a level, which covers all such costs.

SCWD has met the notification requirements of Proposition 218 (California Constitution Article XIIID section 6, and Government Code Section 53750 et seq.) by mailing a “Notice of Public Hearing -

Proposed Adjustments to and Increases in the Rates for Retail Water Rate Service Charges Santa Clarita Water Division of the Castaic Lake Water Agency" (Notice) to the record owner of all parcels upon which the water service charges are proposed for imposition, and any tenant who is directly responsible for the payment of water service charges (i.e., a customer of record who is not a property owner). A copy of the notice is attached as Exhibit A. On October 3, 2017, SCWD contracted with Infosend, current third party billing vendor, to mail the Notice. Attached is Exhibit B, Infosend proof of mailing.

The proposed rates are designed to generate revenue to cover the actual costs of providing water service to our customers. The cost of providing water service includes fixed costs and variable costs as described in the RFC Report.

The rate structure for the SCWD retail water service charges is comprised of three components:

1. A fixed monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches)
2. A variable Commodity Charge, determined on the basis of the number of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons)
3. A Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches)

SCWD has three distinct customer classes:

1. Single-Family Residential (SFR)
2. Irrigation (customers with dedicated irrigation meters)
3. All Other Customers (multi-family residential, institutional, commercial, and industrial)

Currently for SFR customers, the Commodity Charge consists of three tiers that impose higher rates as the level of consumption increases. At this time, SCWD is transitioning from the SFR tiered rate structure to a uniform volumetric rate structure for all classes of customers. Revenues generated from water sales are used directly to fund water services provided by SCWD and are not used for any other purpose.

In addition to the above-described components of the water service charges, SCWD incurs certain wholesale charges for water imposed on SCWD by CLWA and for power provided by Southern California Edison. The rate structure has incorporated the increased cost in wholesale water from CLWA for calendar year 2018, and has also included an estimated 5% increase in the cost of purchasing power from Southern California Edison.

With respect to increases in the cost of purchasing water from CLWA, the proposed rate structure authorizes SCWD to automatically adjust the Commodity Charge component of the water rates in calendar years 2019 and 2020 by no more than 10% each year, to account for increased costs in purchasing water from CLWA. Similarly, SCWD will be authorized at any time between January 1, 2018, and December 31, 2020, to increase the Commodity Charge component of the water service charge to account for increased costs of electricity imposed by Southern California Edison in excess of what has been integrated in the rate structure, in an amount not to exceed 5% in any calendar year. While these pass-through adjustments establish the maximum amounts by which the Commodity Charge component of the water rates may be increased, SCWD may not increase the rates for the water service charges in excess of the cost of providing water service, and SCWD shall provide all customers at least 30 days' written notice prior to implementing any such pass-through adjustment.

FINANCIAL CONSIDERATIONS

The revised water rates are designed to meet operating costs, fund reserves and 100% of CIP. The proposed rates would increase fiscal year 2018 revenues by $277K, 2019 revenues by $1.2M and 2020 revenues by $2.4M.

RECOMMENDATION

That the Budget and Rates Committee recommend that this rate setting is exempt from CEQA as set out in the attached Resolution; recommend that this rate setting meets the requirements of Proposition 218 (as also set out in the Resolution); and recommend that the Board of Directors approve the attached Resolution setting the SCWD Retail Water Rates for 2018, 2019 and 2020.

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Attachments

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RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASTAIC LAKE WATER AGENCY ESTABLISHING THE SANTA CLARITA WATER DIVISION RETAIL WATER RATES FOR CALENDAR YEARS 2018, 2019 AND 2020

WHEREAS, pursuant to Water Code Appendix Section 103-24, the Board of Directors of the Castaic Lake Water Agency (CLWA), through its Santa Clarita Water Division (SCWD), has the authority to establish retail water rates at a level that will pay for the operating expenses of SCWD and the provision of water services; and

WHEREAS, the SCWD is committed to providing the highest quality water services at the lowest possible rates for its customers. To meet this commitment, SCWD undertook an evaluation of its operations and maintenance costs and capital infrastructure improvements needed to provide safe and reliable drinking water for the ensuing three calendar years; and

WHEREAS, based on this evaluation, it has been determined that rate increases are necessary to recover SCWD's costs of providing water service, which include increased costs of purchased water, materials and supplies, power and labor; and

WHEREAS, on or about September 27, 2017, SCWD made available for review at SCWD's administrative office the complete Cost of Service Study and Financial Plan by Raftelis Financial Consultants, Inc. titled "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report" that provides evidentiary support for the rate increases and related statements set out in this Resolution; and

WHEREAS, SCWD retail water service charges are comprised of three components: (1) a fixed Monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches); (2) a variable Commodity Charge, determined on the basis of the number of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons); and (3) a Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches); and

WHEREAS, the Monthly Meter Service Charge is designed to recover a significant portion of SCWD's fixed costs for (a) certain operations and maintenance costs (b) meter reading (c) billings (d) collections and (e) accounting costs. The commodity charge is designed to recover a portion of SCWD's fixed costs and its variable costs for (f) purchased water and (g) energy costs for delivering water; and

WHEREAS, SCWD's Commodity Charge is a uniform volumetric rate structure for all classes of customers. SCWD has three distinct customer classes: Single Family Residential, Irrigation (customers with dedicated irrigation meters), and All Other Customers (multi-family residential, institutional, commercial, and industrial customers); and

WHEREAS, the Private Fire Service Protection Charge is imposed only on properties that, as a condition of extending or initiating water service, are required to install a private fire suppression system, or have requested the delivery of water for the purpose of private fire service protection. This Private Fire Service Protection Charge is for private fire service protection only; and

WHEREAS, SCWD purchases a portion of its water from CLWA, which in turn obtains water from two sources – imported water from the Sacramento-San Joaquin Delta (Delta) and local groundwater. The rates for Commodity Charges include CLWA approved wholesale water rate increases for SCWD purchases through calendar year 2018; and

WHEREAS, SCWD has determined to automatically pass through any increases in the wholesale cost of water purchased from CLWA for calendar years 2019 and 2020 (CLWA Pass-Through Adjustment), provided that (1) any CLWA Pass-Through Adjustment shall not exceed ten percent per year in 2019 and 2020, (2) in no event shall such rates be increased by more than the cost of providing water service, and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any CLWA Pass-Through Adjustment; and

WHEREAS, SCWD purchase power from Southern California Edison (SCE), and has estimated a five percent annual increase for SCE imposed power costs for calendar years 2018 through 2020 which are included in the Commodity Charges described above; and

WHEREAS, to ensure there is sufficient revenue to provide water service, SCWD has determined to automatically pass through to customers any future incremental increases in the costs for power imposed by SCE that are greater than the five percent projected in the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report" (Power Pass-Through Adjustment) at any time during the three year period commencing January 1, 2018 and ending on December 31, 2020, provided that (1) any Power Pass-Through Adjustment shall not exceed five percent per year in 2018, 2019 and 2020, (2) in no event shall such rates be increased by more than the cost of providing water service, and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any Power Pass-Through Adjustment; and

WHEREAS, the total cost of serving each customer is determined by distributing the fixed Monthly Meter Service Charge component and the variable Commodity Charge component (as adjusted for any CLWA Pass-Through Adjustments and Power Pass-Through Adjustments as authorized herein), amongst all accounts based upon the respective service requirements and demands of the individual customer classes, plus the Private Fire Service Protection Charge component for private fire protection, if applicable. Together, the three components of the water service charges are designed to proportionately allocate the cost of providing water service among the customer classes; and

WHEREAS, California Constitution Article XIII D, Section 6 (Article XIII D) requires that prior to imposing any increase of the rates of its water service charges, SCWD shall provide written notice (Notice) (attached hereto as Exhibit A) by mail of (1) the proposed increases to such rates of water service charges to the record owner of each parcel upon which the water service charges are proposed for imposition and any tenant directly liable for payment of the water service charges, (2) the amount of the rates for the water service charges proposed to be imposed on each parcel, (3) the basis upon which the rates of the water service charges were calculated, (4) the reason for the new or increased rates of the water service charges and (5) the date, time and location of a public hearing (the "Hearing") on the proposed rates of the water service charges; and

WHEREAS, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and any tenant directly liable for the payment of the water service charges not less than forty-five days prior to the Hearing on the proposed water service charges; and

WHEREAS, on October 3, 2017, SCWD mailed Notice of the proposed rate increase and attached hereto as Exhibit B is proof of mailing such Notice; and

WHEREAS, there are 31,067 identified parcels that receive water service from SCWD, of which a majority would be 15,534; and

WHEREAS, the Hearing was held on this day, November 20, 2017; and

WHEREAS, at the Hearing the CLWA Board heard and considered all oral testimony, written materials and written protests concerning the establishment and imposition of the proposed rate increases for the water service charges, entered such written protests into the record of such Hearing, and at the close of the Hearing SCWD did not receive written protests against the establishment and imposition of the proposed rate increases for water service from a majority of the affected property owners and tenants directly liable for the payment of water service charges; and

WHEREAS, as explained in the Notice and the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report," revenue collected from the water service charges will be used to pay for water service actually provided to the property identified in the Notice and not will not be used for general governmental purposes; and

WHEREAS, the revenues from water service charges will not and do not exceed the amount required to provide such water service; and

WHEREAS, the revenues collected from water service charges have been and will be used only to pay for the water services for which they were collected; and

WHEREAS, the water service charges are not standby charges, but are imposed for water immediately available to the property subject to the imposition of the fees.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CASTAIC LAKE WATER AGENCY RESOLVES AND ORDERS AS FOLLOWS:

1. The foregoing Recitals are all true and correct and are made findings of this CLWA Board of Directors (Board).

2. Based upon substantial evidence presented to the Board in the form of the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report," the Board finds that the water rates adopted in this Resolution do not exceed the reasonable cost of providing the service and will be sufficient to fund the Santa Clarita Water Division's (1) operating expenses, including employee wage rates and fringe benefits, (2) purchasing or leasing of supplies, equipment and materials, (3) financial reserve needs and requirements and (4) capital projects necessary to maintain service within SCWD's existing service area.

3. The Board hereby finds that the administration, operation, maintenance, and improvements of the SCWD water system (System), which are to be funded by the water service charges set forth herein, are necessary to maintain service within SCWD's existing service area. The Board further finds that the administration, operation, maintenance and improvements of the System, to be funded by the water service charges set forth herein, will not expand the System. The Board further finds that such

water service charges are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the System. Based on these findings, the Board hereby determines that this Resolution is exempt from the requirements of CEQA pursuant to California Public Resources Code Section 21080(b)(8) and State CEQA Guidelines Section 15273(a).

4. The Board has evaluated and hereby approves the rates for water service charges, including the CLWA Pass-Through Adjustment and the Power Pass-Through Adjustment, all as set forth in Exhibit C hereto and by this reference incorporated herein and made an operative part of this Resolution. The rates for the water service charges shall be effective as of January 1, 2018, and each January 1 thereafter through and including January 1, 2020.

5. The Board hereby authorizes SCWD staff to take any and all actions necessary to implement the CLWA Pass-Through Adjustment or Power Pass-Through Adjustment to the rates for the Commodity Charge component of the water service charges then currently in effect, provided, however, that:
   (a) any increase to the Commodity Charge due to a CLWA Pass-Through Adjustment may only occur in calendar years 2019 and 2020.
   (b) any increase to the Commodity Charge due to a CLWA Pass-Through Adjustment may not exceed ten percent per calendar year.
   (c) any increase to the Commodity Charge as a result of a Power Pass-Through Adjustment may occur at any time during the three year period commencing January 1, 2018 and ending on December 31, 2020.
   (d) any increase to the Commodity charge as a result of a Power Pass-Through Adjustment may not exceed five percent per calendar year.
   (e) prior to implementing any future increases in the Commodity Charge component of the water service charges as a result of the CLWA Pass-Through Adjustment or the Power Pass-Through Adjustment, written notice shall be provided to all customers not less than 30 days prior to the effective date of such increase.

6. SCWD staff is hereby directed to take any and all steps necessary to implement such rates, including but not limited to filing a notice of exemption and paying any applicable fees.

7. SCWD staff is hereby directed to provide the Budget and Rates Committee with an update on the upcoming proposed rate increase in October of each year within this rate cycle, which will include information on financial performance and rate setting assumptions.

8. This Resolution shall be effective as of the date of adoption. The increased rates for the water service charges set forth herein shall become effective as authorized herein.

9. All resolutions or administrative actions by the Board, or parts thereof that are inconsistent with any provision of this Resolution, are hereby superseded only to the extent of such inconsistency.

10. If any section, subsection, subdivision, sentence, clause, or phrase in this Resolution or any part thereof is for any reason held to be unconstitutional, invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Resolution or any part thereof. The Board hereby

declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective. If the water rates established by this Resolution are declared invalid or otherwise set aside by any court of competent jurisdiction, the water rates in effect prior to the effective date of this Resolution shall be deemed by this Resolution to be restored, revived and brought to full force and effect.

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EXHIBIT A

NOTICE OF PUBLIC HEARING
PROPOSED ADJUSTMENTS TO AND INCREASES IN THE RATES FOR RETAIL WATER SERVICE CHARGES
Santa Clarita Water Division of the Castaic Lake Water Agency

The Board of Directors of the Castaic Lake Water Agency (CLWA) will be holding a public hearing on **November 20, 2017, at 6:15 p.m.** in its Boardroom at the Rio Vista Treatment Plant, located at **27234 Bouquet Canyon Road, Santa Clarita, California**, to consider the adoption of adjustments to and increases in the rates of the retail water service charges for its Santa Clarita Water Division (SCWD).

<u>WHY ARE RATE INCREASES NEEDED?</u>

SCWD is committed to providing the highest quality water services at the lowest possible rates for our customers. To meet this commitment, SCWD engaged an independent consultant to perform a cost of service and water rate study (Study) that (1) evaluates the infrastructure needs, programs, and operations and maintenance costs of SCWD water services; and (2) develops rates necessary to recover the costs for these services for the next three years. A cost of service and rate study demonstrates what it costs SCWD to provide water service and the appropriate rates to fairly and appropriately allocate the costs of providing water to our customers. The cost of providing water includes not only the water it purchases, but the infrastructure that treats and delivers the water, and its water conservation and efficiency and water demand management programs to ensure that there is safe and reliable water to meet the demands of all water customers twenty-four hours a day, seven days a week.

Based upon evaluation performed in the Study, it has been determined that adjustments to and increases in the rates of the SCWD's water service charges are necessary to enable it to:

- recover current and projected costs of operations and maintenance, and capital infrastructure improvements needed to repair and update SCWD's aging water system;
- maintain the operational and financial stability of the utility;
- comply with State mandated regulatory requirements;
- meet and comply with annual debt service requirements; and
- avoid operational deficits and depletion of reserves.

As described below, SCWD is proposing to adjust the method for calculating its water service charges for Single Family Residential customers. This adjustment will result in Single Family Residential customers no longer being subject to tiered water rates, rather they will be subject to the same uniform volumetric rate structure (i.e., constant unit price for all metered volumetric units of water) as all other customer classes. A substantial portion of SCWD's costs to operate and maintain the water system are fixed, meaning the costs remain the same regardless of how much water is used by customers. Over the last several years, SCWD has experienced declines in water demand resulting from the drought and state-mandated water use reductions, and therefore, reductions in water revenues. While experiencing these declines in water demand and revenues, SCWD has exercised fiscal discipline by utilizing reserves and managing operating costs to avoid significant increases in the rates for its water service charges. The rate consultant studied the effects of the reduction in water use and revenues, and developed rates that will ensure there are stable revenues and reserves to fund utility obligations going forward.

The proposed rate increases for the water service charges will allow SCWD to provide safe, reliable drinking water to its customers. Absent critical rate increases, SCWD would experience budget shortfalls for each year of the three-year forecast performed in the Study. As described in more detail below, the rate adjustments and increases are proposed to commence January 1, 2018, and each January 1 thereafter, through and including January 1, 2020. The Study supporting the financial plan and the proposed rates is available for review at SCWD's Administrative Offices located at 26521 Summit Circle in Santa Clarita on Monday through Thursday, 7:30 a.m. to 5:30 p.m., and alternating Fridays, 7:30 a.m. to 4:30 p.m., excluding holidays.

<u>HOW ARE OUR WATER RATES CALCULATED?</u>

SCWD has three distinct customer classes: Single-Family Residential (SFR), Irrigation (customers with dedicated irrigation meters), and All Other Customers (multi-family residential, institutional, commercial, and industrial customers). The rate structure for the SCWD retail water service charges is comprised of three components: (1) a fixed monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches); (2) a variable

Commodity Charge, determined on the basis the number of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons); and (3) a Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches).

The Meter Charge is designed to recover a significant portion of SCWD's fixed costs, including certain operations and maintenance costs, and meter reading, billings and collections, and accounting costs. The rates for the Meter Charge are the same for all customer classes depending on the size of the water meter serving a property.

The Commodity Charge is designed to recover a portion of SCWD's fixed costs and its variable costs of purchasing and delivering water. Currently for SFR customers, the Commodity Charge consists of three tiers that impose higher rates as the level of consumption increases. At this time, SCWD is transitioning from the SFR tiered rate structure to a uniform volumetric rate structure for all classes of customers.

The Private Fire Service Protection Charge is designed to recover the cost of providing water for private fire protection services and is imposed only on properties that, as a condition of extending or initiating water service, are required to install a private fire suppression system, or have requested the delivery of water for the purpose of private fire service protection.

Together, the three rate components are designed to proportionately allocate the cost of providing water service on a parcel basis among the customer classes. If approved, all adjustments to and increases in the rates will be effective on January 1 for the years shown in the tables below.

WHOLESALE WATER PASS-THROUGH ADJUSTMENTS

SCWD purchases a portion of its water from CLWA. CLWA obtains its water from two sources—imported water from the Sacramento-San Joaquin Delta (the "Delta") via the over 400-mile California Aqueduct, and local groundwater. The proposed rates for the Commodity Charges include CLWA approved wholesale water rate increases for the water SCWD purchases through calendar year 2018. For calendar years 2019 and 2020, SCWD is proposing to automatically pass through to customers any future incremental increases in the costs for wholesale water that CLWA imposes upon SCWD (each a "CLWA Pass-Through Adjustment"). Provided, however, that: (1) any CLWA Pass-Through Adjustment shall not exceed ten percent per year in 2019 and 2020; (2) in no event shall such rates be increased by more than the cost of providing water service; and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any CLWA Pass-Through Adjustment. Any CLWA Pass-Through Adjustment will only impact the rates of the Commodity Charges in 2019 and 2020 set forth in the tables below.

POWER PASS-THROUGH ADJUSTMENTS

SCWD purchases power from Southern California Edison (SCE). For calendar years 2018, 2019 and 2020, SCWD has estimated a five percent annual increase for power costs. The proposed rates for the Commodity Charges include projected annual five percent increases in the cost of the power it purchases. To ensure that there are sufficient revenues to provide water services, SCWD is also proposing to automatically pass through to customers any future incremental increases in the costs for power that SCE imposes upon SCWD that are greater than the five percent projected in the Study. Any Power Pass-Through Adjustment will only impact the rates in the Commodity Charge set forth in the table below. If approved, SCWD may implement any SCE pass-through adjustment at any time during the three-year period commencing January 1, 2018 and ending on December 31, 2020. Provided, however that (1) any Power Pass-Through Adjustment shall not exceed five percent per year in 2018, 2019 and 2020; (2) in no event shall such rates be increased by more than the cost of providing water service; and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any Power Pass-Through Adjustment.

CURRENT AND PROPOSED WATER RATES

The current and proposed maximum rates for SCWD's Meter Service Charge, Commodity Charge (exclusive of any CLWA Pass-Through Adjustments described above) and (exclusive of additional Power Pass-Through beyond the estimated five percent described above), Private Fire Service Protection Charge and the effective dates for the implementation of the rates are shown in the tables below. The amount paid for the Meter Service Charge and Private Fire Protection Service Charge are the same each month. The amount paid for the Commodity Charge varies each month depending on the number of units (CCF) of water each customer uses during the prior month.

Current and Proposed Fixed Meter Service Charges by Meter Size ($ per Month)

Meter Size (inches)	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1,2020
5/8 by 3/4	$19.98	$21.45	$21.88	$22.32
3/4	$25.26	$29.09	$29.68	$30.28
1	$35.80	$44.36	$45.25	$46.16
1 1/2	$62.16	$82.55	$84.21	$85.90
2	$93.80	$128.37	$130.94	$133.56
3	$178.18	$250.58	$255.60	$260.72
4	$273.11	$388.05	$395.82	$403.74
6	$536.79	$769.93	$785.33	$801.04
8	$853.19	$1,228.18	$1,252.75	$1,277.81

Current and Proposed Private Fire Service Protection Charges by Meter Size ($ per Month)

Fireline size in Inches	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
1”	$2.84	$2.95	$3.01	$3.08
2”	$5.68	$5.90	$6.02	$6.15
4”	$11.36	$11.79	$12.03	$12.28
6”	$17.04	$17.68	$18.04	$18.41
8”	$22.72	$23.57	$24.05	$24.54
10”	$28.40	$29.46	$30.05	$30.66
12”	$34.08	$35.35	$36.06	$36.79
14”	$39.76	$41.24	$42.07	$42.92
16”	$45.44	$47.13	$48.08	$49.05
18”	$51.12	$53.02	$54.09	$55.18
20”	$56.80	$58.91	$60.09	$61.30

Current 2017 Commodity Charges ($ per CCF)

Customer Class	Current 2017
SFR	
Tier 1 (0-14 CCF)	$1.8015
Tier 2 (15-49 CCF)	$2.0094
Tier 3 (50 and > CCF)	$2.6417
Landscape	$2.6417
All Others	$2.0094

Proposed Commodity Charges ($ per CCF)

	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
All Customers	$1.91	$1.95	$1.99

WHAT DOES THIS MEAN TO ME?

The table below is provided as a reference for estimating your bill under the proposed rates, assuming an SFR customer has a ¾ inch water meter.

Sample Impact on Monthly Water Bills of Single-Family Residential Customers Based on Various Levels of Water Usage (in CCFs)

Monthly Bill (3/4-inch meter)	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
8 Ccf	$39.67	$44.37	$45.28	$46.20
18 Ccf	$58.52	$63.47	$64.78	$66.10
27 Ccf	$76.60	$80.66	$82.33	$84.01
40 Ccf	$102.73	$105.49	$107.68	$109.88

HOW DO I PROTEST THE PROPOSED RATE ADJUSTMENTS AND INCREASES?

Any record owner of a parcel upon which the water service charges are proposed for imposition and any tenant who is directly responsible for the payment of water service charges (i.e., a customer of record who is not a record owner) may submit a written protest to the proposed rates for SCWD's water service charges; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state the identified record owner or tenant is in opposition to the proposed water service charges; (2) provide the location of the identified parcel (by street address or assessor's parcel number); and (3) include the name and signature of the record owner or tenant submitting the protest. Written protests may be submitted by mail to the Board Secretary at Santa Clarita Water Division, P.O. Box 903, Santa Clarita CA 91380-9003, or in person at 26521 Summit Circle in Santa Clarita, or at the public hearing to be held on November 20, 2017. All written protests must be received prior to the close of the public hearing, which will occur when public testimony on the proposed rates is concluded.

Any protest submitted via email or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the CLWA Secretary, Attn: Public Hearing on Water Rates. The CLWA Board of Directors will hear all oral testimony and consider all written protests to the proposed rate adjustments and increases at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the public hearing, the Board of Directors will consider adoption of the rate adjustments and increases to SCWD's water service charges as described herein. If written protests against the proposed rate adjustments and increases are not presented by a majority of the record owners of the identified parcels upon which the rates are proposed to be imposed or any tenants directly liable for the payment of water service charges, the Board of Directors will be authorized to impose the rate adjustments and increases. If adopted, the rates will be in effect on the dates noted above.

If you have questions regarding this Notice, the public hearing, the proposed retail water rates or how the proposed rates will affect your water bill, please contact our Customer Service Department at (661) 259-2737 or visit our website at www.santaclaritawater.com. Efficient water use and avoidance of water waste will save our customers money and protect water resources. Moreover, in coordination with CLWA and other local water retailers (known collectively as the Family of Water Suppliers), it is SCWD's policy to encourage a permanent water use efficiency ethic. To learn more about how to efficiently use water and lower your water bill, please contact us at (661) 259-2737, or visit our website at www.santaclaritawater.com/your-water/rebates.

EXHIBIT B

1nfosend
BillPrint. eBille. Delivered.

10/19/2017

Dear Santa Clarita Water Division,

This letter is to confirm the mailing for the Proposition 218 Notice sent to Santa Clarita Water Division customers on October 3, 2017 at 12:45 PM. There were 33,931 pieces of Proposition 218 Notices mailed.

Thank You,
Jennifer Evington
Direct Communications Account Manager

4240 E. La Palma Ave., Anaheim, CA 92807 | P:800.955.9330 • F: 714.993.1306

Company Detail

Company Name	INFOSEND INC
Address	4240 E LA PALMA AVE ANAHEIM, CA 92807-1816
Contact Name	MATT SCHMIDT
Phone Number	(714)993-2690
Profit Indicator	P

PS Form 3607R - Mailing Transaction Receipt

Account Holder Account Number	12400
Account Holder Permit Number	146
Account Holder Permit Type	PI
Account Holder CRID	1689004
Post Office of Permit	ANAHEIM CA 92899-9301
Post Office of Mailing	ANAHEIM CA 92899-9301
Post Office of Permit Cost Center	050222-0218
Post Office of Mailing Cost Center	050222-0218
Mailing Agent Name	INFOSEND
Mailing Agent CRID	20292842
Mail Owner Name	INFOSEND
Mail Owner CRID	20292842
JOB ID	00085608
Customer Reference ID	85608
CAPS Transaction Number	2017100314534207M1
Class of Mail	USPS Marketing Mail
Processing Category	Letters
Postage Statement ID	284474890
Mailing Group ID	198484282
Mailer's Mailing Date	10/03/2017
Mailer Declared Total Pieces	33,931 pcs.
Mailer Declared Total Weight	1,713.5155 lbs.
Mailer Declared Weight of a single-piece	0.0505 lbs.
USPS Determined Total Pieces	33,931 pcs.
USPS Determined Total Weight	1,713.5155 lbs.
USPS Determined Weight of a single-piece	0.0505 lbs.
Total Number of Containers	172
Total Adjusted Postage	$ 5,705.77
Payment Date and Time	10/03/2017 12:53
Payment Transaction Number	201727614534255M1
Adjustment Transaction Number	
Mailer Figures Adjusted?	No
Person authorizing adjustment	
Name	
Phone Number	
Acceptance Site Mailer ID	
Clerk Initials	WVV
Mail Arrival Date and Time	10/03/2017 12:45

EXHIBIT C

Santa Clarita
Water Division

Retail Water Rate Cost of Service Study Report

September 2017

RAFTELIS
FINANCIAL CONSULTANTS, INC.

SCWD

445 S Figueroa St
Suite 2270
Los Angeles, CA 90039

Phone 213.262.9300 www.raftelis.com

September 11, 2017

Mr. Keith Abercrombie
Retail Manager
Santa Clarita Water Division
26521 Summit Circle
Santa Clarita, CA 91350

Subject: Retail Water Rate Cost of Service Study Report

Dear Mr. Abercrombie,

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this Retail Water Rate Cost of Service Study Report (Study) for Santa Clarita Water Division (Division) to address financial needs of the Division and to establish updated water rates. The study includes a five-year financial forecast and recommends rates for three years (calendar years 2018, 2019 and 2020). The rate structure is consistent with direction provided to us from Division staff.

The major objectives of the Study include the following:

1. Develop financial plans for the Division to ensure financial sufficiency, meet operation and maintenance (O&M) costs, and ensure sufficient funding for capital replacement and refurbishment (R&R) needs over the five years.
2. Perform cost-of-service analysis for the Division based on recent historical usage.
3. Develop water rates in compliance with California Constitution article XIII D, section 6 (commonly referred to as Proposition 218).

This Report summarizes the key findings and recommendations related to the development of the financial plan and the development of rates the for the water enterprise.

It has been a pleasure working with you, and we thank you and the Division staff, especially Elizabeth Ooms-Graziano, for the support provided during the course of this Study.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.

Sanjay Gaur
Vice President

Victor Smith
Consultant

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LIST OF TABLES AND FIGURES

1 EXECUTIVE SUMMARY

1.1 BACKGROUND OF THE DIVISION

The Santa Clarita Water Division (Division) of the Castaic Lake Water Agency (CLWA) contracted with Raftelis to conduct a Water Cost of Service and Rate Study (Study), develop a financial plan, and design water rates for the Division over the next three years, from Fiscal Year (FY) 2018 through FY 2020.

The Division's 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. The Division serves approximately 31,300 service connections with a population of approximately 125,000. On an annual basis, the Division serves approximately 22,000 acre-feet of potable water, obtained from local groundwater and purchased water from CLWA.

The Division, like other water agencies in California, recently faced challenges related to the reduction in water usage due to ongoing drought, conservation efforts and State-mandated conservation targets. The State-mandated conservation targets have been lifted and water usage has increased. Nonetheless, the Division continues to experience permanent conservation results that will help the Division meet the State-mandated target of 20% conservation by the year 2020.

This Study report has three components:

1. The five-year forecast analyzes demand, water supply, and cost projections to determine the Division's overall revenue requirements.
2. The cost of service analysis proportionately allocates the revenue requirements among various customer classes.
3. The rate design determines how rate revenues will be collected from the respective customer classes.

This results in a three-year rate schedule that does the following:

1. Provides for the ability to pass-through increases in purchased water and power.
2. Results in additional 2 percent revenue increases for calendar years 2019 and 2020.
3. Changes the rate structure from tiered rates to uniform rates.

Raftelis Financial Consultants (Raftelis) used standard water ratemaking practices to calculate the proposed rates as described by the American Water Works Association (AWWA) in its Principles of Water Rates, Fees, and Charges Manual of Water Supply Practices M1 (6th edition) (M1 Manual) . The basis for the proposed rates follows industry-accepted cost of service principles and complies with all State of California law requirements.

1.2 WATER REVENUE SOURCES

SCWD has three distinct customer classes: Single-Family Residential (SFR), Irrigation (customers with dedicated irrigation meters), and All Other Customers (multi-family residential, institutional, commercial, and industrial customers). The rate structure for the SCWD retail water service charges is comprised of four components: (1) a fixed monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches); (2) a variable Commodity Charge, determined on the basis of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons); (3) a Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches); and (4) a Jumper Charge, determined on the basis of Meter Service Charge applicable to a one inch meter plus the applicable Commodity Charge for the use of five CCF of water per month, for estimated monthly consumption usage.

The Meter Charge is designed to recover a significant portion of SCWD's fixed costs, including certain operations and maintenance costs, and meter reading, billings and collections, and accounting costs. The rates for the Meter Charge are the same for all customer classes depending on the customer's meter size.

The Commodity Charge is designed to recover a portion of SCWD's fixed costs and all of its variable costs of purchasing and delivering water. Currently for SFR customers, the Commodity Charge consists of three tiers that impose higher rates as the level of consumption increases. At this time, SCWD is transitioning from the SFR tiered rate structure to a uniform volumetric rate structure (i.e., a constant unit price for all metered volumetric units of water) for all classes of customers.

The Private Fire Service Protection Charge is designed to recover the cost of providing water for private fire protection services and is imposed only on properties that, as a condition of extending or initiating water service, are required to install a private fire suppression system, or have requested the delivery of water for the purpose of private fire service protection.

A Jumper Charge is imposed to temporarily provide water when a property is not connected to the system. The charge is based on the applicable Meter Service Charge for a one-inch meter plus the applicable Commodity Charge for the use of five CCF of water per month.

Together, the four rate components are designed to proportionately allocate the cost of providing water service on a parcel basis among the customer classes. If approved, all adjustments to and increases in the rates will be effective on January 1 for the years shown in the tables below. Note that the Division operates on a Fiscal Year basis (July 1 to June 30) but implements rates on a calendar year basis. Some charts will show Calendar Year and some will show Fiscal Year numbers.

Revenue figures were annualized in two different ways depending on revenue source. First: meter service charge and fire service charge fiscal year revenue was split so that six months of revenue was calculated using one calendar year's charges and six months of revenue was calculated using the next year's charges, with the number of meters held constant for that fiscal year. Commodity revenue was separated based on actual commodity usage patterns. Commodity usage revenue that occurred in July through December is calculated using the relevant year's charges while commodity usage revenue that occurred in January through June is calculated using the subsequent year's rates. The Division generally experiences a majority of its usage in the first half of the fiscal year.

The Division's water purchase costs were calculated using the average of the purchase cost per AF in the beginning of the fiscal year and the end of the fiscal year. This method is a more conservative way of estimating the Division's purchased water costs, as the Division tends to sell more water in the first half of the fiscal year compared to the latter half.

1.3 FINANCIAL HEALTH AND PROPOSED RECOMMENDATIONS

The Division reported that its beginning operating balance in FY 2017 was roughly $29M. The Division's annual planned capital improvement expenditures average $5.6M through FY 2021. The Division will be unable to fund this capital improvement program without additional revenue and its reserves will be depleted as a result.

After review of the Division's current revenues, revenue requirements, and reserves, it is recommended that the Division adjust revenue by 2 percent in FY 2019 and FY 2020. In addition to these rate adjustments, it is recommended that the Division pass-through any increases in its wholesale water costs and electricity costs onto the Commodity Charge rates. It is also recommended that the Division fund its upcoming capital projects through pay-as-you-go (PAYGO) funding, as opposed to issuing debt.

Overall, the proposed financial plan for the Division aims to strike a balance between maintaining a strong financial position, while drawing down its unrestricted fund balance, and minimizing rate increases to its customers through a multi-year measured approach. Under the proposed plan with the proposed revenue adjustments, it is projected that the Division will maintain a positive fiscal condition and will meet the minimum reserve targets over the five-year Study period.

In addition to reviewing the Division's current financial health, Raftelis also reviewed the current rate structure and consumption data to determine the most appropriate rate structure moving forward. After discussion with the Board, the Division decided to eliminate its tiered water rates altogether and adopt a uniform water rate for all customers.

Table 1-1 through **Table 1-4** summarizes the Division's current and proposed rates. They are all proposed to be implemented on January 1 of each year. Note that **Table 1-2** includes a wholesale water cost pass-through for 2018 but not for 2019 and 2020, and that the final rates are therefore as yet undetermined. The Division also will pass-through any incremental increases in electrical costs beyond those projected in the Study as they arise, which is not shown by the pass-through adjustment in **Table 1-2**.

Table 1-1: Current and Proposed Rates for Monthly Service Charge ($/Meter Size in Inches) Effective January 1

Meter Size	Current CY 2017	Proposed CY 2018	Proposed CY 2019	Proposed CY 2020
5/8 x 3/4”	$19.98	$21.45	$21.88	$22.32
3/4”	$25.26	$29.09	$29.68	$30.28
1”	$35.80	$44.36	$45.25	$46.16
1.5”	$62.16	$82.55	$84.21	$85.90
2”	$93.80	$128.37	$130.94	$133.56
3”	$178.18	$250.58	$255.60	$260.72
4”	$273.11	$388.05	$395.82	$403.74
6”	$536.79	$769.93	$785.33	$801.04
8”	$853.19	$1,228.18	$1,252.75	$1,277.81

Table 1-2: Current and Proposed Commodity Charge ($/CCF)

Class/ Tier	Tier Width	CY 2016	Current CY 2017	Proposed CY 2018	Proposed CY 2019	Proposed CY 2020
SFR Tier 1	1-14 CCF	$1.74	$1.80			
SFR Tier 2	15-49 CCF	$1.94	$2.01			
SFR Tier 3	≥ 50 CCF	$2.55	$2.64			
MFR		$1.94	$2.01			
Commercial		$1.94	$2.01			
Industrial		$1.94	$2.01			
Irrigation		$2.55	$2.64			
Water Mutual		$1.94	$2.01			
Proposed Uniform Rate				$1.86	$1.90	$1.94
Wholesale Water Pass-through				$0.05	TBD	TBD
Total Rate				$1.91	$1.90[1]	$1.94[1]

[1] Does not include wholesale water pass-through rate or potential electricity pass-through rate.

Table 1-3: Proposed Rates for Fire Service Charges ($/Fire Service Line Size) Effective January 1

Meter Size	Current CY 2017	Proposed CY 2018	Proposed CY 2019	Proposed CY 2020
1”	$2.84	$2.95	$3.01	$3.08
2”	$5.68	$5.90	$6.02	$6.15
4”	$11.36	$11.79	$12.03	$12.28
6”	$17.04	$17.68	$18.04	$18.41
8”	$22.72	$23.57	$24.05	$24.54
10”	$28.40	$29.46	$30.05	$30.66
12”	$34.08	$35.35	$36.06	$36.79
14”	$39.76	$41.24	$42.07	$42.92
16”	$45.44	$47.13	$48.08	$49.05
18”	$51.12	$53.02	$54.09	$55.18
20”	$56.80	$58.91	$60.09	$61.30

Jumpers are the initial connection of new development to the Division’s water system. The Division provides these jumpers for a monthly charge. These jumpers also come with an assumed 5 CCF of water use. These monthly charges are shown in **Table 1-4** below.

Table 1-4: Proposed Jumper Charge Rate Calculation through CY 2020

	Proposed CY 2018	Proposed CY 2019	Proposed CY 2020
1” Meter Rate	$44.36	$45.25	$46.16
5 CCF Rate	9.55	9.75	9.95
Jumper Charge	**$53.91**	**$55.00**	**$56.11**

2 INTRODUCTION

In 2015, the Division contracted with Raftelis to study the Division's water cost of service and develop recommendations for rate adjustment to reflect the cost of providing service to specific classes of customers. This Rate Study (Study) includes three components:

1. A five-year forecast that analyzes demand, water supply mix, and cost projections to ensure financial sufficiency, meet operations and maintenance (O&M) costs, ensure sufficient funding for capital replacement and refurbishment (R&R) needs, ensure sufficient funding for debt service, and maintain adequate reserve fund levels.
2. A cost-of-service analysis that proportionately allocates the Division's revenue requirements among various customer classes.
3. Water rates developed in compliance with California Constitution article XIII D, section 6 (commonly referred to as Proposition 218).

2.1 STUDY APPROACH

The Study approach is summarized as follows:

- **Financial Plan (Five-year Forecast):** The financial plan is a five-year forecast which projects the Division's future demands, future mix of water supplies, and future expenditures in order to calculate its revenue requirements for the Study period. This analysis reviews the adequacy of the level of current water rates. From this analysis, a determination can be made as to the overall level of water rate adjustments needed to provide adequate and prudent funding for both operating and capital needs.

- **Cost of Service Analysis:** The next step of the rate study process is the cost of service analysis. This analysis proportionately allocates the revenue requirements among various customer classes, including allocating the revenue requirements to fixed and variable charges.

- **Rate Design:** The final step of the comprehensive rate study process is the design of water rates to collect the desired levels of revenue, based on the results of the revenue requirement and cost of service analyses. The rate design determines how the rate revenues will be collected from the various customer classes.

This Study includes the following sections in addition to the Executive Summary and the Introduction:

- ***Section 3*** summarizes the development of the Financial Plan (five-year forecast) for the Division.
- ***Section 4*** describes the Study's findings and results of the cost of service analysis.
- ***Section 5*** describes the rate design methodology and calculation of the proposed water rates for the Division.

Before discussing the development of the financial plan, the general assumptions used during the course of the Study are discussed below.

2.2 ASSUMPTIONS USED IN THE STUDY

The period for the Study uses FY 2017 as the budget year and the model makes financial projections through FY 2020-21. Rate projections are made for five years for financial planning purposes, but recommendations for rate adjustments are **for three years only.**

2.2.1 WATER DEMAND/CONSUMPTION

After the easing of State-mandated conservation requirements, the Division has experienced an increase in water consumption. The Division has incorporated this rebound in consumption into its demand projections, as well as growth in the number of customer accounts. The projections included in this study assume the Division will remain compliant with the State-mandated goal of 20% total conservation by 2020. Based on historic averages and development in progress, **Table 2-1** below shows projected account growth factors across the Study period.

Table 2-1: Account Growth Factor Across Study Period

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Account Growth Factor	1.6%	1.6%	1.6%	1.6%	1.4%

Table 2-2 shows the change in projected consumption across the Study period. FY 2018 shows a total increase of 18%, comprised of overall increase in consumption/demand of 8% plus an additional 10% for a major grading project. In FY 2019 the model projects a total decrease of 4%, comprised of overall increase in consumption of 5% less a decrease of 9% for the major grading project in FY 2018. FY 2020 and thereafter shows the assumption of an increase in consumption of roughly 4% per year.

Table 2-2: Projected Consumption Totals

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Residential Consumption	5,214,215	5,719,648	5,983,608	6,198,975	6,348,468
Non-Residential Consumption	4,447,838	5,670,938	4,930,218	5,101,037	5,214,582
Total (CCF)	**9,662,053**	**11,390,586**	**10,913,826**	**11,300,012**	**11,563,050**
Total (AF)	**22,181**	**26,149**	**25,055**	**25,941**	**26,545**
Year-on-Year Change (%)		18%	-4%	4%	2%

2.2.2 MIX OF WATER SUPPLY

The Division obtains water from two sources – purchased water from the CLWA (imported supplies and Saugus 1&2 Well water) and local groundwater. Due to lower than usual groundwater levels during the drought and high allocations of State Water Project supplies, the Division's mix of supplies has been more reliant on purchased water in recent years. This Study assumes the Division returns to its historical mix of water supplies as shown in **Table 2-3** :

Table 2-3: Groundwater and Purchased Water Projections

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Percentage of Demand met by Groundwater	25.0%	16.0%	30.0%	40.0%	40.0%
Percentage of Demand Met by Purchased Water	75.0%	84.0%	70.0%	60.0%	60.0%

2.2.3 OPERATING COST ESCALATION FACTORS

Certain cost escalation assumptions and inputs were incorporated into the Study to adequately model expected future operating costs of the Division. These assumptions were based on discussions with, and/or direction from, Division management. Division management generally relied on recent escalation factors used for budgeting purposes. The assumed escalation factors are shown in **Table 2-4**.

Table 2-4: Division Cost Escalation Factors

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General	3.0%	3.0%	3.0%	3.0%	3.0%
Salary	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Construction	0.0%	0.0%	2.5%	2.5%	2.5%
Conservation	5.0%	5.0%	5.0%	5.0%	5.0%
Saugus 1&2 Well Water	5.0%	5.0%	5.0%	5.0%	5.0%
CLWA Imported Water	9.0%	9.6%	5.0%	5.0%	5.0%

2.2.4 PROJECTED COST SAVINGS FROM NEW WATER AGENCY ECONOMIES OF SCALE

State legislation has been introduced to create a new Santa Clarita Valley Water Agency, effective January 1, 2018, that would include the Division, along with CLWA and the Newhall County Water District. This is the result of a year of study and public discussion that included a financial analysis showing cost savings over a 10-year period. One-third of the projected cost savings have been included in this financial plan, as follows in **Table 2-5**:

Table 2-5: Division Cost Savings Estimate

	FY 2018	FY 2019	FY 2020
Projected Cost Savings	$125,000	$321,000	$381,000

2.2.5 MISCELLANEOUS REVENUES

The financial plan assumes the following growth in miscellaneous revenues, which are available to offset overall revenue requirements:

Table 2-6: Revenue Growth

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Miscellaneous Revenues	0.0%	0.0%	0.0%	0.0%	0.0%
Rentals	2.0%	2.0%	2.0%	2.0%	2.0%
Interest Income	0.0%	0.0%	0.0%	0.0%	0.0%

3 DIVISION FINANCIAL PLAN

This financial plan is a five-year forecast which projects the Division's future demands, future mix of water supplies, and future expenditures in order to calculate revenue requirements. The five-year forecast includes the costs of O&M, capital improvements program (CIP), debt service, reserve fund targets, and debt service coverage ratios. The results of this financial plan are used to determine the revenue adjustments needed to meet ongoing expenses and provide fiscal stability to the Division. In summary, the results of this plan recommend the following:

1. Providing pass-through adjustments for purchased water and power
2. General revenue requirement increases of 2% in calendar years 2019 and 2020

3.1 ANALYSIS OF PURCHASED WATER AND POWER AND PASS-THROUGH ADJUSTMENTS

The Division will pass-through to its customers any increases in the rates for purchased wholesale water and also for power. Because power is a small overall cost of the Division, the calculations in this Study do include anticipated energy cost increases (5% per year). The Division will pass-through any energy cost increases beyond these budgeted levels when they are increased.

3.1.1 PROJECTED IMPORTED WATER DEMAND AND COSTS

In a given year, purchased water costs can account for upwards of 40% of the Division's O&M costs. Consequently, Raftelis modeled these costs separately from other O&M costs which are escalated according to the escalation factors in **Table 2-4**. There are several variables that affect the cost of purchased water and these variables are the purchased water costs and the purchased water mix. There are two main sources of water supply; the Division historically has derived roughly 40% of the supply from its own groundwater, but recently it has been receiving less than that due to drought conditions, with the remainder of the water needed to meet demand being met by purchased water from CLWA. Purchased water from CLWA comes from two different sources: Saugus 1&2 Well water (which undergoes perchlorate treatment) and imported water (from the State Water Project and the Buena Vista/Rosedale Rio Bravo water supply in Kern County). The Division receives approximately 3,000 acre-feet (AF) per year of Saugus 1&2 Well water. The remainder of purchased water is imported water.

The amount of water purchases necessary for each fiscal year (FY) are calculated by taking the projected water usage in CCF (hundred cubic feet; the billing system unit) from **Table 2-2**, converting the CCF to AF and applying a water loss factor. Raftelis calculated the water loss factor by averaging the water loss factor for the last two fiscal years which averages 6.55%. The projected total water requirements, including adjustments for the assumed water loss factor, are shown in **Table 3-1.**

Table 3-1: Projected Fiscal Year Water Requirements in AF

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Water Sales	22,181 AF	26,149 AF	25,055 AF	25,941 AF	26,545 AF
Water Purchases Necessary (after water loss factor)	23,736 AF	27,982 AF	26,811 AF	27,760 AF	28,406 AF

The projected mix of water is based on **Table 2-3**. From these percentages Raftelis calculated how much CLWA imported water would be used by first using the groundwater percentage in **Table 2-3** and then using the 3,000 AF of Saugus 1&2 Well water. The remainder is met by purchasing CLWA imported water. The totals of each type of water purchase required are shown in **Table 3-2** below. The Division provided projections for the percentage of demand expected to be met by Division groundwater through the Study period with the remaining percentage to be met by CLWA Saugus 1&2 Well water and imported water percentages.

Table 3-2: Projected Fiscal Year Water Requirements by Source in AF

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Percentage of Demand Met by Division Groundwater (Division Wells)	24.9%	16.0%	30.0%	40.0%	40.0%
Percentage of Demand Met by CLWA Imported Water	75.1%	84.0%	70.0%	60.0%	60.0%
Division Groundwater Used to Meet Demand (AF)	5,910	4,477	8,043	11,104	11,362
CLWA Saugus 1&2 Well water Used to Meet Demand (AF)	3,000	3,000	3,000	3,000	3,000
CLWA Imported Water Used to Meet Demand (AF)	14,826	20,505	15,768	13,656	14,043
Total Water Required (AF)	23,736	27,982	26,811	27,760	28,406

Note that Saugus 1&2 Well water, while technically groundwater, is purchased from CLWA and is billed at the "CLWA Saugus 1&2 Well" water rates. CLWA's current and projected variable wholesale rates for imported water are shown in **Table 3-3** below. CLWA has only adopted rates through FY 2018. Rates for FY 2019 through 2021 are projected according to the percentages shown in **Table 2-4**.

Table 3-3: Projected FY 2017 to FY 2021 Variable Wholesale Rates for Purchased Water in $/AF

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CLWA Saugus 1&2 Wells	$175.35	$184.12	$193.33	$203.00	$213.15
CLWA Imported Water	$218.18	$239.13	$251.08	$263.64	$276.82

The Division also pays a fixed charge to CLWA. This charge is assessed on a 10-year rolling average of the Division's imported water use. The rate that the Division pays, and its 10-year rolling average (and projected 10-year rolling average going forward) are shown in **Table 3-4** Note that the amount shown in FY 2017 is not a calculation but rather the budgeted amount CLWA expected to collect from the Division in FY 2017.

Table 3-4: Projected CLWA Fixed Charge

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Imported Water Fixed Charge ($/AF/Year)	$218.18	$239.13	$251.08	$263.64	$276.82
Imported Water 10-Year Rolling Average (AF/Year)	16,801	16,992	16,795	16,641	16,683
Imported Demand Fixed Charge ($/Year)	$7,094,764	$7,407,873	$7,688,021	$7,998,771	$8,419,625

The variable rate is calculated by multiplying the relevant rate by the amount of AF the Division is expected to purchase in that year. Using the projected water sales in **Table 3-2** and the adopted and projected rates in **Table 3-3** and **Table 3-4**. The Division's total projected water costs are shown in **Table 3-5** below.

Table 3-5: Projected Purchased Water Costs

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CLWA Saugus 1&2 Well	$526,050	$552,360	$579,990	$609,000	$639,450
CLWA Fixed Charge[2]	$7,094,764	$7,407,873	$7,688,021	$7,998,771	$8,419,625
CLWA Imported Water Charge[2]	$3,135,449	$4,688,497	$3,864,683	$3,514,412	$3,794,902
Total Projected Water Cost	$10,756,263	$12,648,729	$12,132,694	$12,122,184	$12,853,976

3.1.2 PASS-THROUGH CALCULATION

As discussed above, the Division will pass-through to its customers any increases in the rates for purchased water that CLWA imposes on it. These pass-through rate increases will be calculated by utilizing the FY 2017 CLWA rates and calculating what the total CLWA associated costs would be without an increase, and comparing that to the projected water costs shown in **Table 3-5**. The CLWA rates are scheduled to be adopted on a calendar year basis. In order to compare the rate increases on a FY basis, Raftelis divided each projected total cost by 12 (for the number of months in a year) and then divided the monthly cost by the average monthly consumption for that fiscal year. The projected monthly

[2] CLWA future fixed and imported water charges are estimates only. CLWA wholesale water rates are only approved through December 2018.

consumption are the total values taken from **Table 3-6** and **Table 3-7** (less fireline consumption) divided by 12.

The resulting pass-through rates for FY 2018 and calculation steps are shown **Table 3-6**. The rates that CLWA has implemented are in effect through December 31, 2018, so the pass-through from FY 2018 will be held constant until CLWA rates increase again. These pass-through rates are not shown for years beyond FY 2018 because they will be recalculated when CLWA adopts further rate adjustments. Future increases in purchased wholesale water costs due to adjustments in CLWA's wholesale water rates will be passed through by the Division based on the adopted rates.

Table 3-6: Pass-Through Calculation for FY 2018

		Source	FY 2018
1	Fixed Charge	**Table 3-5**	$7,094,764
2	FY 2017 Imported Water Charges ($/AF)	**Table 3-3**	$218.18
3	FY 2017 Saugus 1&2 Well Charge ($/AF)	**Table 3-3**	$175.35
4	FY 2018 CLWA Imported Water (AF)	**Table 3-2**	20,505
5	FY 2018 CLWA Saugus 1&2 Well Water (AF)	**Table 3-2**	3,000
6	Projected CLWA Cost w/ FY 2017 Rates	Line1 + Line2*Line4 + Line3*Line5	$12,094,571
7	Projected CLWA Cost w/ FY 2018 Rates	**Table 3-5**	$12,648,729
8	Projected Monthly Cost w/ FY 2017 Rates	Line6/12	$1,007,881
9	Projected Monthly Cost w/ FY 2018 Rates	Line7/12	$1,054,061
10	Projected Increase in Monthly Cost	Line9-Line8	$46,180
11	Projected Monthly Consumption	**Table 2-2**	948,690
12	Pass-through Adjustment	Line10/Line11	$0.05
13	Incremental Adjustment		$0.05

3.2 ADDITIONAL REVENUE REQUIREMENTS

A review of the Division's revenue requirements is a key step in the rate design process. The review involves analyses of annual operating revenues under the current rates, O&M expenses, capital expenditures, transfers between funds, and reserve requirements. This section of the Study provides a discussion on projected revenues, O&M and capital expenditures, the capital improvement financing plan, debt service requirements, and overall revenue requirements over the five-year projection period.

The first step in determining revenue requirements is to run a five-year projection or pro forma based on current rates, taking into account the current items:

- Projected consumption
- Projected mix of water supplies to meet projected consumption
- Projected cost of water supplies
- Projected operations and maintenance costs
- Projected capital costs

- Projected debt service
- Maintaining reserve fund levels and debt coverage ratios
- Projected revenues at **current rates**

Based on this analysis, if the projected revenues at current rates are not adequate to fund the items above, additional revenues, and hence rate increases, are recommended. For this Study, the pro forma includes the pass-through adjustment for FY 2018 described in **Section 3.1.2** above.

Details on projected revenues and expenditures are included in the following appendices in Section 7:

- Appendix 1 – Projected Fixed Monthly Service Charge Revenues Based on Current Rates, including projected meter totals for the five-year planning period based on the account growth escalation factors from **Table 2-1** and the projected fixed Monthly Service Charge revenues based on current rates
- Appendix 2 – Projected Variable Water Usage Commodity Charges Based on Current Rates, including projected water usage by category and tier for the five-year planning period based on the escalation factors from **Table 2-2** and the projected Commodity Charge revenues based on current rates
- Appendix 3 – Projected Fire Service Revenue Based on Current Rates, including Fire Service Meter Charge current rates, meter totals for the five-year planning period based on the escalation factors from **Table 2-1** and the projected fixed Monthly Service Charge revenues based on current rates
- Appendix 4 – Projected Water Rate Revenues at Current Rates and Projected Miscellaneous Revenues
- Appendix 5 – Projected Operations and Maintenance Expenditures
- Appendix 6 – Projected Debt Service
- Appendix 7 – Projected Capital Improvement Program Expenditures
- Appendix 8 – Analysis of Reserve Funds

3.3 FINANCIAL OUTLOOK AT CURRENT RATES

The results of the pro forma based on current rates (assuming the purchased water and power pass-through charges) show that revenues generated from current rates and other miscellaneous revenues exceed operational expenses through FY 2020 and the Division has adequate reserves to fund its capital costs through FY 2020; however, starting in FY 2021, reserves will be below the minimum target and will also need to be used to fund the shortfall of the Division's revenue requirements, which will not be met by operating revenues. The Division's O&M costs continue to increase through annual inflationary adjustments as previously listed under **Table 2-4**. As such, current revenues cannot fully fund both O&M and capital costs without drawing down reserves each year. By FY 2020, the total reserves would be depleted and overdrawn.

In conclusion, the Division will not be able to fund its CIP program under the current rates over the next five years while maintaining its minimum target reserve balances. A pro forma showing the status quo financial plan (with no rate adjustments) is shown in **Table 3-7**. The FY 2017 expenses are the Division's estimated FY 2017 expenses, expenses in future years are projected using the adjustment factors in **Table 2-4**.

Table 3-7: Status Quo Pro forma

Line	Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	**Revenues**					
2	Existing Rev from Rates	$30,985,316	$35,372,533	$34,694,267	$35,760,058	$36,521,816
3	Rev from Rev Adjustments	$0	$0	$0	$0	$0
4	Other Revenues	$1,456,400	$1,464,808	$1,473,384	$1,482,132	$1,491,054
5	Pass-through Adjustment	$0	$0	$0	$0	$0
6	**Total Revenues**	**$32,441,716**	**$36,837,341**	**$36,167,651**	**$37,242,190**	**$38,012,870**
7	**Revenue Requirements**					
8	Supply (Water Only)	$10,756,263	$12,178,700	$12,132,694	$12,122,184	$12,853,976
9	Supply (Other Costs)	$233,998	$251,300	$258,839	$266,604	$274,602
10	Pumping	$2,806,178	$3,079,101	$3,537,435	$3,881,218	$4,064,550
11	Water Treatment	$1,126,416	$1,229,000	$1,263,476	$1,307,130	$1,351,204
12	Transmission and Distribution	$4,479,854	$4,638,401	$4,642,978	$4,747,008	$4,889,418
13	Customer Service	$985,688	$1,026,101	$1,056,884	$1,088,590	$1,121,248
14	Engineering	$882,789	$1,203,800	$1,239,914	$1,277,111	$1,315,424
15	Administrative and General	$3,494,659	$3,738,900	$3,804,455	$3,915,094	$4,044,745
16	O&M Adjustment	$406,130	$0	$0	$0	$0
17	**Total O&M**	**$25,171,975**	**$27,345,302**	**$27,936,674**	**$28,604,940**	**$29,915,168**
18	**Net Revenues**	**$7,269,740**	**$9,492,039**	**$8,230,977**	**$8,637,251**	**$8,097,702**
19	Debt Proceeds to Fund	$0	$0	$0	$0	$0
20	Current Debt Service	$2,809,100	$5,268,375	$5,395,069	$5,510,613	$5,630,238
21	Proposed Debt Service	$0	$0	$0	$0	$0
22	Debt Reserve Used for Payment	$0	$0	$0	$0	$0
23	**Total Debt Service**	**$2,809,100**	**$5,268,375**	**$5,395,069**	**$5,510,613**	**$5,630,238**
24	Revenue Used for CIP	$4,214,700	$5,201,900	$6,231,385	$5,683,041	$6,437,760
25	**CIP Expenditure**	**$4,214,700**	**$5,201,900**	**$6,231,385**	**$5,683,041**	**$6,437,760**
26	**Net Annual Cash Balance**	**$245,940**	**-$978,236**	**-$3,395,477**	**-$2,556,403**	**-$3,970,295**
27	**Beginning Reserve Balance**	$29,013,046	$29,258,986	$28,280,750	$24,885,273	$22,328,870
28	**Ending Reserve Balance**	$29,258,986	$28,280,750	$24,885,273	$22,328,870	$18,358,575
29	Coverage Ratio	259%	180%	153%	157%	144%
30	Days Cash	424	377	325	285	224

3.4 PROPOSED FINANCIAL PLAN

To ensure that the Division will have adequate revenues to fund operating expenses, capital expenditures, and comply with existing bond covenants (debt service requirements), it is recommended that the Division increase rates in FY 2019 and FY 2020. All revenue adjustments would be of equal magnitude and occur on January 1 of each fiscal year. A summary of the Division's proposed revenue increases is shown below in **Table 3-8**. Note that the pass-through increases for FY 2019 and FY 2020 would be in addition to the increases shown below.

Table 3-8: Revenue Adjustment Summary

Year	Month	Adjustment Percentage
FY 2018	January	0.0%
FY 2019	January	2.0%
FY 2020	January	2.0%

The combination of revenue increases and pass-through rate adjustments would enable the Division to complete the planned capital projects for the Study period while maintaining an appropriate level of reserves over the next four years. Although there is a 0% revenue adjustment in FY 2018, the Division is projected to collect more revenue in FY 2018 than in FY 2017 because of the mid-year FY 2017 revenue adjustment, implemented in January of 2017. Since this revenue adjustment will be in place for the entire fiscal year rather than half, the logical expectation for increased revenue would be half the magnitude of the FY 2017 fiscal year adjustment.

A pro forma showing the results of the proposed revenue adjustments in **Table 3-8** is shown in **Table 3-9** below. The proposed revenue adjustments will account for the Division's annual financial needs while allowing the Division to draw down its unrestricted fund balance, maintain positive net revenues through the Study period, and comply with current debt covenants. Note that the Pass-through adjustments shown in **Table 3-9** includes a pass-through based on projected CLWA rate increases.

Table 3-9: Five-Year Proposed Financial Plan - Pro forma

Line	Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	**Revenues**					
2	Existing Rev from Rates	$30,985,316	$35,372,533	$34,694,267	$35,760,058	$36,521,816
3	Rev from Rev Adjustments	$0	$0	$346,943	$1,079,954	$1,475,481
4	Other Revenues	$1,456,400	$1,464,808	$1,473,384	$1,482,132	$1,491,054
5	Pass-through Adjustment	$0	$277,079	$812,936	$1,296,841	$1,845,570
6	**Total Revenues**	**$32,441,716**	**$37,114,420**	**$37,327,529**	**$39,618,985**	**$41,333,921**
7	**Revenue Requirements**					
8	Supply (Water Only)	$10,756,263	$12,178,700	$12,132,694	$12,122,184	$12,853,976
9	Supply (Other Costs)	$233,998	$251,300	$258,839	$266,604	$274,602
10	Pumping	$2,806,178	$3,079,101	$3,537,435	$3,881,218	$4,064,550
11	Water Treatment	$1,126,416	$1,229,000	$1,263,476	$1,307,130	$1,351,204
12	Transmission and Distribution	$4,479,854	$4,638,401	$4,642,978	$4,747,008	$4,889,418
13	Customer Service	$985,688	$1,026,101	$1,056,884	$1,088,590	$1,121,248
14	Engineering	$882,789	$1,203,800	$1,239,914	$1,277,111	$1,315,424
15	Administrative and General	$3,494,659	$3,738,900	$3,804,455	$3,915,094	$4,044,745
16	O&M Adjustment	$406,130	$0	$0	$0	$0
17	**Total O&M**	**$25,171,975**	**$27,345,302**	**$27,936,674**	**$28,604,940**	**$29,915,168**
18	**Net Revenues**	**$7,269,740**	**$9,769,118**	**$9,390,855**	**$11,014,045**	**$11,418,753**
19	Debt Proceeds to Fund	$0	$0	$0	$0	$0
20	Current Debt Service	$2,809,100	$5,268,375	$5,395,069	$5,510,613	$5,630,238
21	Proposed Debt Service	$0	$0	$0	$0	$0
22	Debt Reserve Used for Payment	$0	$0	$0	$0	$0
23	**Total Debt Service**	**$2,809,100**	**$5,268,375**	**$5,395,069**	**$5,510,613**	**$5,630,238**
24	Revenue Used for CIP	$4,214,700	$5,201,900	$6,231,385	$5,683,041	$6,437,760
25	**CIP Expenditure**	**$4,214,700**	**$5,201,900**	**$6,231,385**	**$5,683,041**	**$6,437,760**
26	**Net Annual Cash Balance**	**$245,940**	**-$701,157**	**-$2,235,599**	**-$179,608**	**-$649,244**
27	**Beginning Reserve Balance**	$29,013,046	$29,258,986	$28,557,829	$26,322,231	$26,142,622
28	**Ending Reserve Balance**	$29,258,986	$28,557,829	$26,322,231	$26,142,622	$25,493,378
29	Coverage Ratio	259%	185%	174%	200%	203%
30	Days Cash	424	381	344	334	311

Table 3-10 provides an in-depth analysis of the Division's reserve requirements and its Unrestricted Reserve balance through the Study Period. This table shows that the reserve targets are fully funded through FY 2021, and that the Unrestricted Reserve fund balance is being drawn down through the Study period.

Table 3-10: Reserve Summary

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Operating Reserve Fund Target	$6,292,994	$6,836,325	$6,984,169	$7,151,235	$7,478,792
Rate Stabilization Reserve Fund Target	$4,767,797	$5,467,442	$5,498,122	$5,840,528	$6,216,121
Capital Reserve Fund Target	$1,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Liability Repayment Reserve	$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Emergency Reserve Fund Target	$1,000,000	$2,200,000	$2,200,000	$2,200,000	$2,200,000
Total Reserve Target	$13,060,791	$21,503,767	$21,682,290	$22,191,763	$22,894,913
Total Reserve Ending Balance	$29,258,986	$28,557,829	$26,322,231	$26,142,622	$25,493,378

4 COST OF SERVICE AND RATE DESIGN

4.1 LEGAL FRAMEWORK AND RATE METHODOLOGY BACKGROUND

California Constitution article XIII D, section 6 (commonly referred to as Proposition 218) states that:

1. Revenues derived from a property-related charge (such as water service charges) imposed by a public agency shall not exceed the funds required to provide the property-related service.
2. Revenues derived from the charge shall not be used for any other purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of property.
5. No charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.
6. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

As stated in the Manual M1, "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Proposition 218 ensures that water rates cannot be "arbitrary and capricious", meaning that the rate-setting methodology must be sound and that there must be a nexus between the costs incurred and the rates charged.

4.2 COST BASED RATE SETTING METHODOLOGY

This Study used the Base-Extra Capacity method of the Manual M1 in allocating costs. The rate-making process starts by determining the test year revenue requirement – which for this Study is FY 2017. The revenue requirement should sufficiently fund the Division's O&M, debt service, capital expenses, and reserve funding. The Division's revenue requirements are tied to its cost of providing service. This cost is then used as the basis to develop unit costs for the water rate components.

A cost of service analysis involves the following:

1. Functionalizing costs. This analysis arranges the cost data by major operating functions. Examples of functions are sources of supply, pumping, treatment, transmission, distribution, and customer service (e.g., meter servicing and customer billing and collection).
2. Allocating functionalized costs to cost causation components. This analysis assigns the functionalized costs to cost causation components. A cost of service analysis considers both the average quantity of water consumed (base costs) and the peak rate at which it is consumed (peaking or capacity costs as identified by maximum day and maximum hour demands). Peaking costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, and operating and maintaining facilities to meet peak

demands. These peak demand costs need to be allocated to those imposing such costs on the utility. In other words, not all customers share the same responsibility for peaking related costs. Cost causation components include base delivery, peak delivery which consists of maximum day and maximum hour[3], customer service and billing, customer service metering, conservation, and fire service.

3. Distributing the cost causation components into rate components. This analysis allocates the classified costs to each class of service based upon each class's proportional contribution to that specific cost component.

4.3 FUNCTIONALIZED COSTS

The total cost of water service is analyzed by particular operational function in order to equitably distribute costs in relation to how the costs are incurred, in general, which then allows each functional cost component to be recovered through the most appropriate revenue recovery (i.e., fixed charge versus variable charge). **Table 4-1** provides a summary of the Division's FY 2017 estimated expenses by functionalized cost components (i.e., function). These expenses provide a list of Division functions. Note that the Division's functionalized cost components include a heading titled "Source of Supply" that includes the Division's FY 2017 estimated amount for purchased water. The Purchased Water heading represents Raftelis's calculated purchased water totals, which is a subset of the "Source of Supply" functionalized cost components. Note the inclusion of an adjustment for annualized current rates: the Division is adopting rates that are revenue neutral with the FY 2017 rate adjusted rates. Since the FY 2017 rate adjustment occurred in January of 2017, it is necessary to determine what the Division's revenue would have been in FY 2017 if those rates had been in place for the entire fiscal year in order to create rates that are revenue neutral with the rates adopted in FY 2017.

[3] System capacity is the system's ability to supply water to all delivery points at the time when demanded. The time of greatest demand is known as peak demand. Peak-day and peak-hour demands describe the amount of water needed by customers on the day of greatest water need and hour of greatest water need, respectively. These demands have significant cost-of-service implications because the infrastructure for water supply and distribution needs to be sized to provide not just the average water demand, but rather the peak demands of customers. Both the operating costs and capital asset related costs incurred to accommodate the peak flows are generally allocated to each customer based upon the customer's contribution to the peak month, day and hour event.

Table 4-1: Summary of Division FY 2017 Costs by Function

Functionalized Cost	Total	Source
Source of Supply (Other Costs)	$233,998	**Table 7-14**
Source of Supply (Purchased Water)	$10,756,263	**Table 7-14**
Pumping	$2,806,178	**Table 7-14**
Water Treatment	$1,126,416	**Table 7-14**
Transmission and Distribution	$4,479,854	**Table 7-14**
Customer Service	$985,688	**Table 7-14**
Engineering	$882,789	**Table 7-14**
Administrative and General	$3,494,659	**Table 7-14**
O&M Adjustment	$406,130	**Table 7-14**
Subtotal O&M	$25,171,975	
Debt Service	$2,809,100	**Table 7-15**
Fund Balance	$4,460,640	**Table 3-9** ln 29+ ln 32
Adjustment for Annualized Current Rates	$624,762	
Less: Non-Operating Revenues	$1,456,400	**Table 3-9** ln 4
Total Revenue Requirement	$31,610,078	

4.4 ALLOCATING FUNCTIONS TO COST CAUSATION COMPONENTS

After functionalizing costs, the next step is to allocate the functionalized costs to **Cost Causation Components**. This is done by categorizing the water budget items by their cost function. For this Study, Raftelis identified seven distinct cost causation components as well as three supply related cost causation components. These cost causation components are: Base Delivery, Maximum Day, Maximum Hour, Customer Service Billing, Customer Service Metering, Conservation and Fire. The three supply related cost causation components are: Division Groundwater, CLWA Saugus 1&2 Well Water and CLWA imported water. These cost causation components correspond to functional cost components. The first step in functionalizing cost causation components is identifying system-wide peaking factors to derive the allocation bases for the peaking related cost causation components (i.e., Base Delivery, Maximum Day, and Maximum Hour). Division Staff provided Raftelis with the following system-wide peaking factors, which were used to calculate the allocation for peaking related cost causation components. Note that these peaking factors are a ratio of system wide-flow to average flow ("Base") during Maximum Day (Max Day) and Maximum Hour (Max Hour) events. The system-wide peaking factors are used to derive the cost causation component allocation bases (i.e., percentages). These peaking characteristics are shown in **Table 4-2**.

Table 4-2: System-Wide Peaking Characteristics

	System Wide Ratio
Base	1.00
Max Day	1.74
Max Hour	3.55

The equations to determine peaking allocations are shown below.

$$Base = \frac{Base}{Max\ Day}$$

$$Max\ Day = \frac{Max\ Day - Base}{Max\ Day}$$

$$Max\ Hour = \frac{Max\ Hour - Max\ Day}{Max\ Hour}$$

These peaking characteristics result in the following cost causation components allocations for Maximum Day:

$$Base = \frac{Base}{Max\ Day} = \frac{1}{1.74} \approx 57\%$$

$$Max\ Day = \frac{1.74 - 1}{1.74} \approx 43\%$$

For the Max Hour component, the calculations are shown below.

$$Base = \frac{Base}{Max\ Hour} = \frac{1}{3.55} \approx 28\%$$

$$Max\ Day = \frac{Max\ Day - Base}{Max\ Hour} = \frac{0.74}{3.55} \approx 21\%$$

$$Max\ Hour = \frac{Max\ Hour - \ Max\ Day}{Max\ Hour} = \frac{1.79}{3.55} \approx 51\%$$

The results of these calculations are shown in **Table 4-3** below.

Table 4-3: Maximum Day and Maximum Hour Calculations

	Base	Max Day	Max Hour
Base	100%		
Max Day	57%	43%	
Max Hour	28%	21%	51%

4.4.1 COST OF SERVICE

The functionalization of costs allows us to better allocate costs to the cost causation components. In addition to the cost causation components commonly found in most agencies, Raftelis separated the supply costs into three separate components representative of the Division's three sources of water supply. The Division's cost causation components are below:

1. Base costs (costs incurred under average levels of usage)
2. Peaking costs – Maximum Day (costs incurred during high levels of usage)
3. Peaking costs – Maximum Hour (costs incurred during high levels of usage)
4. Division Groundwater (Supply)
5. CLWA Imported Water (Supply)
6. CLWA Saugus 1&2 Well Water (Supply)
7. Conservation
8. Customer Service Metering
9. Customer service Billing
10. Fire

Peaking costs are those which vary with peak demand, or the maximum rates of flow to customers. Peaking costs are divided into Maximum Day and Maximum Hour demand. The Maximum Day demand is the maximum amount of water used in a single day in a year. The Maximum Hour demand is the maximum usage in an hour on the maximum usage day. System capacity is required when there are large demands for water placed upon the system (e.g., summer lawn watering). For water utilities, capacity related costs are generally related to the sizing of facilities needed to meet a customer's maximum water demand at any point in time, and the O&M costs associated with those facilities. For example, portions of distribution facilities (pipes) and storage facilities (reservoirs) must be adequately designed and sized to meet the peaking demands of customers. Therefore, extra capacity[4] costs include the O&M and capital costs associated with meeting peak customer demand. This method is consistent with the M1 Manual, and is widely used in the water industry to perform cost of service analyses.

After obtaining the summary of revenue requirements from the budget, the revenue requirements are allocated to functional cost components. **Table 4-4** shows the percentage allocation for each cost causation component. The functions shown in **Table 4-1** are allocated to cost components depending on

[4] The terms extra capacity, peaking, and capacity costs are used interchangeably.

which cost causation component that function most closely aligns with. Some are split up, most notably the purchased water function, if some of the causes are caused by more than one component.

The capital allocation was obtained by examining the Division's fixed asset list and determining what proportion of the total asset value was related to which cost causation component.

The pumping/wells allocation was obtained with input from Division staff. Division staff reported that pumping costs and power usage are typically 24% higher during summer (peak) months, so 24% of pumping/wells costs are allocated to the Maximum Hour cost causation component. The remainder is split proportionally between supply components by water purchases.

Table 4-4: Allocation to Cost Causation Components

Cost Categories	Base	Max Day	Max Hour	Groundwater	CLWA Imported Water	Saugus 1&2 Wells	Conservation	Customer Service Billing	Customer Service Metering	Fire
General/Admin	50%							50%		
Conservation							100%			
Treatment				100%						
Base	100%									
Max Day	52%	38%								10%
Max Hour	25%	19%	46%							10%
Max Hour (No Fire)	28%	21%	51%							
CLWA Imported Water					100%					
Saugus 1&2 Well Water						100%				
CLWA and Saugus					83%	17%				
Customer Service								50%	50%	
Pumping/Wells			24%	35%	34%	7%				
Meters									100%	
Fire										100%
Capital	76%	1%	5%	8%	2%	0%		2%	1%	4%

The monthly fixed Service Charges recover all of the costs associated with Customer Service Billing and Customer Service Metering and a majority of the Fire protection costs. The Fire Service charges collect the remainder of the fire costs. The Commodity Charges recover all costs associated with Base, Maximum Day, Maximum Hour, Conservation, and the three Supply components. The allocation of functions goes roughly as follows (and can be seen in the appendix **Section 7.9** for more detail): Pumping was designated a Pumping/Wells cost, Water Treatment was designated a Treatment Cost, Transmission and Distribution was designated a Maximum Hour cost since the Transmission and Distribution system has to be able to handle a maximum hour event, Customer Service was designated a Customer Service cost, Engineering was designated a Maximum Day cost since generally part of the Engineering staff's function is to plan for peaking events, and Administrative and General were designated General/Admin costs, with a portion designated as Conservation. This Conservation portion is equal to the Division spending on conservation programs. These allocations are shown in detail in the appendix **Section 7.9**.

The Study calculated water rates based on FY 2017 as the base year through FY 2021 for the new proposed rates. The annual revenue requirements or costs of service to be recovered from rates include O&M expenses and the amount of the proposed revenue adjustment that includes the Division's non-operating revenues as offsets (reductions) of total revenue requirements. The non-operating revenue offsets will reduce the total cost of service to be recovered from proposed rates which in turn will also reduce the required rate adjustments. These additional offsets and adjustments are allocated proportionately to the cost of each cost component as a percentage of the total cost of service. The results are summarized below in **Table 4-5**.

The Adjustment for Annualized Current Rates is a calculation to account for the half year of revenue "missed" by the FY 2017 rate adjustment. Since half of the year would be billed with the FY 2016 rates prior to the 3.5% revenue adjustment on January 1 2017, the FY 2017 revenues are lower than the rates would recover given a full fiscal year of implementation. Therefore, to create fully revenue neutral rates it is necessary to adjust revenues upwards. This number was calculated by multiplying the FY 2017 implemented rates by total FY 2017 consumption and meters.

Table 4-5: Revenue Requirements by Function – Fiscal Year 2016-17

	Total	Base	Max Day	Max Hour	Division Groundwater	CLWA Imported Water	Saugus 1&2 Wells	Conservation	Customer Service Billing	Customer Service Metering	Fire
Subtotal O&M	$25,171,975	$3,279,329	$1,178,341	$2,729,168	$2,103,089	$11,386,296	$759,988	$526,837	$2,179,820	$492,844	$536,264
Existing Debt Service	$2,809,100	$2,146,771	$35,522	$132,634	$217,194	$65,311	$13,216	$0	$53,025	$33,234	$112,193
Fund Balance	$4,460,640	$3,408,912	$56,406	$210,613	$344,887	$103,710	$20,986	$0	$84,200	$52,773	$178,153
New Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Revenue Requirements	$32,441,716	$8,835,012	$1,270,269	$3,072,414	$2,665,170	$11,555,317	$794,190	$526,837	$2,317,046	$578,851	$826,610
Less Revenue Offset											
Non-Operating (Other) Revenues	$1,456,400	27%	4%	9%	8%	36%	2%	2%	7%	2%	3%
Subtotal Revenue Offsets	$1,456,400	$396,629	$57,026	$137,929	$119,647	$518,751	$35,653	$23,651	$104,019	$25,986	$37,109
Midyear Rate Adjustment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjustment for Annualized Current Rates	$624,762	$170,145	$24,463	$59,169	$51,326	$222,532	$15,295	$10,146	$44,622	$11,148	$15,919
CLWA Rate Passthrough	$0										
Total Cost of Service to be Recovered from Proposed Rates	$31,610,078	$8,608,528	$1,237,706	$2,993,654	$2,596,848	$11,259,099	$773,831	$513,332	$2,257,649	$564,012	$805,420

These cost causation component functions were then simplified into six **rate components**. These rate components are: Meter Capacity, Accounts, Fire, Water Supply, Conservation, and Peaking. These rate components provide the basis for rate structure design. This process is shown in **Table 4-6**.

The following rate components are fixed Service Charge components:

1. The Meter Capacity rate component incudes the costs associated with the fixed costs of system maintenance. This rate component consists of the Base system cost causation component, the Customer Service - Metering cost causation component, 10% of supply costs (i.e., Division Groundwater, CLWA Imported Water, and CLWA Saugus 1&2 Wells) and the majority of the cost-causation component associated with Fire.[5]
2. The Accounts rate component includes the functional costs associated with providing customer service and billing and consists of the Customer Service – Billing functional cost causation component.
3. The Fire rate component includes the costs associated with maintaining extra system capacity to deal with fire events. The 90% of Fire costs causation components recovered by the Meter Capacity rate component can be considered to be the Division's public fire cost.

The next three rate components are variable Commodity Charge components:

4. The Water Supply rate component consists of 90% of the combined cost causation components of the three sources of water the Division supplies (i.e., Division Groundwater, CLWA Imported Water, and CLWA Saugus 1&2 Wells).
5. The Conservation rate component consists only of the costs from the Conservation cost causation component; no other costs are to be recovered by the Conservation rate component.
6. Finally, the Peaking rate component consists of the cost causation components associated with both Maximum Day and Maximum Hour, which are both considered to be Peaking costs.

These rate component totals are shown in Line 11 of **Table 4-6**.

[5] All fire related costs that are not met by current Fire Service Meter Charge revenues are met by the Meter Capacity rate component.

Table 4-6: Rate Components and Cost Allocations – Fiscal Year 2016-17

Line #	Cost Causation Components	Source: Table 4-6 Cost of Service	Fixed Meter Capacity	Fixed Accounts	Fixed Private Fire	Variable Water Supply	Variable Conservation	Peaking
1	Base	$8,608,528	100%					
2	Max Day	$1,237,706						100%
3	Max Hour	$2,993,654						100%
4	Division Groundwater	$2,596,848	10%			90%		
5	CLWA Imported Water	$11,259,099	10%			90%		
6	CLWA Saugus 1&2 Well Water	$773,831	10%			90%		
7	Conservation	$513,332					100%	
8	Customer Service - Billing	$2,257,649		100%				
9	Customer Service - Metering	$564,012	100%					
10	Fire	$805,420	90%		10%			
11	**Total**	$31,610,078	$11,360,395	$2,257,649	$80,542	$13,166,800	$513,332	$0

5 RATE DERIVATION

5.1 PROPOSED RATE STRUCTURE

The proposed rate structure for the Commodity Charge is a uniform charge for all customers. The Division is electing to eliminate its inclining tier rate structure and implement a uniform commodity structure for all customers. Note that while the Division operates on a FY basis, it is planning on implementing new rates on January 1 of every year in the Study period.

5.2 RATE DERIVATION

The next section deals with the derivation of the rates. The first section addresses the rates for fixed Service Charge calculation, and the second section discusses the derivation of the rates for the Commodity Charges.

5.2.1 FIXED CHARGES

The monthly fixed Service Charge is designed to recover the following rate components: Accounts related costs and Meter Capacity related costs. Accounts costs are uniform for all customers and include such costs as meter reading, billing, collecting and accounting. These costs are assumed to be uniform for all customers because they do not depend on, and are not impacted by, meter size or consumption. **Table 5-1** shows the total Number of Meters and **Table 4-6** shows Meter Capacity costs; however, in order to determine the unit rate for each of these costs, a denominator has to be found. For the Accounts based costs the denominator is the total annual number of bills in the service area. For Meter Capacity related costs, the costs are assessed based on a meter equivalency capacity ratio. This ratio is based on the rated capacity in gallons per minute (GPM) of each meter size. This assumes that larger meters have the potential to demand more capacity, or said differently, exert more peaking characteristics compared to smaller meters. The potential capacity demanded (peaking) is proportional to the potential flow through each meter size as established by the AWWA hydraulic capacity ratios. The ratios shown in **Table 5-1**are the ratio of potential flow through each meter size compared to the flow through a 1-inch meter as the standard meter size.[6]

One-inch meters were selected as the standard since the Division is not anticipating the future installation of any meters smaller than 1-inch in the future due to fire service requirements. Every other meter's rated capacity is divided by the 1-inch meter's capacity (50 GPM) to get that meter's capacity ratio. This capacity ratio is also used to calculate total Meter Equivalent Units (MEUs) in the system, by multiplying the capacity ratio by the relevant number of total meters. **Figure 5-1** shows the capacity ratio calculation for a 3/4-inch meter.

[6] The MEU calculation in the COS Study differs from the MEU calculation in the Capacity Fee Study. This is because the MEUs in the capacity fee study are a proxy for households whereas the MEUs in the COS study are used as a proxy for each meter's ability to reach into the system. This is based on the Safe Operating capacity of the meter. Basically, the difference is: a ¾ inch meter only has 60% of the capacity of a 1 inch meter, but both still can serve a single household, so both count as 1 MEU in the Capacity Fee Study.

Figure 5-1: Capacity Ratio Calculation for ¾ Inch Meter

$$\frac{30GPM}{50GPM} = 0.6\ Capacity\ Ratio$$

Table 5-1 shows the total number of meters (accounts) and MEU totals by meter size for the Division's total service area.

Table 5-1: Total Number of Meters and Meter Equivalent Units

Meter Size	Meters A	Flow (GPM) B	MEU Ratio C	Total MEUs D=A×C
5/8" x 3/4"	6,296	20	0.4	2,518.4
3/4"	18,105	30	0.6	10,863.0
1"	3,986	50	1	3,986.0
1.5"	729	100	2	1,458.0
2"	1,193	160	3.2	3,817.6
3"	44	320	6.4	281.6
4"	113	500	10	1,130.0
6"	24	1000	20	480.0
8"	8	1600	32	256.0
Total	**30,498**			**24,790.6**

Table 5-2 shows the Accounts costs allocated evenly over the number of meters. There are 30,498 meters in the Division's service area, which equates to 365,976 bills annually.[7]

Table 5-2: Accounts Component of the Fixed Charge

Line	Accounts Charge Calculation	Source or Calculation	FY 2017
1	Total Accounts Cost	**Table 4-6**	$2,257,649
2	Number of Meters	**Table 5-1**	30,498
3	Annual Bills	Line 2×12	365,976
4	Accounts Charge per Bill	Line 1/Line 3	$6.17

Meter Capacity costs include the meter related costs, base delivery related costs and a majority of public fire related costs. These costs are assigned based on meter size. Based on these ratios, the total equivalent meters equals 24,790.6; therefore, the number of MEUs per year is 24,790.6 multiplied by 12, which equals 297,487.2. **Table 5-3** shows Meter Capacity costs allocated over the Division's total MEUs.

[7] 30,498 meters×12 months=365,976 bills annually.

Table 5-3: Meter Capacity Cost Component of the Fixed Service Charge

Line	Meter Capacity Charge Calculation	Source or Calculation	FY 2017
1	Total Meter Capacity Cost	**Table 4-6**	$11,360,395
2	Number of MEUs	**Table 5-1**	24,790.6
3	Annual MEUs	Line 2×12	297,487.2
4	Meter Capacity Charge for Base MEU	Line 1/Line 3	$38.19

Table 5-4 summarizes the proposed rates for monthly fixed Service Charge for FY 2017. The monthly fixed Service Charge includes both the Customer Service - Billing rate component and the Customer Service - Metering rate component.

Table 5-4: Monthly Fixed Charge Calculation

Source	Table 5-1	Table 5-3	Table 5-2		Table 1-1		
Meter Size	Capacity Ratio	Meter Capacity Charge	Customer Service Charge	COS Rate	Current Rate	Dollar Change	Percent Change
	A	B=A×$38.19	C	D=B+C	E	F=E-D	G=F/E
5/8” x 3/4”	0.4	$15.28	$6.17	$21.45	$19.98	$1.47	7%
3/4”	0.6	$22.91	$6.17	$29.09	$25.26	$3.83	15%
1”	1.0	$38.19	$6.17	$44.36	$35.80	$8.56	24%
1.5”	2.0	$76.38	$6.17	$82.55	$62.16	$20.39	33%
2”	3.2	$122.20	$6.17	$128.37	$93.80	$34.57	37%
3”	6.4	$244.40	$6.17	$250.58	$178.18	$72.40	41%
4”	10.0	$381.88	$6.17	$388.05	$273.11	$114.94	42%
6”	20.0	$763.76	$6.17	$769.93	$536.79	$233.14	43%
8”	32.0	$1,222.01	$6.17	$1,228.18	$853.19	$374.99	44%

Table 5-5 shows the proposed rates for the Monthly Service Charge through FY 2020. Though these rates are shown on a FY basis, the Division is planning on implementing rate changes on January 1st of each Fiscal Year, going forward from 2018. Therefore, these rates will actually only be in place for half of each FY. Note that the COS rates for FY 2017 will not be implemented in FY 2017, but will be in FY 2018 (because the rates for FY 2018 are the same as FY 2017).

Table 5-5: Proposed Monthly Service Charges (FY 2017 – FY 2020) ($/Meter Size)

Meter Size	Current Rate	FY 2017	FY 2018	FY 2019	FY 2020
5/8 x 3/4”	$19.98	$21.45	$21.45	$21.88	$22.32
3/4”	$25.26	$29.09	$29.09	$29.68	$30.28
1”	$35.80	$44.36	$44.36	$45.25	$46.16
1.5”	$62.16	$82.55	$82.55	$84.21	$85.90
2”	$93.80	$128.37	$128.37	$130.94	$133.56
3”	$178.18	$250.58	$250.58	$255.60	$260.72
4”	$273.11	$388.05	$388.05	$395.82	$403.74
6”	$536.79	$769.93	$769.93	$785.33	$801.04
8”	$853.19	$1,228.18	$1,228.18	$1,252.75	$1,277.81

5.2.2 FIRE SERVICE CHARGES

Fire Service Charges are calculated in a similar fashion to monthly fixed Service Charges, as they are also fixed charges that are assessed monthly. However, instead of using MEU ratios, the Fire Service Charges use the diameter of the fire line as a proxy for a Fire Meter Equivalent Unit (FMEU) ratio per direction by Division Staff. **Table 5-6** shows the calculation of FMEUs in the Division’s service area.

Table 5-6: Fire Service Lines and Fire Meter Equivalent Units

	A	B	C=A×B
Fireline Size (In Inches)	Count	FMEU Ratio	FMEU Total
1”	3	1	3
2”	31	2	62
4”	78	4	312
6”	59	6	354
8”	149	8	1,192
10”	15	10	150
12”	6	12	72
14”	1	14	14
16”	4	16	64
18”	2	18	36
20”	1	20	20
Total	**349**		**2,279**

The next step in determining rates for the Fire Service Charge is finding the rate for one FMEU, also called the Fire Service Base Charge. This is done by dividing the total Private Fire cost from **Table 4-6** by the total number of FMEUs in **Table 5-6**. This step is shown in **Table 5-7.**

Table 5-7: Fire Service Base Charge Calculation

Line	Fire Service Charge Calculation	Source or Calculation	FY 2017
1	Total Private Fire Cost	**Table 4-6**	$80,542
2	Number of FMEUs	**Table 5-6**	2,279
3	Annual Bills	Line 2×12	27,348
4	Fire Service Base Charge	Line 1/Line 3	$2.95

The final step in calculating Fire Service Rates for the Test Year is to multiply the Fire Service Base Charge by the FMEU ratio. This gives the Fire Service Charge for each fire meter size. This calculation is shown in **Table 5-8**.

Table 5-8: Fire Service Charge Calculation

Source	Table 5-7	Table 5-6		Table 1-3		
Fireline Size (In Inches)	Fire Service Charge per FMEU	FMEU Ratio	COS Rate	Current Rate	Dollar Change	Percent Change
	A	B	C=A×B	D	E=C-D	F=C/D-1
1”	$2.95	1	$2.95	$2.84	$0.11	4%
2”	$2.95	2	$5.90	$5.68	$0.22	4%
4”	$2.95	4	$11.79	$11.36	$0.43	4%
6”	$2.95	6	$17.68	$17.04	$0.64	4%
8”	$2.95	8	$23.57	$22.72	$0.85	4%
10”	$2.95	10	$29.46	$28.40	$1.06	4%
12”	$2.95	12	$35.35	$34.08	$1.27	4%
14”	$2.95	14	$41.24	$39.76	$1.48	4%
16”	$2.95	16	$47.13	$45.44	$1.69	4%
18”	$2.95	18	$53.02	$51.12	$1.90	4%
20”	$2.95	20	$58.91	$56.80	$2.11	4%

The final step in determining rates for the Fire Service Charge for the Study period is to escalate the 1-inch diameter fire line according to the proposed revenue increases from **Table 3-8** as the base for calculating the larger fire lines. These rates are shown in **Table 5-9.**

Table 5-9: Proposed Monthly Fire Service Charge (FY 2017-FY 2020) ($/Fire Line Size)

Fireline Size (In Inches)	Current Rate	FY 2017	FY 2018	FY 2019	FY 2020
1”	$2.84	$2.95	$2.95	$3.01	$3.08
2”	$5.68	$5.90	$5.90	$6.02	$6.15
4”	$11.36	$11.79	$11.79	$12.03	$12.28
6”	$17.04	$17.68	$17.68	$18.04	$18.41
8”	$22.72	$23.57	$23.57	$24.05	$24.54
10”	$28.40	$29.46	$29.46	$30.05	$30.66
12”	$34.08	$35.35	$35.35	$36.06	$36.79
14”	$39.76	$41.24	$41.24	$42.07	$42.92
16”	$45.44	$47.13	$47.13	$48.08	$49.05
18”	$51.12	$53.02	$53.02	$54.09	$55.18
20”	$56.80	$58.91	$58.91	$60.09	$61.30

5.2.3 VARIABLE COMMODITY CHARGES

Approximately 57% of the Division’s revenue requirements are proposed to be recovered from the Commodity Charges. For this analysis, the three variable rate components, supply, conservation, and peaking, were allocated equally to each unit of water sold. These costs are identified in **Table 4-6**. These costs must be divided by the projected amount of CCF of water sold in FY 2017. Dividing the total rate component by the total number of CCF of water sold yields the unit rate. The sum of each of the three unit rates (from Peaking, Conservation, and Supply) equals the rate per unit of water.

5.2.3.1 Peaking Costs

Extra capacity or peaking costs, represent those costs incurred to meet customer peak demands for water in excess of a baseline usage. Total extra capacity costs are apportioned between Maximum Day and Maximum Hour demands based on the type of expense. The Maximum Day demand is the maximum amount of water used in a single day in a year. The Maximum Hour demand is the maximum usage in an hour on the maximum usage day. Different facilities are designed to meet different peaking characteristics. Therefore, extra capacity costs include repair & maintenance, personnel, capital improvements and a portion of debt, and have been apportioned between Base, Maximum Day, and Maximum Hour.

Since the Division is implementing a uniform rate structure, costs associated with peaking and conservation will be divided evenly across all usage, each unit will pay the same rate for peaking costs. **Table 5-10** shows how the Peaking costs are calculated.

CCF sale totals are taken from **Table 2-2**. The Peaking Rate Component is taken from **Table 4-6**.

Table 5-10: Peaking Unit Rate Calculation

Rate Calculation	Table 2-2 FY 2017 Annual Billed Consumption A	Table 4-6 Peaking Rate Component B	Unit Rate ($/ CCF) C=B/A
Uniform Rate	9,662,053	$4,231,360	$0.44

5.2.3.2 Conservation Costs

The Division's Conservation Costs are the costs associated with its conservation program. These costs are equally allocated to each unit of water sold. The total Conservation Rate Component is shown in **Table 4-6**. This calculation is shown in **Table 5-11.**

Table 5-11: Conservation Unit Rate Calculation

Rate Calculation	Table 2-2 FY 2017 Annual Billed Consumption A	Table 4-6 Conservation Rate Component B	Unit Rate ($/ CCF) C=B/A
Uniform Rate	9,662,053	$513,332	$0.05

5.2.3.3 Water Supply Costs

The Division has three separate sources of water. These sources are SCWD Groundwater, CLWA Saugus 1&2 Well water, and CLWA Imported water. Since the Division is proposing to use a uniform rate, it will collect the average supply cost of all sources; all customers will pay a blended water cost that takes into account the average cost of supply. **Table 5-12** shows the calculation that gives the Supply cost per unit of water. The Supply costs are taken from **Table 4-6**.

Table 5-12: Supply Unit Rate Calculation

Rate Calculation	Table 2-2 FY 2017 Annual Billed Consumption A	Table 4-6 Supply Rate Component B	Unit Rate ($/ CCF) C=B/A
Uniform Rate	9,662,053	$13,166,800	$1.36

5.2.4 COS BASED VARIABLE RATES

The above costs are totaled in **Table 5-13** below, which shows the cost of service based rates for Commodity Charges in FY 2017 and **Table 5-14** shows proposed rates in FY 2017 through FY 2021. These rates are calculated by escalating the COS based rates by the rate adjustments in **Section 3.4** to determine the base rates for the next year. Note that the final rate in column D is rounded up reflecting hidden digits.

Table 5-13: COS Uniform Commodity Rate for FY 2017 ($/CCF)

	Table 5-10 Peaking Cost A	Table 5-11 Conservation Cost B	Table 5-12 Supply Cost C	Total Rate D= A+B+C
Uniform Rate	$0.44	$0.05	$1.36	$1.86

Table 5-14: COS Rates for Commodity Charges through FY 2020 ($/CCF)

Adoption Month Year	January FY 2017	January FY 2018	January FY 2019	January FY 2020
Uniform Rate	$1.86	$1.86	$1.90	$1.94

The final step in the rate calculation is to add the annual wholesale water pass-through adjustments, calculated in **Section 3.1.2**, to the above rates. To recap, the cumulative pass-through adjustments from **Table 3-6** are shown in **Table 5-15.** Again, CLWA has not implemented rate increases beyond CY 2018, so the pass-through adjustment for CY 2019 and CY 2020 are held constant at the CY 2018 pass-through rate. This is subject to change pending CLWA adjusting its rates.

Table 5-15: Pass-through Rates through FY 2020 ($/CCF)

	FY 2018
Pass-through Adjustment	$0.05

The results of adding the pass-through adjustments shown in **Table 5-15** to the proposed rates in **Table 5-14** are shown in **Table 5-16**. Note that these rates are rounded up in this last step, so that the numbers may not add exactly but are all within $0.01 of the total one would expect. Also note that future pass-through rates will have a different magnitude, so these rates per CCF will likely change in the future.

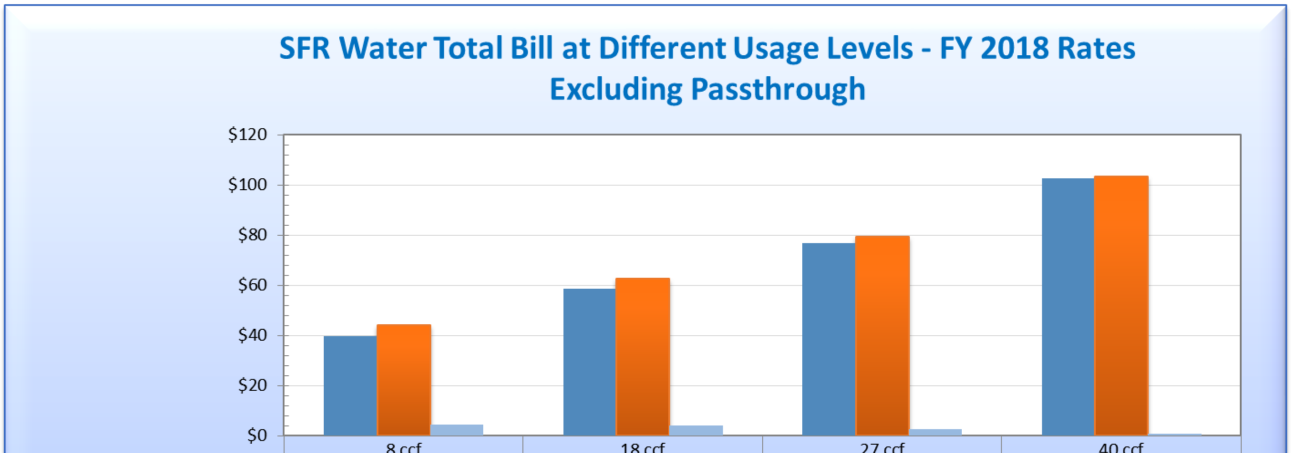
Table 5-16: Proposed Final Rates through FY 2020

	January FY 2018	January FY 2019	January FY 2020
Uniform Rate	$1.91	$1.95	$1.99

5.3 CUSTOMER IMPACTS

Figure 5-2 shows the relative SFR bill impact of the existing Board approved FY 2017 rates and adjusted rate structure. It also shows the comparative impacts of bills at different usages for SFR accounts with a ¾-inch meter.

Figure 5-2: SFR Bills at Different Usage Levels



	8 ccf	18 ccf	27 ccf	40 ccf
Current Bills	$39.67	$58.52	$76.60	$102.73
Proposed Bills	$43.97	$62.57	$79.31	$103.49
$ Impacts	$4.30	$4.05	$2.71	$0.76

Raftelis escalated FY 2015's account level usage to FY 2017's predicted usage on an account level and monthly basis. After doing so, Raftelis determined what the impacts of the new rates for the Commodity Charges and fixed Service Charges would be on an account level basis. **Figure 5-3**, **Figure 5-4**, and **Figure 5-5** show the projected impacts of these rates on bills based on this usage analysis. For example, over 60% of single family residential bills will increase by $5 or less per month.

Figure 5-3: SFR Bill Impacts

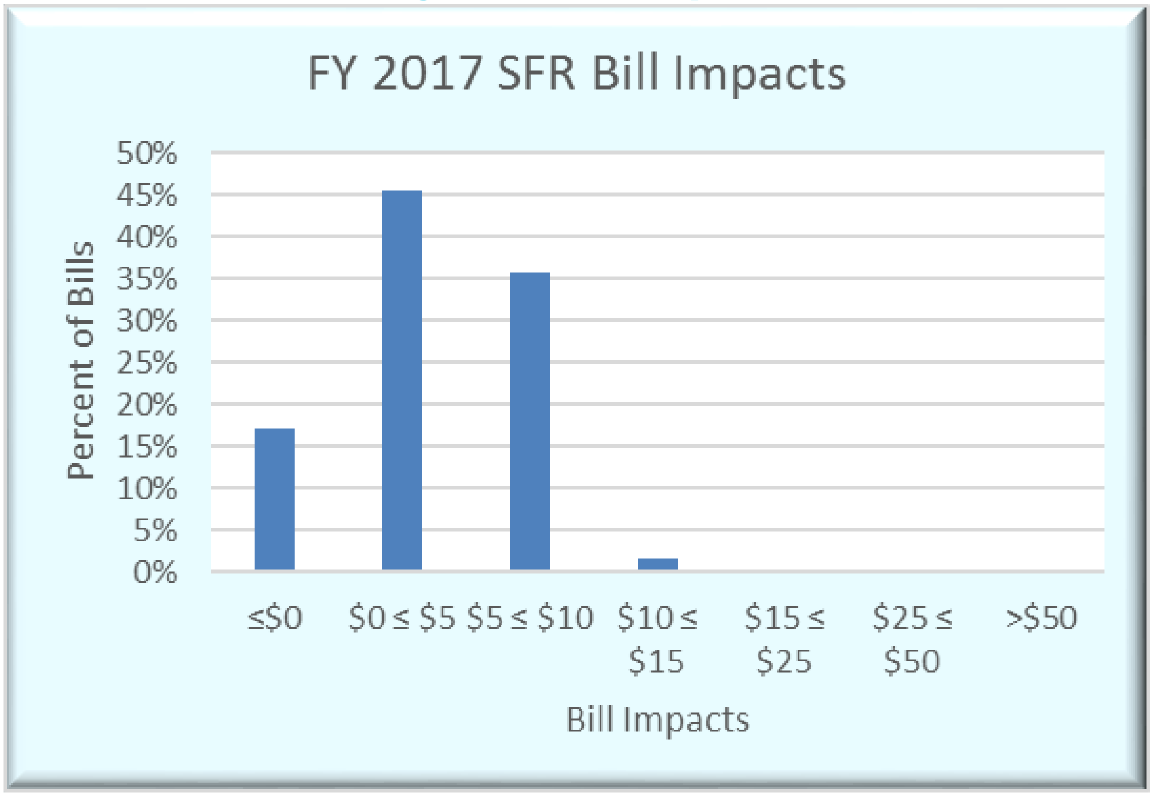


Figure 5-4: Irrigation Bill Impacts

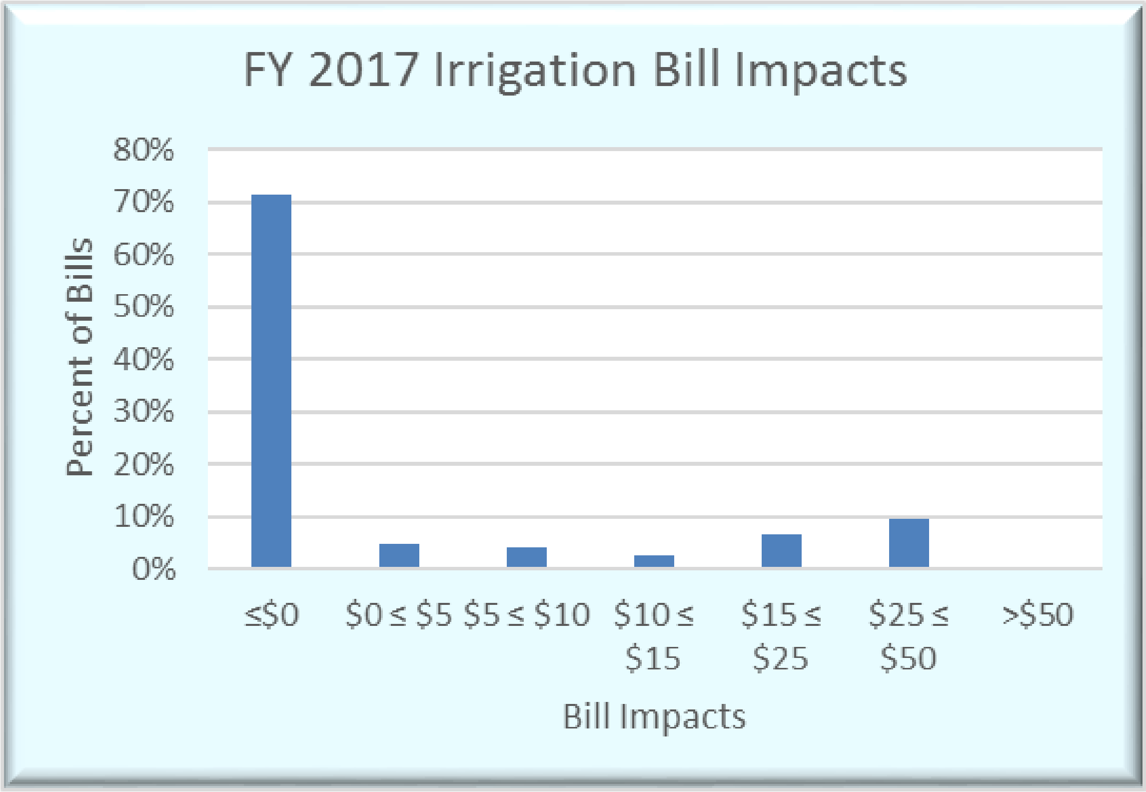
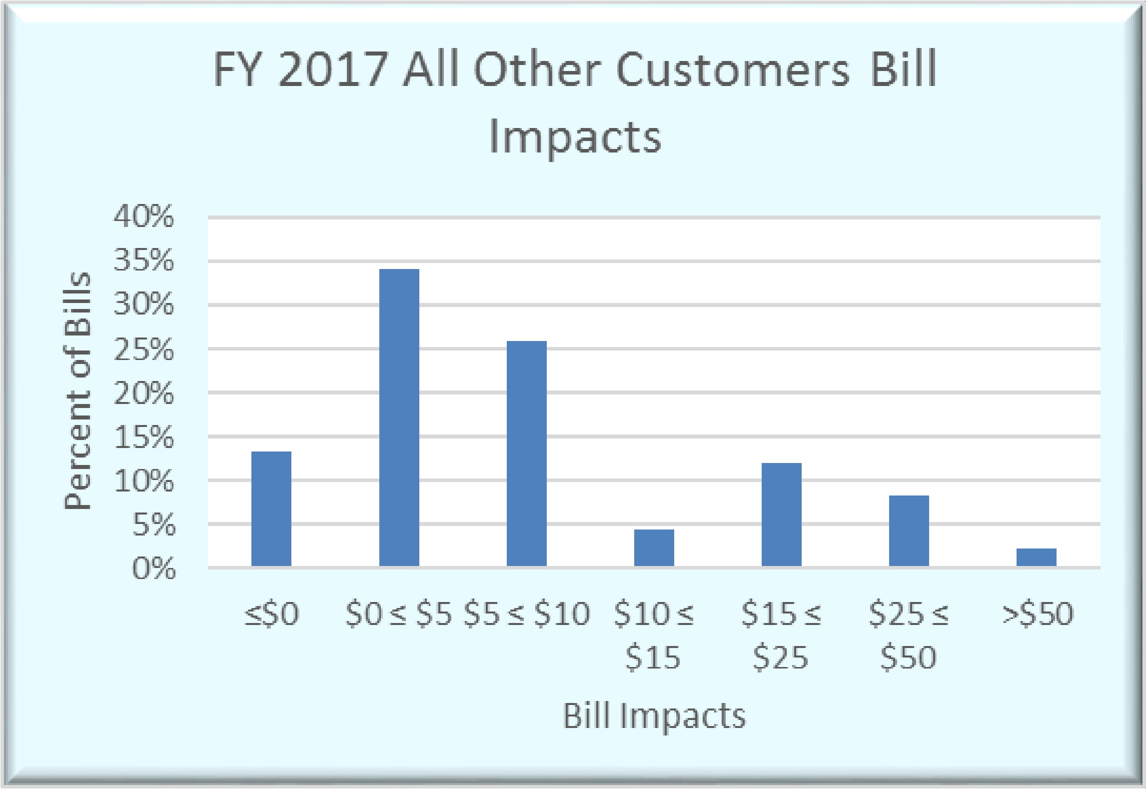


Figure 5-5: All Other Customers Bill Impacts



6. JUMPER RATES

This section will discuss the Division's proposed Jumper rates. Jumpers are the initial connection of new development to the Division Water System. Jumpers represent the initial temporary connection used by construction firms for use while constructing new buildings. The Division is anticipating an increase in Jumper usage in its service area. The Jumpers that the Division provides are 1" in diameter. They come with an assumed usage of 5 CCF. The base rate for the Division's Jumpers is the 1" meter rate and an added base usage of 5 CCF of water at the uniform rate. This calculation is shown in **Table 6-1**.

Table 6-1: Jumper Rate Calculation for FY 2017

Source	Table 5-5	Table 5-13 x 5	
		5 CCF at	
Jumper Rate	1" Meter Rate	Uniform Rate	Total Rate
	A	B	C=A+B
FY 2017 Rate	$44.36	$9.30	$53.66

The Jumper rate for the rest of the Study period is shown in **Table 6-2**. They are escalated according to the rate increases shown in **Table 3-8**. The Jumper rates in future years include the 2018 wholesale pass-through rate.

Table 6-2: Jumper Rate Calculation through FY 2020

	FY 2017	FY 2018	FY 2019	FY 2020
Jumper Rate	$53.66	$53.91	$55.00	$56.11

7 APPENDICES

7.1 APPENDIX 1 – PROJECTED FIXED MONTHLY SERVICE CHARGE REVENUES BASED ON CURRENT RATES

Fixed Monthly Service Changes

The current rates for the fixed monthly Service Charge by meter size are shown below in **Table 7-1**.

Table 7-1: CY 2017 Rates for Fixed Monthly Service Charge ($/Meter Size in Inches)

Meter Size	CY 2017
5/8 x 3/4”	$19.98
3/4”	$25.26
1”	$35.80
1.5”	$62.16
2”	$93.80
3”	$178.18
4”	$273.11
6”	$536.79
8”	$853.19

The number of meters by meter size are shown in **Table 7-2** below. These meters are inflated by the account growth factor in **Table 2-1**, although the growth anticipated in 5/8” x 3/4" meters and 3/4" meters is in 1” meters as the Division is no longer installing meters smaller than 1”.

Table 7-2: Projected Number of Meters by Meter Size (In Inches)

Meter Size	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
5/8” x 3/4”	6,296	6,296	6,296	6,296	6,296
3/4”	18,105	18,105	18,105	18,105	18,105
1”	3,986	4,431	4,883	5,342	5,758
1.5”	729	740	752	764	775
2”	1,193	1,212	1,231	1,250	1,267
3”	44	45	46	47	48
4”	113	115	117	119	121
6”	24	24	24	24	24
8”	8	8	8	8	8

Table 7-3 shows total projected fixed charge revenue over the Study period by meter size, calculated using the information in **Table 7-1** and **Table 7-2**. Note that due to the fact that the Division increases rates on the CY basis, fixed charge revenue in FY 2017 is calculated by using CY 2016 charges for six

months and CY 2017 charges for the remaining six months. The revenue for all other years is projected using CY 2017 rates.

Table 7-3: Projected Service Charge Revenue by Meter Size (In Inches)

Meter Size	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
5/8 x 3/4”	$1,483,841	$1,509,529	$1,509,529	$1,509,529	$1,509,529
3/4”	$5,395,652	$5,487,988	$5,487,988	$5,487,988	$5,487,988
1”	$1,683,447	$1,903,558	$2,097,737	$2,294,923	$2,473,637
1.5”	$534,590	$551,981	$560,932	$569,883	$578,088
2”	$1,320,150	$1,364,227	$1,385,614	$1,407,000	$1,426,135
3”	$92,487	$96,217	$98,355	$100,494	$102,632
4”	$364,072	$376,892	$383,446	$390,001	$396,556
6”	$151,982	$154,596	$154,596	$154,596	$154,596
8”	$80,521	$81,906	$81,906	$81,906	$81,906
Total Revenue	**$11,106,744**	**$11,526,893**	**$11,760,102**	**$11,996,319**	**$12,211,066**

7.2 APPENDIX 2 – PROJECTED VARIABLE WATER USAGE COMMODITY CHARGES BASED ON CURRENT RATES

The current rates for the variable water usage commodity charges are charged in the following categories:

Single Family Residence (SFR)
Multi-Family Residence (MFR)
Commercial
Industrial
Irrigation
Water Mutual

The Division's current rates for the Commodity Charge are shown below in **Table 7-4** and **Table 7-5**, in hundred cubic foot (CCF).

Table 7-4: CY 2017 Rates for SFR Commodity Charge ($/CCF)

SFR Tiers	Tier Width	CY 2017
Tier 1	1-14 CCF	$1.80
Tier 2	15-49 CCF	$2.01
Tier 3	≥ 50 CCF	$2.64

Table 7-5: CY 2017 Rates for Non-SFR Commodity Charge ($/CCF)

Customer Class	CY 2017
MFR	$2.01
Commercial	$2.01
Industrial	$2.64
Irrigation	$2.01
Water Mutual	$2.01

Table 7-6 and **Table 7-7** show projected water sales through FY 2021 in hundred cubic feet (CCF). These sales account for the Water Demand Factor and projected account growth shown in **Table 2-1** and **Table 2-2**, provided by Staff. Note that **Table 7-7** shows fire line consumption, which is not billed but counts toward water purchases (as an operating cost).

Table 7-6: Projected SFR Usage by Tier (In CCF) through FY 2021

	SFR Tiers	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Jul-Dec	Tier 1	1,764,399	1,935,429	2,024,748	2,097,624	2,148,210
	Tier 2	1,121,656	1,230,382	1,287,164	1,333,493	1,365,651
	Tier 3	371,757	407,793	426,613	441,968	452,626
Jan-Jun	Tier 1	1,477,711	1,620,951	1,695,757	1,756,792	1,799,159
	Tier 2	401,895	440,852	461,197	477,797	489,319
	Tier 3	76,797	84,241	88,129	91,301	93,503
	SFR Total	**5,214,215**	**5,719,648**	**5,983,608**	**6,198,975**	**6,348,468**

Table 7-7: Projected Non-SFR Usage (In CCF) through FY 2021

	Customer Class	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Jul-Dec	MFR	697,813	765,455	800,780	829,602	849,609
	Commercial	481,275	1,270,496	588,325	572,170	585,968
	Industrial	21,187	23,241	24,314	25,189	25,796
	Water Mutual	124,720	136,810	143,124	148,275	151,851
	Irrigation	1,410,132	1,522,943	1,599,090	1,679,045	1,712,626
	Fire Service	5,741	6,297	6,588	6,825	6,990
Jan-Jun	MFR	634,684	696,206	728,336	754,551	772,748
	Commercial	470,381	598,088	356,024	368,838	377,733
	Industrial	14,552	15,963	16,700	17,301	17,718
	Water Mutual	64,848	71,134	74,417	77,095	78,954
	Irrigation	522,500	564,300	592,515	622,141	634,584
	Fire Service	5	5	5	5	5
	Total Irrigation	1,932,632	2,087,243	2,191,605	2,301,186	2,347,210
	All Other Customers	2,515,206	3,583,695	2,738,613	2,799,851	2,867,372

Table 7-8 projects total commodity revenue through the Study period, calculated using usage information found in **Table 7-6** and **Table 7-7** and the rates in **Table 7-4** and **Table 7-5**.

Table 7-8: Projected Commodity Charge Revenue through FY 2021

	Customer Class	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	SFR					
Jul-Dec	Tier 1	$3,071,113	$3,486,675	$3,647,584	$3,778,870	$3,870,000
Jul-Dec	Tier 2	$2,177,695	$2,472,330	$2,586,427	$2,679,521	$2,744,139
Jul-Dec	Tier 3	$948,873	$1,077,267	$1,126,984	$1,167,547	$1,195,702
Jan-Jun	Tier 1	$2,662,096	$2,920,143	$3,054,906	$3,164,861	$3,241,185
Jan-Jun	Tier 2	$807,568	$885,848	$926,729	$960,085	$983,238
Jan-Jun	Tier 3	$202,875	$222,539	$232,810	$241,190	$247,007
	SFR Commodity Revenue	**$9,870,219**	**$11,064,802**	**$11,575,440**	**$11,992,073**	**$12,281,271**
	Non-SFR					
Jul-Dec	MFR	$1,354,804	$1,538,105	$1,609,087	$1,667,002	$1,707,204
Jul-Dec	Commercial	$934,395	$2,552,935	$1,182,180	$1,149,718	$1,177,444
Jul-Dec	Industrial	$41,135	$46,700	$48,857	$50,615	$51,834
Jul-Dec	Irrigation	$242,144	$274,906	$287,593	$297,944	$305,129
Jul-Dec	Water Mutual	$3,599,221	$4,023,159	$4,224,316	$4,435,533	$4,524,244
Jul-Dec	Fire Line	$0	$0	$0	$0	$0
Jan-Jun	MFR	$1,275,334	$1,398,956	$1,463,518	$1,516,195	$1,552,760
Jan-Jun	Commercial	$945,184	$1,201,798	$715,395	$741,143	$759,017
Jan-Jun	Industrial	$29,241	$32,076	$33,557	$34,765	$35,603
Jan-Jun	Irrigation	$130,306	$142,937	$149,534	$154,915	$158,650
Jan-Jun	Water Mutual	$1,380,288	$1,490,711	$1,565,247	$1,643,510	$1,676,381
Jan-Jun	Fire Line	$0	$0	$0	$0	$0
	Non-SFR Commodity Revenue	**$9,932,051**	**$12,702,283**	**$11,279,283**	**$11,691,339**	**$11,948,266**

7.3 APPENDIX 3 – PROJECTED FIRE SERVICE REVENUE BASED ON CURRENT RATES

The rates for the Fire Service Meter Charge are shown in **Table 7-9** below, and the total number of fire meters for the Study period is shown in **Table 7-10.**

Table 7-9: Current CY 2017 Rates for Monthly Fire Service Charge ($/Fire Line Size in Inches)

	CY 2017
1”	$2.84
2”	$5.68
4”	$11.36
6”	$17.04
8”	$22.72
10”	$28.40
12”	$34.08
14”	$39.76
16”	$45.44
18”	$51.12
20”	$56.80

Table 7-10: Projected Number of Fire Service Meters by Fire Line Size (In Inches) through FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1”	3	3	3	3	3
2”	31	31	31	31	31
4”	78	79	80	81	82
6”	59	60	61	62	63
8”	149	151	153	155	157
10”	15	15	15	15	15
12”	6	6	6	6	6
14”	1	1	1	1	1
16”	4	4	4	4	4
18”	2	2	2	2	2
20”	1	1	1	1	1

Table 7-11 shows total revenue from the Fire Service Meter Charge that the Division is projected to collect through the Study period. This revenue is calculated using the rates shown in **Table 7-9** and the quantities shown in **Table 7-10.**

Table 7-11: Projected Fire Service Meter Charge Revenue through FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1”	$100	$102	$102	$102	$102
2”	$2,076	$2,113	$2,113	$2,113	$2,113
4”	$10,446	$10,769	$10,906	$11,042	$11,178
6”	$11,852	$12,269	$12,473	$12,678	$12,882
8”	$39,908	$41,169	$41,714	$42,259	$42,804
10”	$5,022	$5,112	$5,112	$5,112	$5,112
12”	$2,411	$2,454	$2,454	$2,454	$2,454
14”	$469	$477	$477	$477	$477
16”	$2,143	$2,181	$2,181	$2,181	$2,181
18”	$1,205	$1,227	$1,227	$1,227	$1,227
20”	$670	$682	$682	$682	$682
Fire Service Revenue	**$76,301**	**$78,554**	**$79,440**	**$80,327**	**$81,213**

7.4 APPENDIX 4 – PROJECTED WATER RATE REVENUES AT CURRENT RATES AND PROJECTED MISCELLANEOUS REVENUES

Table 7-12 shows projected water revenues at current rates based on the information shown in Appendices **7.1** through **7.3**.

Table 7-12: Projected Water Rate Revenues at Current Rates

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fixed Service Charge Revenue	$11,106,744	$11,526,893	$11,760,102	$11,996,319	$12,211,066
Fire Service Meter Charge Revenue	$76,301	$78,554	$79,440	$80,327	$81,213
SFR Commodity Charge Revenue	$9,870,219	$11,064,802	$11,575,440	$11,992,073	$12,281,271
Non-SFR Commodity Charge Revenue	$9,932,051	$12,702,283	$11,279,283	$11,691,339	$11,948,266
Total Calculated Revenue	**$30,985,316**	**$35,372,533**	**$34,694,267**	**$35,760,058**	**$36,521,816**

Additionally, the Division has several sources of non-operating revenue. These are shown **Table 7-13**. Projected revenues are based on the escalation factors in **Table 2-6**.

Table 7-13: Projected Non-Operating Revenues through FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Other Income - Cellular Antenna Rental and Miscellaneous	$286,000	$291,720	$297,554	$303,505	$309,576
Rental Income - 22722 Soledad Canyon Road Office Building	$134,400	$137,088	$139,830	$142,626	$145,479
Interest Earnings - SCWD Fund	$236,000	$236,000	$236,000	$236,000	$236,000
Interest Earnings - COP Fund	$0	$0	$0	$0	$0
Miscellaneous Service Charges and Late Fees	$800,000	$800,000	$800,000	$800,000	$800,000
Total Projected Non-Operating Rev	**$1,456,400**	**$1,464,808**	**$1,473,384**	**$1,482,132**	**$1,491,054**

7.5 APPENDIX 5 – PROJECTED OPERATIONS AND MAINTENANCE EXPENDITURES

Table 7-14 shows total budgeted and projected O&M expenses, from FY 2017 through FY 2021, based on the escalation factors shown in **Table 2-4.** The O&M Adjustment Amount line in FY 2017 is in place to match the FY 2017 budgeted amount to its actuals.

Table 7-14: Projected O&M Costs

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Source of Supply (Other Costs[8])	$233,998	$251,300	$258,839	$266,604	$274,602
Source of Supply (Purchased Water) **(Table 3-5)**	$10,756,263	$12,178,700	$12,132,694	$12,122,184	$12,853,976
Pumping	$2,806,178	$3,079,101	$3,537,435	$3,881,218	$4,064,550
Water Treatment	$1,126,416	$1,229,000	$1,263,476	$1,307,130	$1,351,204
Transmission and Distribution	$4,479,854	$4,638,401	$4,642,978	$4,747,008	$4,889,418
Customer Service	$985,688	$1,026,101	$1,056,884	$1,088,590	$1,121,248
Engineering	$882,789	$1,203,800	$1,239,914	$1,277,111	$1,315,424
Administrative and General	$3,494,659	$3,738,900	$3,804,455	$3,915,094	$4,044,745
O&M Adjustment Amount	$406,130	$0	$0	$0	$0
Subtotal O&M	**$25,171,975**	**$27,345,302**	**$27,936,674**	**$28,604,940**	**$29,915,168**

[8] Other Costs include all other costs (Labor, Burden and Benefits, Materials and Supplies, Outside Services, etc.) from Source of Supply category excluding CLWA's Purchased Water.

7.6 APPENDIX 6 – PROJECTED DEBT SERVICE

A summary of the Division's current debt service payments is shown below. The Division is in the processing of refunding its 2011 A Revenue Bonds which is estimated to reduce annual debt service by $220,000 each year. These savings are included in the totals in **Table 7-15** below.

Table 7-15: Current Debt Service Schedule

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Existing Debt Service	$2,809,100	$5,268,375	$5,395,069	$5,510,613	$5,630,238

7.7 APPENDIX 7 – PROJECTED CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

The Division has adopted a long-term capital improvement plan (CIP) to address future capital needs. This CIP is based on the extensive 2013 Retail Water System Master Plan. These needs are divided into Expansion-Related Projects and Upgrade-Related Projects. Expansion-Related Projects are funded by Capacity Fees (discussed in a separate report), and Upgrade-Related Projects are to be rate funded. **Table 7-16** shows a summary of the upcoming 5-year CIP provided by the Division. The Division's future CIP needs will be funded on a Pay-As-You-Go (PAYGO) basis.

Table 7-16: CIP Summary

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Expansion Projects	$1,591,500	$1,221,000	$286,488	$545,274	$367,758
2	Upgrade Projects	$4,214,700	$5,201,900	$6,231,385	$5,683,041	$6,437,760
3	Total expenditures (Line 1 + Line 2)	$5,806,200	$6,422,900	$6,517,873	$6,228,315	$6,805,518

7.8 APPENDIX 8 – ANALYSIS OF RESERVE FUNDS

Currently, the Division maintains five reserve targets.

1. **Operating Reserve Fund**. Covers unscheduled costs relating to the operation of the retail water system, including, but not limited to, unforeseen repairs, emergencies, unexpected increases in treatment costs, regulatory changes, unforeseen legal expenses and disruption of a source of supply. The target balance for the Operating Reserve Fund shall be set at 25% of the Retail Annual Operating Expense Budget. Funds from the Operating Reserve Fund shall be used exclusively for operating expenses of the retail water system, unless otherwise authorized by the Board of Directors. The Operating Reserve Fund was fully funded by June 2014. Additional allocations to the Operating Reserve Fund, to replace funds expended over the fiscal year or to increase the balance to match increases in the Annual Operating Expense Budget, shall be included in the annual budget. If the balance in the Operating Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Operating Reserve Fund shall not exceed 25% of that year's Operating Expense Budget.
2. **Rate Stabilization Reserve Fund**. Offsets revenue reductions resulting from reduced retail water sales during periods when consumption is 10% or more below average consumption. The Rate Stabilization Reserve Fund shall have a target balance of 15% of Retail Annual Operating Revenue Budget. Additional allocations to the Rate Stabilization Reserve Fund to replace funds expended over the fiscal year or to increase the balance to match increases in the Annual Operating Revenue Budget, shall be included in the annual budget. If the balance in the Rate Stabilization Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Operating Rate Stabilization Reserve Fund shall not exceed 15% of that year's Operating Revenue Budget.
3. **Capital Reserve Fund**. Covers any unexpected and unplanned infrastructure and replacement repairs not included in the budget. The Capital Reserve Fund shall have a target balance of $5 million. Additional allocation to the Capital Reserve Fund to replace funds expended over the fiscal year shall be included in the annual budget. If the balance in the Capital Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Capital Reserve Fund shall not exceed $5 million.
4. **Emergency Reserve Fund**. Covers any emergency repairs and expenses due to unforeseen natural disasters such as earthquake, fire, etc. The Emergency Reserve Fund covers immediate repairs and expenses to restore the Division's operations for continued water delivery to its customers. The Emergency Reserve Fund shall have a target balance of $2.2 million based on two percent of net capital assets. Industry Standard is 2 to 3 percent of net capital assets and the Federal Emergency Management Agency (FEMA) guideline is approximately 2 percent. Additional allocation to the Emergency Reserve Fund to replace funds expended over the fiscal year shall be included in the annual budget. If the balance in the Emergency Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Emergency Reserve Fund shall not exceed $2.2 million.
5. **Liability Repayment Reserve Fund**. Mitigates significant future financial impact for long-term debts such as CalPERS and OPEB Unfunded Liability and other such liabilities. Provides funds for

repayments of debt and future interest expense. The Liability Repayment Reserve Fund shall have an initial target balance of $2 million and reviewed annually during the Budget process.

6. **Unrestricted Reserve Fund**. This fund is the residual net resources in excess of all the reserve target limits mentioned in items 1 through 5 above. The Unrestricted Reserve Fund balance is available for any purposes approved by the Board of Directors. The balance in the Unrestricted Reserve Fund shall not drop below zero.

The Division's total reserve target for the Study period is shown in **Table 7-17**. This table does not show the Division's ending balances. That information is shown in **Table 3-10**, which reflects the proposed revenue adjustment.

Table 7-17: Reserve Target Summary

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Operating Reserve Fund Target	$6,292,994	$6,836,325	$6,984,169	$7,151,235	$7,478,792
Rate Stabilization Reserve Fund Target	$4,767,797	$5,467,442	$5,498,122	$5,840,528	$6,216,121
Capital Reserve Fund Target	$1,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Liability Repayment Reserve	$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Emergency Reserve Fund Target	$1,000,000	$2,200,000	$2,200,000	$2,200,000	$2,200,000
Total Reserve Target	$13,060,791	$21,503,767	$21,682,290	$22,191,763	$22,894,913

7.9 APPENDIX 9 – FUNCTIONALIZED COST COMPONENT ALLOCATION DETAIL

Table 7-18: Budget Functionalization

		Total	Base	Max Day	Max Hour	Division Ground-water	CLWA Imported Water	CLWA Saugus Well 1&2	Conserv-ation	Customer Service – Billing	Customer Service - Metering	Fire
	Total Expense	Allocated Cost Component										
Source of Supply												
Purchased Water												
Saugus 1&2 Well	$526,050	CLWA Saugus Well 1&2	$0	$0	$0	$0	$0	$526,050	$0	$0	$0	$0
Imported Demand Fixed Charge	$7,094,764	CLWA Imported Water	$0	$0	$0	$0	$7,094,764	$0	$0	$0	$0	$0
Variable Rate	$3,135,449	CLWA Imported Water	$0	$0	$0	$0	$3,135,449	$0	$0	$0	$0	$0
Labor	$142,683	CLWA and Saugus	$0	$0	$0	$0	$118,670	$24,013	$0	$0	$0	$0
Burden and Benefits	$75,404	CLWA and Saugus	$0	$0	$0	$0	$62,714	$12,690	$0	$0	$0	$0
Transportation	$15,122	CLWA and Saugus	$0	$0	$0	$0	$12,577	$2,545	$0	$0	$0	$0
Materials and Supplies	$100	CLWA and Saugus	$0	$0	$0	$0	$83	$17	$0	$0	$0	$0
Outside Services	$0	CLWA and Saugus	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	$689	CLWA and Saugus	$0	$0	$0	$0	$573	$116	$0	$0	$0	$0
Pumping												
Power for Pumping	$1,811,140	Pumping/ Wells	$0	$0	$434,674	$630,356	$620,542	$125,569	$0	$0	$0	$0
Labor	$407,366	Pumping/ Wells	$0	$0	$97,768	$141,781	$139,574	$28,243	$0	$0	$0	$0
Burden and Benefits	$209,586	Pumping/ Wells	$0	$0	$50,301	$72,945	$71,809	$14,531	$0	$0	$0	$0
Transportation	$58,706	Pumping/ Wells	$0	$0	$14,089	$20,432	$20,114	$4,070	$0	$0	$0	$0

Materials and Supplies	$104,374	Pumping/ Wells	$0	$0	$25,050	$36,327	$35,761	$7,236	$0	$0	$0	$0
Outside Services	$199,742	Pumping/ Wells	$0	$0	$47,938	$69,519	$68,437	$13,848	$0	$0	$0	$0
Other	$15,264	Pumping/ Wells	$0	$0	$3,663	$5,313	$5,230	$1,058	$0	$0	$0	$0
Water Treatment												
Chemicals	$94,638	Division Ground-water	$0	$0	$0	$94,638	$0	$0	$0	$0	$0	$0
Labor	$386,480	Division Ground-water	$0	$0	$0	$386,480	$0	$0	$0	$0	$0	$0
Burden and Benefits	$198,588	Division Ground-water	$0	$0	$0	$198,588	$0	$0	$0	$0	$0	$0
Transportation	$49,872	Division Ground-water	$0	$0	$0	$49,872	$0	$0	$0	$0	$0	$0
Materials and Supplies	$77,019	Division Ground-water	$0	$0	$0	$77,019	$0	$0	$0	$0	$0	$0
Outside Services	$316,571	Division Ground-water	$0	$0	$0	$316,571	$0	$0	$0	$0	$0	$0
Other	$3,248	Division Ground-water	$0	$0	$0	$3,248	$0	$0	$0	$0	$0	$0
Transmission and Distribution												
Labor	$1,824,573	Max Hour	$462,568	$342,300	$837,248	$0	$0	$0	$0	$0	$0	$182,457
Burden and Benefits	$972,646	Max Hour	$246,586	$182,474	$446,321	$0	$0	$0	$0	$0	$0	$97,265
Transportation	$166,478	Max Hour	$42,206	$31,232	$76,392	$0	$0	$0	$0	$0	$0	$16,648
Materials and Supplies	$619,736	Max Hour	$157,116	$116,266	$284,380	$0	$0	$0	$0	$0	$0	$61,974
Outside Services	$783,867	Max Hour	$198,727	$147,058	$359,696	$0	$0	$0	$0	$0	$0	$78,387
Other	$112,554	Max Hour	$28,535	$21,116	$51,648	$0	$0	$0	$0	$0	$0	$11,255

Customer Service												
Uncollectibles	$65,712	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$32,856	$32,856	$0
Labor	$340,573	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$170,287	$170,287	$0
Burden and Benefits	$193,774	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$96,887	$96,887	$0
Transportation	$0	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Materials and Supplies	$159,766	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$79,883	$79,883	$0
Outside Services	$220,126	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$110,063	$110,063	$0
Other	$5,737	Customer Service - Billing	$0	$0	$0	$0	$0	$0	$0	$2,869	$2,869	$0
Engineering												
Labor	$398,139	Max Day	$205,934	$152,391	$0	$0	$0	$0	$0	$0	$0	$39,814
Burden and Benefits	$195,013	Max Day	$100,869	$74,643	$0	$0	$0	$0	$0	$0	$0	$19,501
Transportation	$5,471	Max Day	$2,830	$2,094	$0	$0	$0	$0	$0	$0	$0	$547
Materials and Supplies	$23,585	Max Day	$12,199	$9,027	$0	$0	$0	$0	$0	$0	$0	$2,359
Outside Services	$237,286	Max Day	$122,734	$90,823	$0	$0	$0	$0	$0	$0	$0	$23,729
Other	$23,295	Max Day	$12,049	$8,916	$0	$0	$0	$0	$0	$0	$0	$2,330
Administrative and General												
Labor	$780,931	General/ Admin	$390,466	$0	$0	$0	$0	$0	$0	$390,466	$0	$0
Burden and Benefits	$391,079	General/ Admin	$195,540	$0	$0	$0	$0	$0	$0	$195,540	$0	$0
Shared Labor/Burden and Benefits from CLWA	$608,174	General/ Admin	$304,087	$0	$0	$0	$0	$0	$0	$304,087	$0	$0

Transportation	$3,293	General/ Admin	$1,647	$0	$0	$0	$0	$0	$0	$1,647	$0	$0
Materials and Supplies	$104,726	General/ Admin	$52,363	$0	$0	$0	$0	$0	$0	$52,363	$0	$0
Outside Services	$405,700	General/ Admin	$202,850	$0	$0	$0	$0	$0	$0	$202,850	$0	$0
Conservation	$526,837	Conservat ion	$0	$0	$0	$0	$0	$0	$526,837	$0	$0	$0
Directors Compensation	$9,863	General/ Admin	$4,932	$0	$0	$0	$0	$0	$0	$4,932	$0	$0
Professional Services	$303,593	General/ Admin	$151,797	$0	$0	$0	$0	$0	$0	$151,797	$0	$0
Property, Liability and Retiree Medical Insurance	$354,406	General/ Admin	$177,203	$0	$0	$0	$0	$0	$0	$177,203	$0	$0
Dues and Memberships	$53,134	General/ Admin	$26,567	$0	$0	$0	$0	$0	$0	$26,567	$0	$0
Other	$88,041	General/ Admin	$44,021	$0	$0	$0	$0	$0	$0	$44,021	$0	$0
Administrative and General Transfer Labor	-$135,118	General/ Admin	-$67,559	$0	$0	$0	$0	$0	$0	-$67,559	$0	$0
O&M Adjustment Amount	$406,130	General/ Admin	$203,065	$0	$0	$0	$0	$0	$0	$203,065	$0	$0
Subtotal O&M	$25,171,975		$3,279,329	$1,178,341	$2,729,168	$2,103,089	$11,386,296	$759,988	$526,837	$2,179,820	$492,844	$536,264
Existing Debt Service	$2,809,100	Capital	$2,146,771	$35,522	$132,634	$217,194	$65,311	$13,216	$0	$53,025	$33,234	$112,193
Fund Balance	$4,460,640	Capital	$3,408,912	$56,406	$210,613	$344,887	$103,710	$20,986	$0	$84,200	$52,773	$178,153
New Debt	$0	Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Revenue Requirements	$32,441,716		$8,835,012	$1,270,269	$3,072,414	$2,665,170	$11,555,317	$794,190	$526,837	$2,317,046	$578,851	$826,610
Less Revenue Offset												
Non-Operating (Other) Revenues	$1,456,400		27%	4%	9%	8%	36%	2%	2%	7%	2%	3%
Subtotal Revenue Offsets	$1,456,400		$396,629	$57,026	$137,929	$119,647	$518,751	$35,653	$23,651	$104,019	$25,986	$37,109
Midyear Rate Adjustment	$0		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Adjustment for Annualized Current Rates	$624,762		$170,145	$24,463	$59,169	$51,326	$222,532	$15,295	$10,146	$44,622	$11,148	$15,919
CLWA Rate Passthrough	$0											
Total Cost of Service to be Recovered from Proposed Rates	$31,610,078		$8,608,528	$1,237,706	$2,993,654	$2,596,848	$11,259,099	$773,831	$513,332	$2,257,649	$564,012	$805,420

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ITEM NO. 4

Castaic Lake Water Agency
Memorandum

October 30, 2017

To: Budget and Rates Committee

From: Beverly Johnson BJ
Administrative Services Manager

Subject: Recommend Receiving and Filing of Wholesale System FY 2016/17 Year-End Budget Report

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SUMMARY

Attached is the FY 2016/17 Year-end Budget Report. This report reviews the significant revenues and expenditures for the year and compares the FY 2016/17 Budget to actual revenues and expenditures for the operating and capital budgets. A summary is provided in this report and detailed information is provided in the attachments. Additional detailed financial information is included in the FY 2016/17 Comprehensive Annual Financial Report audited by Fedak & Brown LLP.

DISCUSSION

Overview

The significant financial activities in FY 2016/17 are related to an increase in purveyor water sales due to the State Water Resources Control Board (SWRCB) lifting regulations on mandatory reductions for purveyors. Operating expenditures were below budget due primarily to decreased participation in Agency water use efficiency programs, as well as cancellation of the Drought Outreach Program.

Water Deliveries and Supplies

Total water sales to purveyors for FY 2016/17 were 40,081 acre-feet (AF), which was 154% of the budgeted amount of 26,070 AF.

	FY 2016/17 Budget	FY 2016/17 Actual
Imported water sales, net of Saugus 1 and 2 wells	26,070	40,081
Saugus 1 and 2 wells	4,100	4,100
Recycled water	450	513
Total	30,620	44,694

Imported water sales were more than budgeted due to SWRCB lifting its regulations on mandatory reductions for purveyors, and the high allocation of State Water Project water in calendar year 2017.

Although the Agency sold 4,100 AF of water at the Saugus 1 and 2 wells rate (i.e., pumping cost), the Agency produced 3,375 AF of water from the wells.

Based on all water-related costs (General Fund/Operating Budget, State Water Project costs and other sources of supply funded by one-percent property tax revenues) and sales of 44,694 AF of water, the Agency's "total cost of water" in FY 2016/17 was $1,172 per AF.

Revenues and Fund Balances

Overall, FY 2016/17 total revenues of $92,687,810 were 102% of the budget of $90,448,100.

General Fund revenues of $24,791,597 were 114% of the budget of $21,817,600. Significant changes from the budget are as follows:

- Wholesale water rate variable charges of $8,365,792 were 152% of the budget of $5,502,600 due to increased sales to water purveyors.
- Miscellaneous revenues of $159,012 were significantly more than the budget due to an ACWA/JPIA settlement, a power rebate received, and solar project credits.

Capital Improvement Program revenues of $38,926,293 were 99% of the budget of $39,425,300.

Significant changes are as follows:

- Facility Capacity Fee revenues of $9,597,664 were 110% of the budget of $8,700,000.
- Reimbursement from Settlement Agreement (CIP) revenues of $47,554 were 13% of the budget of $380,000 due to delays in the Replacement Wells projects. Delays were due to environmental documentation issues related to the Santa Clarita Valley Sanitation District's Chloride Compliance Prjoect.
- Grants and Reimbursements for One Percent items were above budget and for Debt Fund items were below budget, both variances due to the timing of projects. It is anticipated that additional revenues for Debt Fund items will be received in FY 2017/18.

The Operating Fund ending balance of $6,276,378 is more than the budgeted amount of $2,322,900 due to purveyor water sales above budget, and lower-than-budgeted operating expenditures.

The Capital Improvement Program, Pledged Revenue Fund – Facility Capacity Fee ending balance was zero, as all available revenues were used to fund debt service, future users' portion of the Buena Vista/Rosedale Rio Bravo water supply, and administrative expenses.

The Capital Improvement Program, Pledged Revenue Fund – One Percent Property Tax Revenue ending balance of $20,098,109 was 97% of the budget amount of $19,925,882.

The Capital Improvement Program – Capital Project Fund ending balance of $33,652,795 was 52% higher than the budgeted amount of $22,178,827 due to lower-than-budgeted capital project expenditures.

The Special Revenue Fund – State Water Contract Fund ending balance of $46,727,666 was 22% higher than the budgeted amount of $38,250,729. This is due to lower-than-budgeted variable charges for water delivered during FY 2016/17, as well as lower-than-budgeted State Water Contract payments. The higher-than-budgeted fund balance will be used to offset future cost increases for the State Water Project.

Capital Improvement Program and Debt-Funded Projects Forecast

The FY 2016/17 Budget for Capital Improvement Program (CIP) expenditures was $31,729,400. Actual expenditures were 56% of the budget, or $17,898,478. In general, expenditures for CIP projects depend on bid timing and contract awards, coordination with other agencies, coordination with other projects, staffing levels and other such factors.

Significant items include:

- Major Capital Project expenditures of $5,610,753 were 30% of the $19,008,900 budget. The primary projects with reduced expenditures were:

    - Castaic Conduit project expenditures were 13% of the budget due to negotiations with property owners for right of way acquisition.
    - ESFP Clearwell/CT Improvement project expenditures were 13% of the budget based on delays due to timing of contract award.
    - Foothill Feeder Connection Construction project expenditures were 2% of the budget based on delays in coordinating with other agencies.
    - Honby Parallel project expenditures were 64% of the budget because the project is still in right of way acquisition phase.
    - Expenditures for the Magic Mountain Pipeline and Reservoir projects were minimal based on delays with the Newhall Ranch projects.
    - Expenditures for the Recycled Water Program projects and Replacement Wells were minimal due to delays pending resolution of environmental documentation issues related to the Santa Clarita Valley Sanitation District's Chloride Compliance Project.
    - Rosedale Rio Bravo Extraction project expenditures were 62% of the budget due to delays in the construction schedule.

- Minor Capital Project expenditures of $2,291,190 were 93% of the $2,464,000 budget based on projects completed under budget.

General Fund – Operating Expenditures

FY 2016/17 Expenditures of $22,873,034 were 97% of the budget of $23,680,100. In general, this is because BMP Implementation expenditures were less than budgeted due to lower-than-anticipated demand for conservation programs and cancellation of the Drought Outreach Program.

Other Information

FY 2016/17 Debt Coverage Ratios and Performance Measures are also included in the attachments.

RECOMMENDATION

That the Budget and Rates Committee recommends the Board of Directors receive and file this report.

BJ

Attachment

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SECTION 1

WATER SALES

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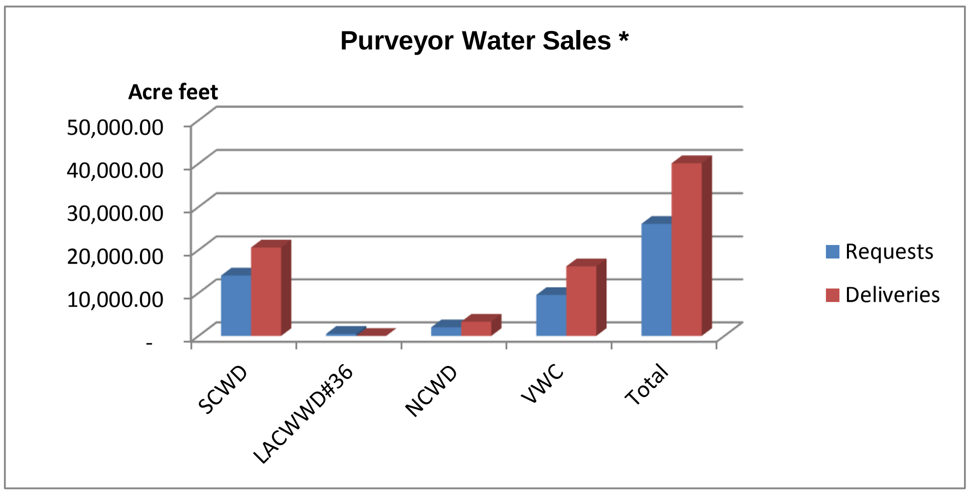
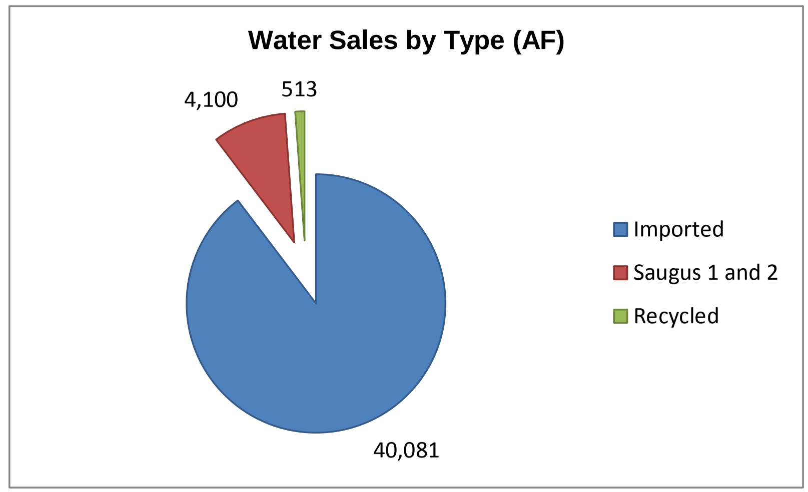
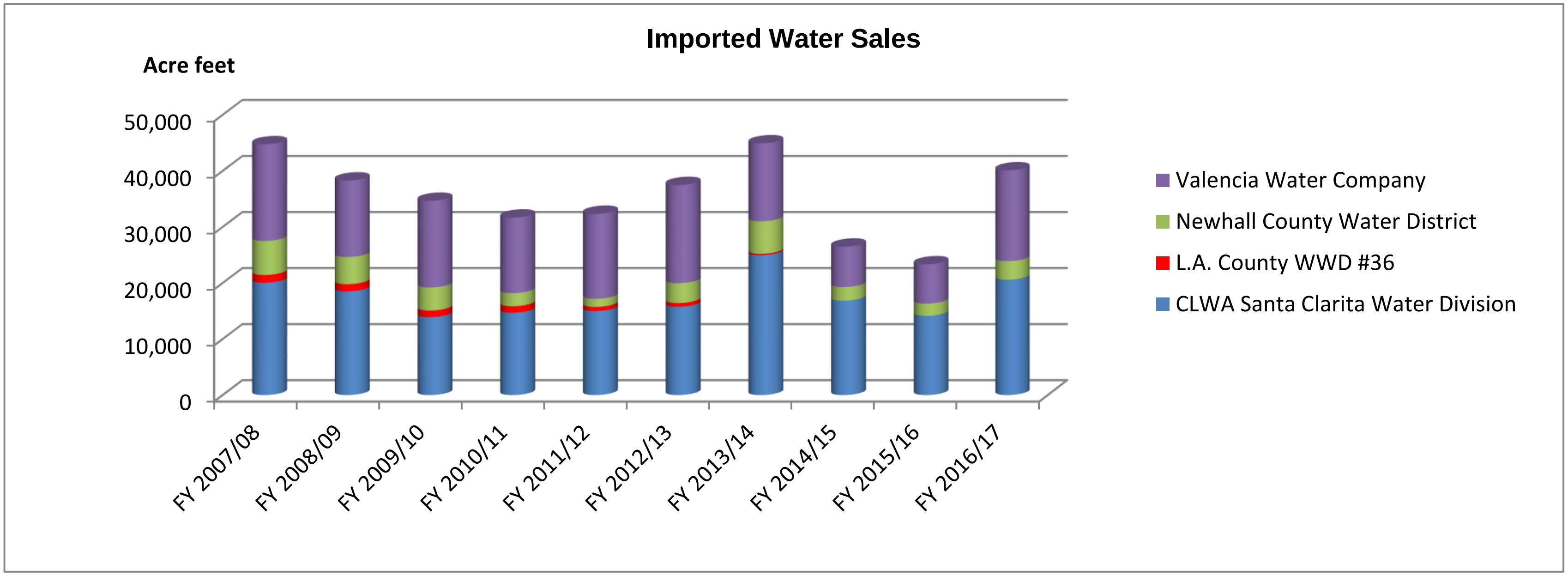
MONTHLY WATER SALES
FY 2016/17 Year-End Budget Report

	Jul 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	Total	% of Requests
CLWA Santa Clarita Water Division														
Budget AF	*1,800*	*1,825*	*1,700*	*1,250*	*850*	*750*	*600*	*450*	*780*	*1,050*	*1,400*	*1,600*	*14,055*	
Actual AF	2,190	2,445	2,169	1,931	1,501	1,166	749	650	1,147	1,838	2,245	2,550	20,581	146%
Los Angeles County WWD #36														
Budget AF	*100*	*120*	*100*	*90*	*85*	-	-	-	-	-	-	-	*495*	
Actual AF	0.14	0.17	0.16	0.15	0.14	0.16	-	-	0.42	0.06	-	-	1.40	n/a
Newhall County Water District														
Budget AF	*240*	*260*	*220*	*170*	*140*	*100*	*110*	*100*	*110*	*160*	*180*	*210*	*2,000*	
Actual AF	386	376	326	280	201	142	50	17	124	293	512	604	3,311	166%
Valencia Water Company														
Budget AF	*900*	*880*	*780*	*635*	*490*	*365*	*645*	*575*	*735*	*925*	*1,230*	*1,360*	*9,520*	
Actual AF	1,565	1,640	1,305	1,080	607	620	643	764	1,123	1,728	2,499	2,614	16,188	170%
Total														
Budget AF	*3,040*	*3,085*	*2,800*	*2,145*	*1,565*	*1,215*	*1,355*	*1,125*	*1,625*	*2,135*	*2,810*	*3,170*	*26,070*	
Actual AF	**4,141**	**4,461**	**3,800**	**3,291**	**2,309**	**1,928**	**1,442**	**1,431**	**2,394**	**3,859**	**5,256**	**5,768**	**40,081**	154%





* Imported water only, net of Saugus 1 and 2 wells sales.


Imported Water Sales
Acre feet
50,000
40,000
30,000
20,000
10,000
0
FY 2007/08
FY 2008/09
FY 2009/10
FY 2010/11
FY 2011/12
FY 2012/13
FY 2013/14
FY 2014/15
FY 2015/16
FY 2016/17
Valencia Water Company
Newhall County Water District
L.A. County WWD #36
CLWA Santa Clarita Water Division

Total Water Budget
FY 2016/17 Year-End Budget Report

TOTAL COST OF WATER

		FY 2012/13 Actual		FY 2013/14 Actual		FY 2014/15 Actual		FY 2015/16 Actual		FY 2016/17 Actual
CLWA Operating Budget										
Total	$	16,598,347	$	18,328,630	$	20,508,622	$	20,916,600	$	22,873,034
Detail on Power Costs										
Electricity - Treatment Plants		405,701		429,914		545,533		772,956		512,536
Electricity - Pumping		1,493,733		1,905,719		1,875,513		1,528,917		1,944,273
Electricity - Other		44,983		47,460		50,580		48,516		56,390
Electricity - Wells		139,407		168,714		127,271		131,079		167,650
	$	2,083,824	$	2,551,807	$	2,598,897	$	2,481,468	$	2,680,849
Power as a Percentage		12.6%		13.9%		12.7%		11.9%		11.7%
SWP Budget *										
Total	$	18,833,240	$	21,258,432	$	20,136,389	$	21,922,573	$	22,424,416
Detail on Variable Costs (Power)										
Variable		4,989,452		5,637,395		3,997,735		4,835,394		5,458,868
Off-Aqueduct Power Costs		1,973,280		3,147,687		1,377,767		1,173,354		232,133
	$	6,962,732	$	8,785,082	$	5,375,502	$	6,008,748	$	5,691,001
Power as a Percentage		37.0%		41.3%		26.7%		27.4%		25.4%
Core Non-SWP Supplies										
BV/RRB	$	6,083,451	$	5,774,461	$	5,548,059	$	5,774,461	$	7,071,152
Yuba Accord Water		2,426		30,437		24,269		4,137		-
	$	6,085,877	$	5,804,898	$	5,572,328	$	5,778,598	$	7,071,152
TOTAL COST OF WATER	**$**	**41,517,464**	**$**	**45,391,960**	**$**	**46,217,339**	**$**	**48,617,771**	**$**	**52,368,602**
TOTAL COST OF POWER	**$**	**9,046,556**	**$**	**11,336,889**	**$**	**7,974,399**	**$**	**8,490,216**	**$**	**8,371,850**
Power as a Percentage		**21.8%**		**25.0%**		**17.3%**		**17.5%**		**16.0%**
AF Delivered		42,081		45,306		31,004		27,881		44,694
Cost per AF **	$	986.61	$	1,001.90	$	1,490.69	$	1,743.76	$	1,171.70

* This includes all SWP costs, including "capacity" and "reliability" charges. This amount is included in the total that is divided by the amount of treated water the Agency delivers to purveyors. It may be more accurate to allocate certain "capacity" and "reliability" charges by Table A amount (95,200 AF) and then multiply by the AF delivered to the purveyors.

** This table reflects all "water"-related costs. Unit cost (cost per AF) is calculated by dividing the total cost of water treated by the Agency delivered to the purveyors (AF delivered).

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SECTION 2

REVENUES AND FUND BALANCES

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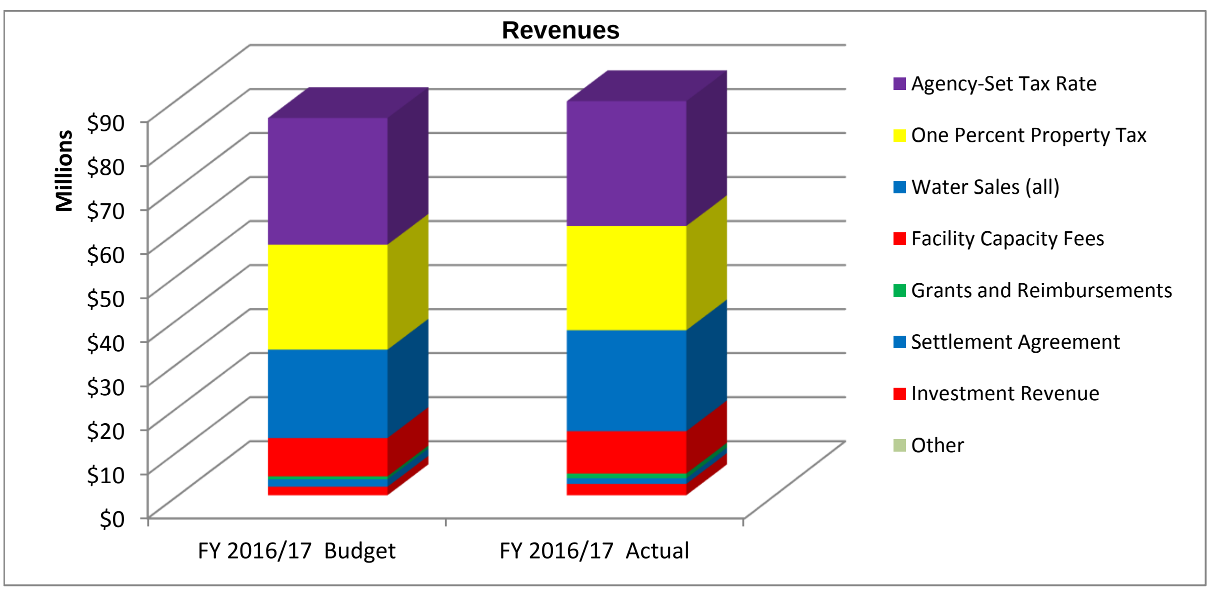
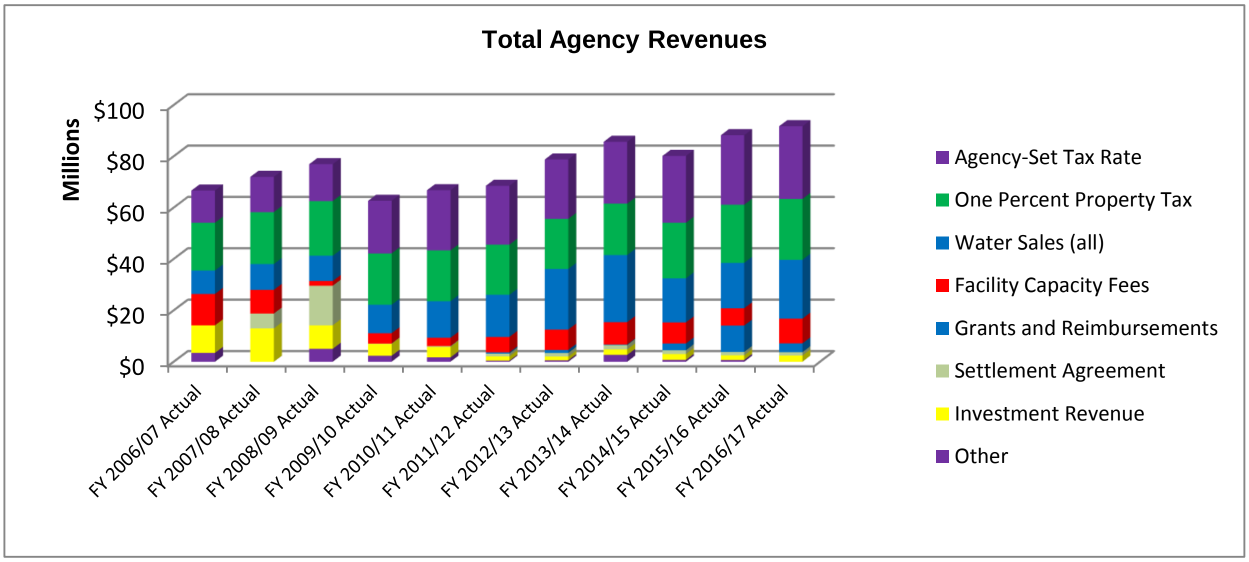
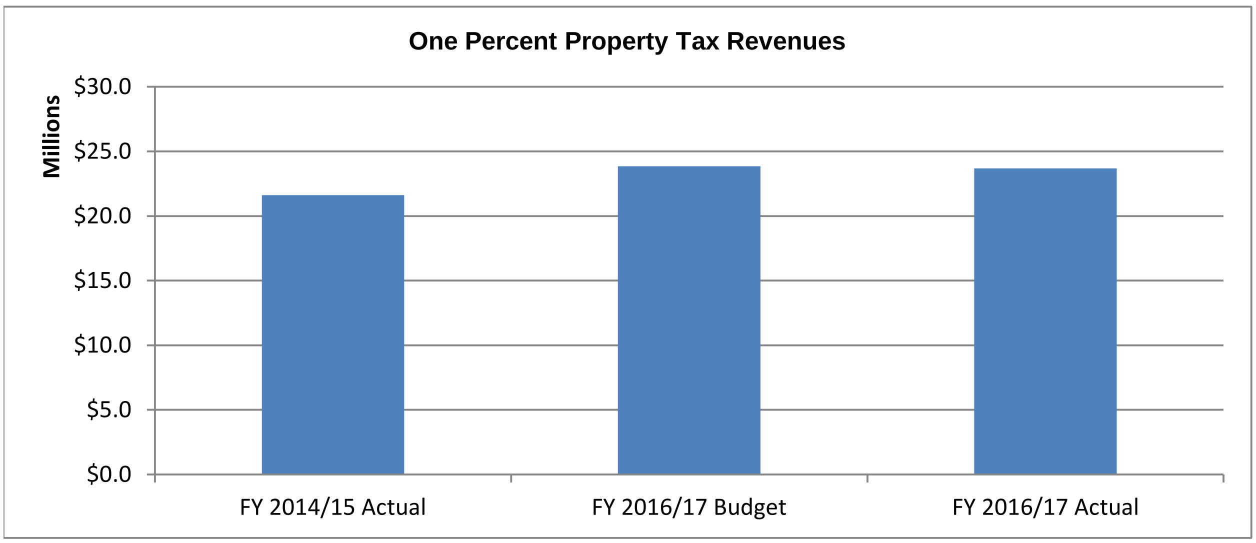
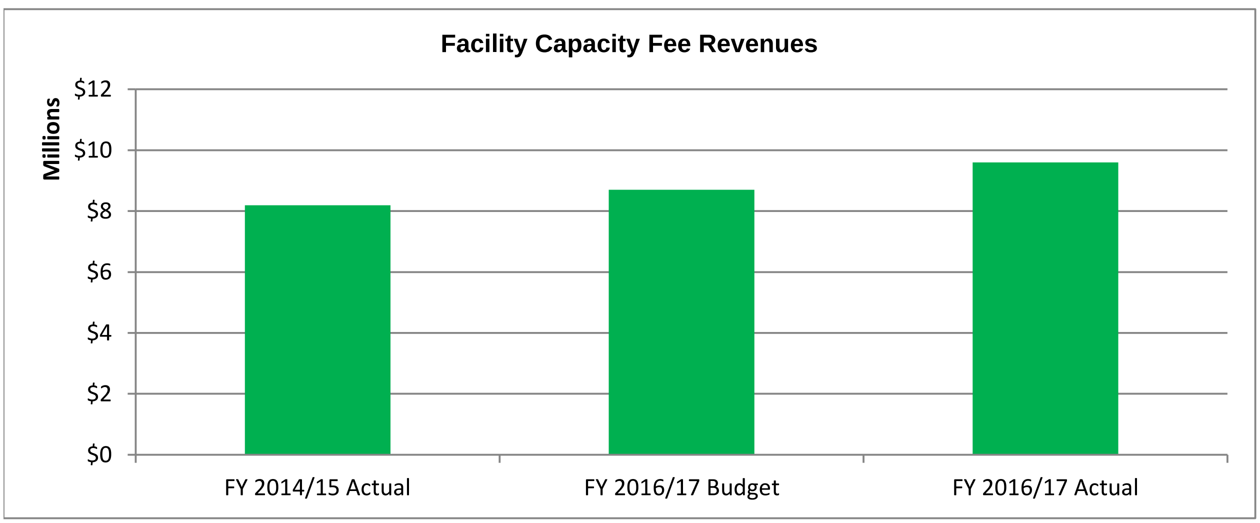
Revenues
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
General Fund/Operating			
Water Sales - Purveyors - Fixed Charges	$ 13,603,800	$ 13,603,762	100%
Water Sales - Purveyors - Variable	5,502,600	8,365,792	152%
Water Sales - Recycled	252,000	288,236	114%
Water Sales - Saugus 1 and 2 Wells	690,900	656,006	95%
Laboratory Revenues	106,000	105,309	99%
Communications Revenues	168,000	167,347	100%
Reimbursement from Settlement Agreement (O&M)	1,300,000	1,225,452	94%
Grants and Reimbursements	101,200	102,163	101%
Investment Revenues	74,000	118,518	160%
Other	19,100	159,012	833%
Total General Fund/Operating	**$ 21,817,600**	**$ 24,791,597**	114%
Capital Improvement Program			
Facility Capacity Fee	$ 8,700,000	$ 9,597,664	110%
One Percent Property Tax	23,851,900	23,678,437	99%
Reimbursement from Settlement Agreement (CIP)	380,000	47,554	13%
Grants and Reimbursements (One Percent)	565,500	979,078	173%
Grants and Reimbursements (Debt Fund)	4,215,000	2,375,860	56%
Reimbursement from Annexing Parties	291,500	401,770	138%
Investment Revenue	1,421,400	1,845,930	130%
Total Capital Improvement Program	**$ 39,425,300**	**$ 38,926,293**	99%
State Water Contract Fund			
Agency-Set Tax Revenues	$ 28,767,200	$ 28,366,803	99%
Investment Revenue	287,000	451,000	157%
Total State Water Contract Fund	**$ 29,054,200**	**$ 28,817,803**	99%
Total Special Revenue Fund	**$ 68,479,500**	**$ 67,744,096**	99%
Debt Service Fund			
Certificates of Participation			
Investment Revenue	$ 151,000	$ 152,117	101%
Total Revenues	**$ 90,448,100**	**$ 92,687,810**	102%




Total Agency Revenues
Millions
$100
$80
$60
$40
$20
$0
FY 2006/07 Actual
FY 2007/08 Actual
FY 2008/09 Actual
FY 2009/10 Actual
FY 2010/11 Actual
FY 2011/12 Actual
FY 2012/13 Actual
FY 2013/14 Actual
FY 2014/15 Actual
FY 2015/16 Actual
FY 2016/17 Actual
Agency-Set Tax Rate
One Percent Property Tax
Water Sales (all)
Facility Capacity Fees
Grants and Reimbursements
Settlement Agreement
Investment Revenue
Other


One Percent Property Tax Revenues
Millions
$30.0
$25.0
$20.0
$15.0
$10.0
$5.0
$0.0
FY 2014/15 Actual
FY 2016/17 Budget
FY 2016/17 Actual


Facility Capacity Fee Revenues
Millions
$12
$10
$8
$6
$4
$2
$0
FY 2014/15 Actual
FY 2016/17 Budget
FY 2016/17 Actual

Castaic Lake Water Agency
Financial Summary
FY 2016/17 Actual

Description	General Fund/ Operating	Capital Improvement Program: Pledged Revenue Fund: Facility Capacity Fee	One Percent Property Tax	Capital Project Fund	Total Capital Improvement Program	State Water Contract Fund	Debt Service Fund	TOTAL
Fund Balance 7/1/2016	$ 10,277,815	$ -	$ 72,989,193	$ 36,594,192	$ 109,583,385	$ 40,334,279	$ 5,349,556	$ 165,545,035
RESERVES:								
Operating Reserve	$ (5,920,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,920,000)
Debt Service Reserves	-	-	(15,546,200)	-	(15,546,200)	-	-	(15,546,200)
Capital Reserves	-	-	(10,839,800)	-	(10,839,800)	-	-	(10,839,800)
Economic Uncertainties/Catastrophic Situations	-	-	(26,518,500)	-	(26,518,500)	-	-	(26,518,500)
Reserve and Replacement	-	-	(2,286,200)	-	(2,286,200)	-	(5,349,556)	(7,635,756)
Trustee Held								-
Subtotal	**$ (5,920,000)**	**$ -**	**$ (55,190,700)**	**$ -**	**$ (55,190,700)**	**$ -**	**$ (5,349,556)**	**$ (66,460,256)**
Net Available	**$ 4,357,815**	**$ -**	**$ 17,798,493**	**$ 36,594,192**	**$ 54,392,685**	**$ 40,334,279**	**$ -**	**$ 99,084,779**
REVENUES:								
Water Sales - Fixed Charges	$ 13,603,762	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,603,762
Water Sales - Variable	8,365,792	-	-	-	-	-	-	8,365,792
Recycled Water Sales	288,236	-	-	-	-	-	-	288,236
Saugus 1 and 2 Water Sales	656,006	-	-	-	-	-	-	656,006
Laboratory Revenues	105,309	-	-	-	-	-	-	105,309
Communications Revenues	167,347	-	-	-	-	-	-	167,347
Facility Capacity Fees	-	9,597,664	-	-	9,597,664	-	-	9,597,664
One Percent Property Tax	-	-	23,678,437	-	23,678,437	-	-	23,678,437
Agency Set Property Tax	-	-	-	-	-	28,366,803	-	28,366,803
Settlement Agreement (CIP)	-	-	47,554	-	47,554	-	-	47,554
Settlement Agreement (O&M)	1,225,452	-	-	-	-	-	-	1,225,452
Grants and Reimbursements	102,163	-	979,078	2,375,860	3,354,938	-	-	3,457,101
Reimbursement from Annexing Parties	-	-	401,770	-	401,770	-	-	401,770
Investment Revenues	118,518	302,414	1,250,020	293,496	1,845,930	451,000	-	2,415,448
Miscellaneous	159,012	-	-	-	-	-	-	159,012
Subtotal	**$ 24,791,597**	**$ 9,900,078**	**$ 26,356,859**	**$ 2,669,356**	**$ 38,926,293**	**$ 28,817,803**	**$ -**	**$ 92,535,693**
EXPENDITURES:								
Operating	$ (22,873,034)	$ -	$ -	$ -	$ -	$ -	$ -	$ (22,873,034)
Transfer to Reserves	(216,700)	-	-	-	-	-	-	(216,700)
Capital Improvement Program	-	(3,010,528)	(10,053,457)	(5,610,753)	(18,674,738)	-	-	(18,674,738)
Department of Water Resources	-	-	-	-	-	(22,424,416)	-	(22,424,416)
Debt Service Principal and Interest Payments	-	(6,889,550)	(14,003,786)	-	(20,893,336)	-	(152,117)	(21,045,453)
Subtotal	$ (23,089,734)	$ (9,900,078)	$ (24,057,243)	$ (5,610,753)	$ (39,568,074)	$ (22,424,416)	$ (152,117)	$ (85,234,341)
Fund Balance	$ 6,059,678	$ -	$ 20,098,109	$ 33,652,795	$ 53,750,904	$ 46,727,666	$ (152,117)	$ 106,386,131
Addition to Reserves	216,700	-	-	-	-	-	-	216,700
Available Fund Balance 6/30/2017	**$ 6,276,378**	**$ -**	**$ 20,098,109**	**$ 33,652,795**	**$ 53,750,904**	**$ 46,727,666**	**$ (152,117)**	**$ 106,602,831**

General Fund - Operating Summary
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Fund Balance, Beginning	$ 10,105,400	$ 10,277,815	102%
RESERVES			
Operating Reserves	$ (5,920,000)	$ (5,920,000)	100%
Net Available	**$ 4,185,400**	**$ 4,357,815**	**104%**
REVENUES			
Water Sales - Purveyors - Fixed Charges	$ 13,603,800	13,603,762	100%
Water Sales - Purveyors - Variable	5,502,600	8,365,792	152%
Water Sales - Recycled	252,000	288,236	114%
Water Sales - Saugus 1 and 2 Wells	690,900	656,006	95%
Laboratory Revenues	106,000	105,309	99%
Communications Revenues	168,000	167,347	100%
Reimbursement from Settlement Agreement (O&M)	1,300,000	1,225,452	94%
Grants and Reimbursements	101,200	102,163	101%
Investment Revenues	74,000	118,518	160%
Miscellaneous Revenues	19,100	159,012	833%
Total Revenues	**$ 21,817,600**	**$ 24,791,597**	**114%**
EXPENDITURES			
Operating Expenditures	$ (23,680,100)	$ (22,873,034)	97%
Transfers to Reserves *	-	-	
Total Expenditures	**$ (23,680,100)**	**$ (22,873,034)**	**97%**
TRANSFERS			
To Reserves, from Fund Balance	$ -	$ (216,700)	NA
Net Transfers	**$ -**	**$ (216,700)**	
Available Fund Balance	**$ 2,322,900**	**$ 6,059,678**	**261%**
Addition to Reserves			
Reserves, from Fund Balance	$ -	$ 216,700	N/A
Total Addition to Reserves	**$ -**	**$ 216,700**	
Fund Balance, Ending	**$ 2,322,900**	**$ 6,276,378**	**270%**

Operating Reserves		
Beginning Balance	$ 5,920,000	$ 5,920,000
Additions	-	216,700
Ending Balance	**$ 5,920,000**	**$ 6,136,700**

Capital Improvement Program
Pledged Revenue Fund
Facility Capacity Fee
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Fund Balance, Beginning	$ -	$ -	0%
RESERVES			
Debt Service Reserves	$ -	$ -	0%
Economic Uncertainties/Catastrophic Situations	-	-	0%
Total Reserves	**$ -**	**$ -**	0%
Net Available	**$ -**	**$ -**	**0%**
REVENUES			
Facility Capacity Fees	$ 8,700,000	9,597,664	110%
Investment Revenues	302,400	302,414	100%
Total Revenues	**$ 9,002,400**	**$ 9,900,078**	**110%**
EXPENDITURES			
Debt Principal and Interest Payments	$ (6,676,700)	$ (6,889,550)	103%
Capital Planning, Studies and Administration	(2,325,700)	(3,010,528)	129%
Total Expenditures	**$ (9,002,400)**	**$ (9,900,078)**	**110%**
Available Fund Balance, Ending	**$ -**	**$ -**	**0%**

Capital Improvement Program
Pledged Revenue Fund
One Percent Property Tax
FY 2016/17 Year-End Budget Report

		FY 2016/17 Budget		FY 2016/17 Actual	% of Budget
Fund Balance, Beginning	$	73,916,482	$	72,989,193	99%
RESERVES					
Debt Service Reserves	$	(15,546,200)	$	(15,546,200)	100%
Capital Reserves		(10,839,800)		(10,839,800)	100%
Economic Uncertainties/Catastrophic Situations		(26,518,500)		(26,518,500)	100%
Repair and Replacment Reserve		(2,286,200)		(2,286,200)	100%
Net Available	**$**	**(55,190,700)**	**$**	**(55,190,700)**	**100%**
Net Available	**$**	**18,725,782**	**$**	**17,798,493**	**95%**
REVENUES					
One Percent Property Tax Revenues	$	23,851,900		23,678,437	99%
Reimbursement from Settlement Agreement (CIP)		380,000		47,554	13%
Grants and Reimbursements		565,500		979,078	173%
Investment Revenues		1,019,000		1,250,020	123%
Reimbursement from Annexing Parties		291,500		401,770	138%
Total Revenues	**$**	**26,107,900**	**$**	**26,356,859**	**101%**
EXPENDITURES					
Debt Service Principal and Interest Payments - Existing Users	$	(5,222,000)	$	(5,238,945)	100%
Debt Service Principal and Interest Payments - Future Users*		(8,846,000)		(8,764,841)	99%
Major Capital Projects		(445,000)		(40,142)	9%
Minor Capital Projects		(2,464,000)		(2,291,354)	93%
Capital Planning, Studies and Administration		(6,279,800)		(6,943,660)	111%
New Capital Equipment		(881,000)		(279,156)	32%
Repair and Replacement Projects		(770,000)		(499,145)	65%
Total Expenditures	**$**	**(24,907,800)**	**$**	**(24,057,243)**	**97%**
Fund Balance, Ending	**$**	**19,925,882**	**$**	**20,098,109**	**101%**

* Interfund Loan to Facility Capacity Fees.

Capital Improvement Program
Capital Project Fund
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Fund Balance, Beginning	$ 36,427,727	$ 36,594,192	100%
REVENUES			
Grant Reimbursements	$ 4,215,000	2,375,860	56%
Investment Revenues	100,000	293,496	293%
Total Revenues	**$ 4,315,000**	**$ 2,669,356**	**62%**
EXPENDITURES			
Capital Projects	$ (18,563,900)	$ (5,610,753)	30%
Total Expenditures	**$ (18,563,900)**	**$ (5,610,753)**	**30%**
Fund Balance, Ending	**$ 22,178,827**	**$ 33,652,795**	**152%**

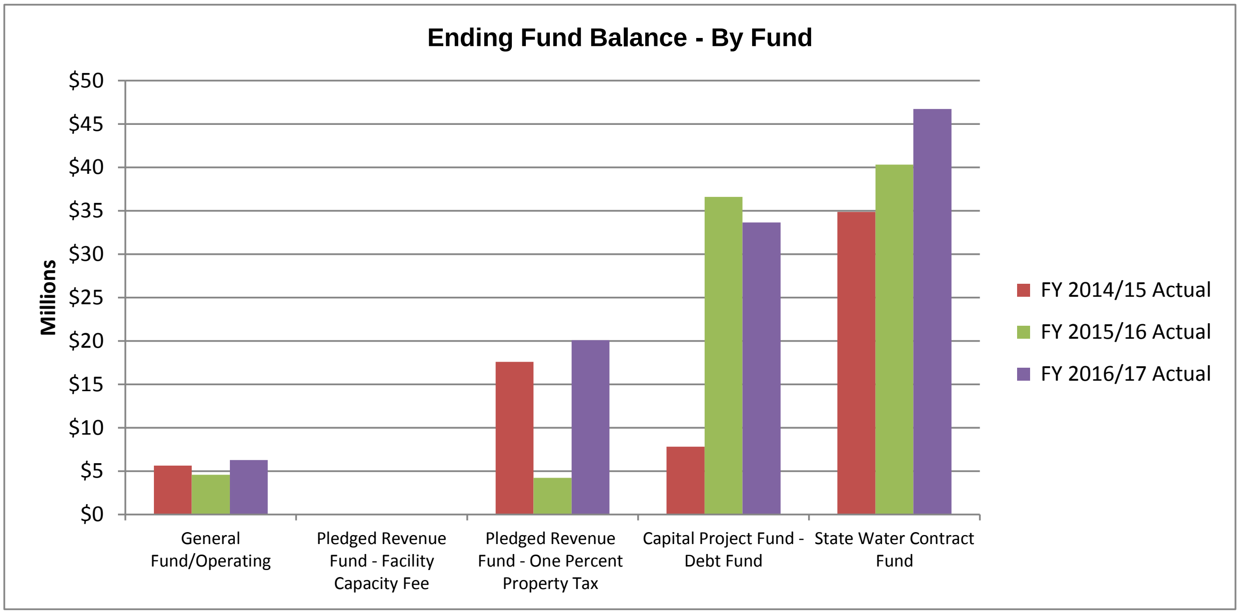
State Water Contract Fund
FY 2016/17 Year-End Budget Report

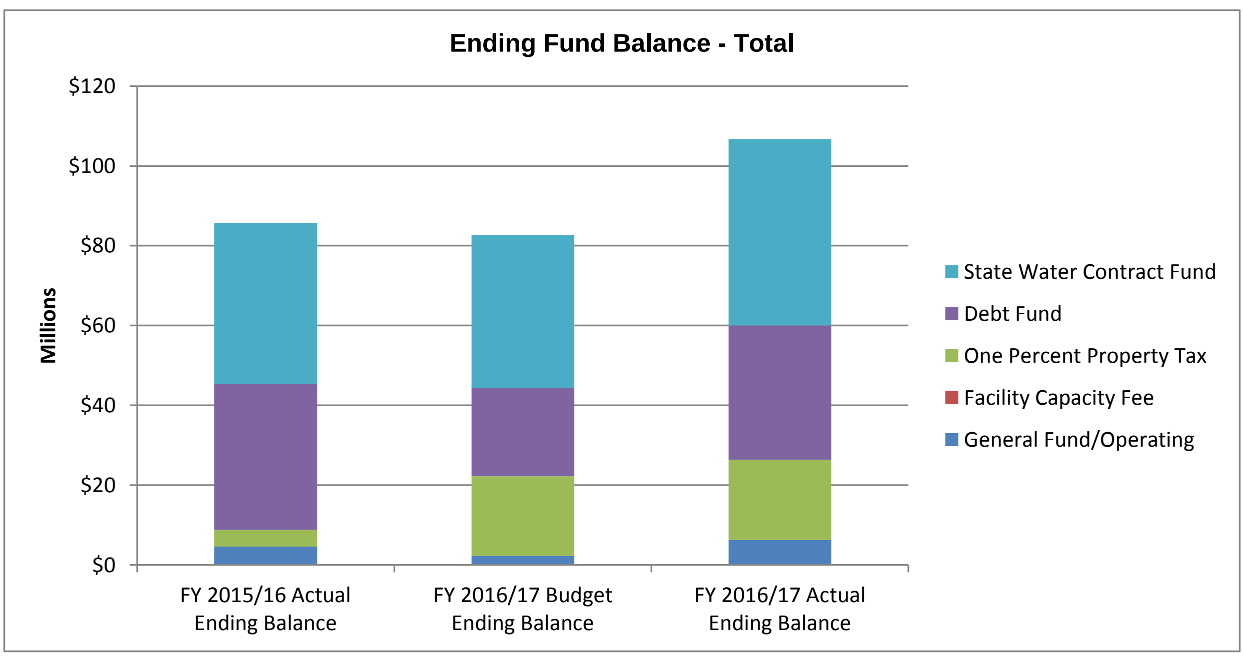
		FY 2016/17 Budget		FY 2016/17 Actual	% of Budget
Fund Balance, Beginning	$	39,558,529	$	40,334,279	102%
REVENUES					
Agency Set Property Tax Revenues	$	28,767,200		28,366,803	99%
Investment Income		287,000		451,000	157%
Total Operating Fund Revenues	**$**	**29,054,200**	**$**	**28,817,803**	**99%**
EXPENDITURES					
DWR Variable Charge	$	(6,707,000)		(5,458,868)	81%
State Water Contract Payments		(22,300,000)		(18,381,651)	82%
Legal Consulting		(5,000)		(8,072)	161%
State Water Contractors/SWPCA Dues		(315,000)		(184,216)	58%
SWC Audit		(35,000)		(27,580)	79%
Refunds from State		1,000,000		1,635,971	164%
Contingencies		(2,000,000)		-	N/A
Total State Water Contract Fund Expenditures	**$**	**(30,362,000)**	**$**	**(22,424,416)**	**74%**
Fund Balance, Ending	$	38,250,729	$	46,727,666	122%
Tax Rate	**$**	**0.070600**	**$**	**0.070600**	

Changes in Fund Balance
FY 2016/17 Year-End Budget Report

CHANGES IN FUND BALANCE - THREE YEAR HISTORY (in millions)

FUND	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual
General Fund/Operating	$ 5.64	$ 4.57	$ 6.28
Pledged Revenue Fund - Facility Capacity Fee	-	-	-
Pledged Revenue Fund - One Percent Property Tax	17.58	4.24	20.10
Capital Project Fund - Debt Fund	7.80	36.59	33.65
State Water Contract Fund	34.86	40.33	46.73
Total	$ 65.88	$ 85.73	$ 106.75





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SECTION 3

CAPITAL IMPROVEMENT PROGRAM

AND DEBT-FUNDED PROJECTS FORECAST

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Details of Capital Improvement Expenditures
FY 2016/17 Year-End Budget Report

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Major Capital Projects				
200903	Castaic Conduit	$ 378,000	$ 47,703	13%	A
200010	Distribution System - RV-2 Modifications	75,000	129,918	173%	B
200105	ESFP Clearwell/CT Improvements	4,056,000	528,885	13%	C
200103	ESFP Sludge Collection System	235,000	153,020	65%	
200151	ESIPS Pipeline Improvements	733,000	311,982	43%	D
200905	Foothill Feeder Connection Construction	4,859,200	105,628	2%	E
200510	Honby Parallel	627,000	398,314	64%	F
200525	Magic Mountain Pipeline No. 4	31,000	-	0%	
200526	Magic Mountain Pipeline No. 5	23,000	100	0%	
200527	Magic Mountain Pipeline No. 6	4,000	-	0%	
200528	Magic Mountain Reservoir	4,000	50,929	1273%	
200453	Recycled Water Program Phase 2A - Central Park	107,000	25,327	24%	G
200454	Recycled Water Program Phase 2B - Vista Canyon	337,000	8,151	2%	G
200455	Recycled Water Program Phase 2C - South End	380,000	24,011	6%	G
200456	Recycled Water Program Phase 2D - West Ranch	265,000	23,864	N/A	G
200962	Replacement Wells	380,000	39,932	11%	G
200011	RVWTP Clearwell Cover Improvements	231,200	104,841	45%	H
200012	RVWTP Entrance Gate Relocation	65,000	211	0%	I
200906	Rosedale Rio Bravo Extraction	5,833,500	3,624,163	62%	J
200907	Semitropic Stored Water Recovery Unit	5,000	-	0%	
200963	Saugus Formation Dry Year Reliability Wells	380,000	33,774	9%	G
	Total Major Capital Projects	$ 19,008,900	$ 5,610,753	30%	

* Significant items:

A. Project delayed due to negotiations with property owners for right of way acquisition.
B. Project timing ahead of schedule.
C. Based on timing of contract award.
D. Planning and desing phase took longer than anticipated.
E. Project delayed for coordination with other agencies.
F. Still in right of way acquisition phase.
G. Delayed pending resolution of environmental documentation issues related to the Santa Clarita Valley Sanitation District's (SCVSD) Chloride Compliance Project.
H. Final project costs.
I. Project cancelled.
J. Based on construction schedule.

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Minor Capital Projects				
300415	ESFP HVAC Replacement	$ 130,000	$ 210,506	162%	
300416	ESFP Emergency Generator Replacement	25,000	2,976	12%	
301002	ESIPS Additional Pump	874,000	711,459	81%	
300321	Pipeline Inspection Facility Modifications	800,000	776,697	97%	
300308	Pipeline Relocations	125,000	54,646	44%	
300017	RVWTP Ozone Gas Collection Modification	310,000	414,486	134%	A
300018	RVWTP Upper Mesa Erosion Repair	65,000	65,650	101%	
300329	SPTF Pressure Control Modifications	75,000	11,719	16%	B
300328	Devil's Den Property Solar Project	60,000	43,051	72%	
	Total Minor Capital Projects	$ 2,464,000	$ 2,291,190	93%	

* Significant items:

A. Carryover of costs budgeted for FY 2015/16, design and construction management costs higher than anticipated, and project required more expensive ozone resistant materials than originally anticipated.
B. Project completed under budget.

Details of Capital Improvement Expenditures
FY 2016/17 Year-End Budget Report

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Capital Planning, Studies and Administration				
	General Planning and Studies				
100015	Capital Program/Facility Capacity Fees	$ 380,000	$ 329,122	87%	
100041	Recycled Water Master Plan	150,000	61,116	41%	
100050	Recycled Water Master Plan EIR	225,000	101,522	45%	A
100043	Emergency and Operational Storage Study	100,000	185,616	186%	
100027	System Hydraulic Model	65,000	21,662	33%	
100004	Urban Water Management Plan 2015	50,000	24,737	49%	
	Total Capital Planning, Studies and Administration General Planning and Studies	$ 970,000	$ 723,775	75%	

* Significant items:

A. Delayed pending resolution of environmental documentation issues related to the Santa Clarita Valley Sanitation District's (SCVSD) Chloride Compliance Project.

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Water Supply Reliability and Acquisition Planning and Implementation				
110003	Buena Vista/Rosedale Rio Bravo Storage and Recovery Program	$ 5,080,500	$ 7,071,152	139%	A
various	Grant Administration	$ 245,000	$ 154,000	63%	
110007	Integrated Regional Water Management Plan	300,000	61,064	20%	B
110001	Rosedale Rio Bravo Storage Program	25,000	-	0%	
110004	Ventura County Flexible Storage	20,000	17,888	89%	
110005	Water Banking	75,000	72,879	97%	
110022	Sites Reservoir	300,000	128,833	43%	B
110017	Yuba Accord Water	90,000	-	0%	C
	Total Water Supply Reliability and Acquisition Planning and Implementation	$ 6,135,500	$ 7,505,816	122%	

* Significant items:

A. Increase in price due to 10-year look back to true up CPI increases with SWP Costs.
B. Based on actual workload requirements.
C. Water purchase deferred due to lack of need.

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Administration				
125001	Annexation Support	$ 50,000	$ 21,951	44%	A
120004	Debt Financing and Administration	400,000	120,961	30%	A
120001	One Percent Property Tax Administration	250,000	248,482	99%	
120015	Retail Purveyors and Legal	500,000	384,721	77%	B
120011	Retail Litigation	300,000	212,528	71%	C
	Total Administration	$ 1,500,000	$ 988,643	66%	

* Significant items:

A. Based on actual workload requirements.
B. Work supporting creating of new water agency
C. Based on litigation filed by SCOPE.

Total Capital Planning, Studies and Administration	$ 8,605,500	$ 9,218,234	107%	

Details of Capital Improvement Expenditures
FY 2016/17 Year-End Budget Report

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	
	Capital Equipment				
130001	Office Equipment Additions	$ 296,000	$ 145,427	49%	
130004	Office Furniture Additions	200,000	7,898	4%	
130003	Miscellaneous Large Tools and Equipment	350,000	91,907	26%	A
130002	Vehicles	35,000	33,924	97%	
	Total Capital Equipment	$ 881,000	$ 279,156	32%	

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Repair and Replacement			
ESFP Repair and Replacement	$ 235,000	$ 251,433	107%
ESIPS Repair and Replacement	40,000	10,661	27%
RVWTP Repair and Replacement	130,000	107,371	83%
RVIPS Repair and Replacement	75,000	688	1%
Pipeline Repair and Replacement	105,000	85,978	82%
Recycled Water System Repair and Replacement	60,000	6,900	12%
Saugus 1 and 2 Wells	30,000	-	0%
Sand Canyon System Repair and Replacement	95,000	36,114	38%
Total Repair and Replacement	$ 770,000	$ 499,145	65%

* Significant items:

A. Video Surveillance system in budget occurred in 2017/18.

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
SUMMARY			
Major Capital Projects	$ 19,008,900	$ 5,610,753	30%
Minor Capital Projects	2,464,000	2,291,190	93%
Capital Planning, Studies and Administration			
General Planning and Studies	970,000	723,775	75%
Water Supply Reliability and Acquisition Planning and Implementation	6,135,500	7,505,816	122%
Administration	1,500,000	988,643	66%
Capital Equipment	881,000	279,156	32%
Repair and Replacement	770,000	499,145	65%
Total Capital Improvement Expenditures	**$ 31,729,400**	**$ 17,898,478**	**56%**

Debt-Funded Projects - Forecast
FY 2016/17 Year-End Budget Report

Debt-funded Projects	FY 2016/17 Actual	FY 2017/18 Projected	FY 2018/19 Projected	FY 2019/20 Projected	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022/23 Projected	FY 2023/24 Projected
Castaic Conduit	$ 47,703	$ 353,000	$ 1,000,000	$ 12,257,000	$ -	$ -	$ -	$ -
Distribution System - RV-2 Modifications	129,918	3,346,000	3,000	-	-	-	-	-
ESFP Clearwell/CT Improvements	528,885	5,786,000	1,915,000	-	-	-	-	-
ESFP Sludge Collection System	153,020	34,000	9,151,000	4,647,000	-	-	-	
ESIPS Pipeline Improvements	311,982	3,706,000	-	-	-	-	-	-
Foothill Feeder Connection Construction	105,628	4,236,000	150,000	-	-	-	-	-
Honby Parallel	398,314	130,000	451,000	546,000	12,084,000	7,720,000	77,000	77,000
Magic Mountain Pipeline No. 4	-	75,000	3,311,000	-	-	-	-	-
Magic Mountain Pipeline No. 5	100	23,000	98,000	3,621,000	-	-	-	-
Magic Mountain Pipeline No. 6	-	4,000	144,000	151,000	8,576,000	-	-	-
Magic Mountain Reservoir	50,929	211,000	697,000	1,102,000	1,347,000	22,956,000	11,571,000	-
Recycled Water Program Phase 2A - Central Park	25,327	17,000	4,000	4,000	4,000	4,000	13,200,000	-
Recycled Water Program Phase 2B - Vista Canyon	8,151	369,000	4,657,000	-	-	-	-	-
Recycled Water Program Phase 2C - South End	24,011	453,000	350,000	10,500,000	2,820,000	-	-	-
Recycled Water Program Phase 2D - West Ranch	23,864	395,000	2,550,000	-	-	-	-	-
Replacement Wells	39,932	-	-	-	-	-	-	-
RVWTP Clearwell Cover Improvements	104,841	-	-	-	-	-	-	-
RVWTP Entrance Gate Relocation	211	-	-	-	-	-	-	-
Rosedale Rio Bravo Extraction	3,624,163	2,000,000	-	-	-	-	-	-
Semitropic Stored Water Recovery Unit	-	-	-	-	-	-	-	-
Saugus Formation Dry Year Reliability Wells	33,774	320,000	2,000,000	6,902,000	-	-	-	-
Southern Service Areas Emergency Storage	-	-	711,000	1,416,000	1,747,000	3,247,000	18,839,000	35,786,000
Debt-Funded Subtotal	**$ 5,610,753**	**$ 21,458,000**	**$ 27,192,000**	**$ 41,146,000**	**$ 26,578,000**	**$ 33,927,000**	**$ 43,687,000**	**$ 35,863,000**
Beginning Balance	$ 36,594,192	$ 33,652,795	$ 14,094,795	$ -	$ -	$ -	$ -	$ -
Grants and Reimbursements/Interest	2,669,356	1,900,000	4,057,000	-	-	-	-	-
Less Expenditures	(5,610,753)	(21,458,000)	(27,192,000)	(41,146,000)	(26,578,000)	(33,927,000)	(43,687,000)	(35,863,000)
Annual Balance/Shortfall	**$ 33,652,795**	**$ 14,094,795**	**$ (9,040,205)**	**$ (41,146,000)**	**$ (26,578,000)**	**$ (33,927,000)**	**$ (43,687,000)**	**$ (35,863,000)**
Cumulative Shortfall	**$ 33,652,795**	**$ 47,747,590**	**$ 38,707,385**	**$ (2,438,615)**	**$ (29,016,615)**	**$ (62,943,615)**	**$ (106,630,615)**	**$ (142,493,615)**

Projects Funded "Pay-as-you-go"	FY 2016/17 Actual	FY 2017/18 Projected	FY 2018/19 Projected	FY 2019/20 Projected	FY 2020/21 Projected	FY 2021/22 Projected	FY 2022/23 Projected	FY 2023/24 Projected
Replacement Wells	$ 39,932	$ 320,000	$ 2,000,000	$ 7,171,000	$ -	$ -	$ -	$ -
Groundwater Treatment Improvements	$ -	1,040,000	684,000	200,000	-	-	-	-
RVWTP Entrance Gate Relocation	211	-	-	-	-	-	-	-
Water Conservation and Education Garden	-	340,000	-	-	-	-	-	-
"Pay-as-you-go" Subtotal	**$ 40,143**	**$ 1,700,000**	**$ 2,684,000**	**$ 7,371,000**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL MAJOR CAPITAL PROJECTS	**$ 5,650,896**	**$ 23,158,000**	**$ 29,876,000**	**$ 48,517,000**	**$ 26,578,000**	**$ 33,927,000**	**$ 43,687,000**	**$ 35,863,000**

SECTION 4

OPERATING EXPENDITURES

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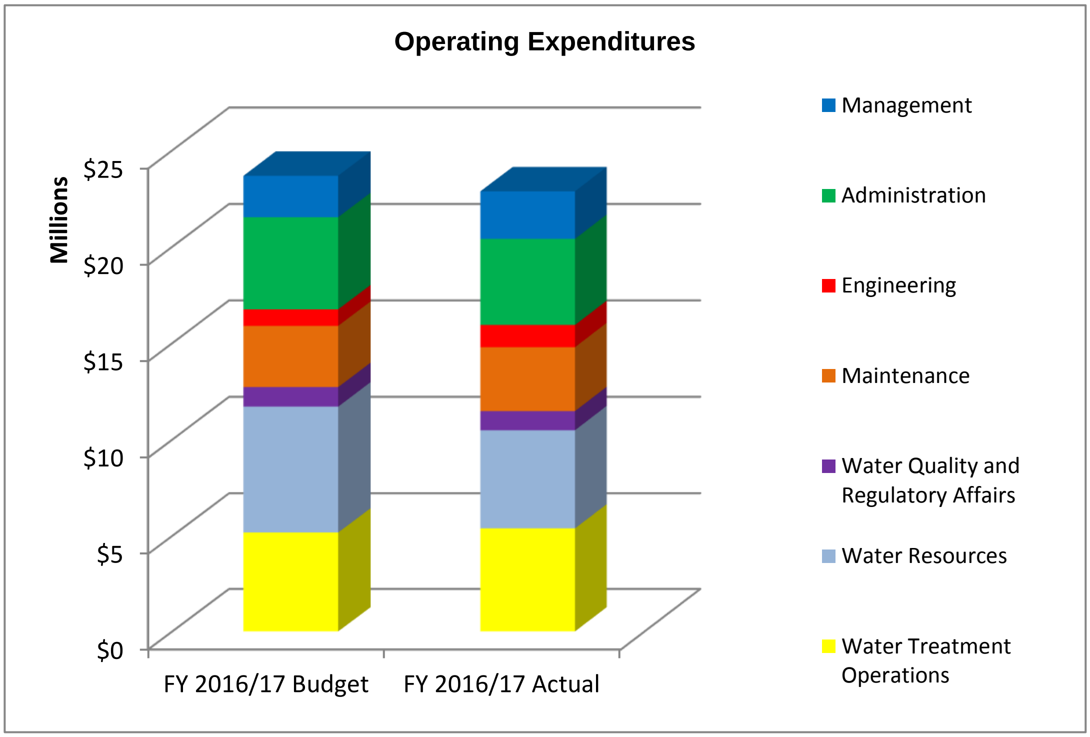
Operating Expenditure Summary
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual
Management	$ 2,147,700	$ 2,464,425
Administration	4,779,000	4,466,408
Engineering	856,900	1,151,081
Maintenance	3,173,200	3,314,364
Water Quality and Regulatory Affairs	1,014,000	991,955
Water Resources	6,533,600	5,094,924
Water Treatment Operations	5,175,700	5,389,877
Total Operating Expenditures	$ 23,680,100	$ 22,873,034



Operating Budget Summary
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Management			
Salary and Benefits	$ 722,300	$ 840,453	116%
Materials and Supplies	32,000	35,427	111%
Outside Services	708,000	616,051	87%
Election	350,000	685,785	196%
Directors Fees and Expenses	335,400	286,709	85%
Total Management	2,147,700	2,464,425	115%
Administration			
Salary and Benefits	2,176,800	2,138,615	98%
Materials and Supplies	369,000	260,673	71%
Outside Services	1,504,200	1,399,017	93%
Utilities	115,000	93,056	81%
Insurance	614,000	575,047	94%
Total Administration	4,779,000	4,466,408	93%
Engineering			
Salary and Benefits	430,400	671,832	156%
Materials and Supplies	39,000	35,427	91%
Outside Services	387,500	443,822	115%
Total Engineering	856,900	1,151,081	134%
Maintenance			
Salary and Benefits	2,416,200	2,339,127	97%
Materials and Supplies	343,000	347,657	101%
Outside Services	414,000	627,580	152%
Total Maintenance	3,173,200	3,314,364	104%
Water Quality and Regulatory Affairs			
Salary and Benefits	804,500	802,219	100%
Materials and Supplies	119,400	116,326	97%
Outside Services	90,100	73,410	81%
Total Water Quality and Regulatory Affairs	1,014,000	991,955	98%
Water Resources			
Salary and Benefits	1,715,200	1,551,901	90%
Materials and Supplies	305,000	229,683	75%
Outside Services	3,180,000	1,416,069	45%
Source of Supply	1,333,400	1,897,271	142%
Total Water Resources	6,533,600	5,094,924	78%
Water Treatment Operations			
Salary and Benefits	1,497,900	1,559,295	104%
Materials and Supplies	1,155,000	967,498	84%
Outside Services	72,800	65,864	90%
Utilities	2,450,000	2,797,220	114%
Total Water Treatment Operations	5,175,700	5,389,877	104%
TOTAL			
Salary and Benefits	9,763,300	9,903,442	101%
Materials and Supplies	2,362,400	1,992,691	84%
Outside Services	6,356,600	4,641,813	73%
Utilities	2,565,000	2,890,276	113%
Insurance	614,000	575,047	94%
Election	350,000	685,785	196%
Source of Supply	1,333,400	1,897,271	142%
Directors Compensation and Expenses	335,400	286,709	85%
Total Operating Expenditures	$ 23,680,100	$ 22,873,034	97%

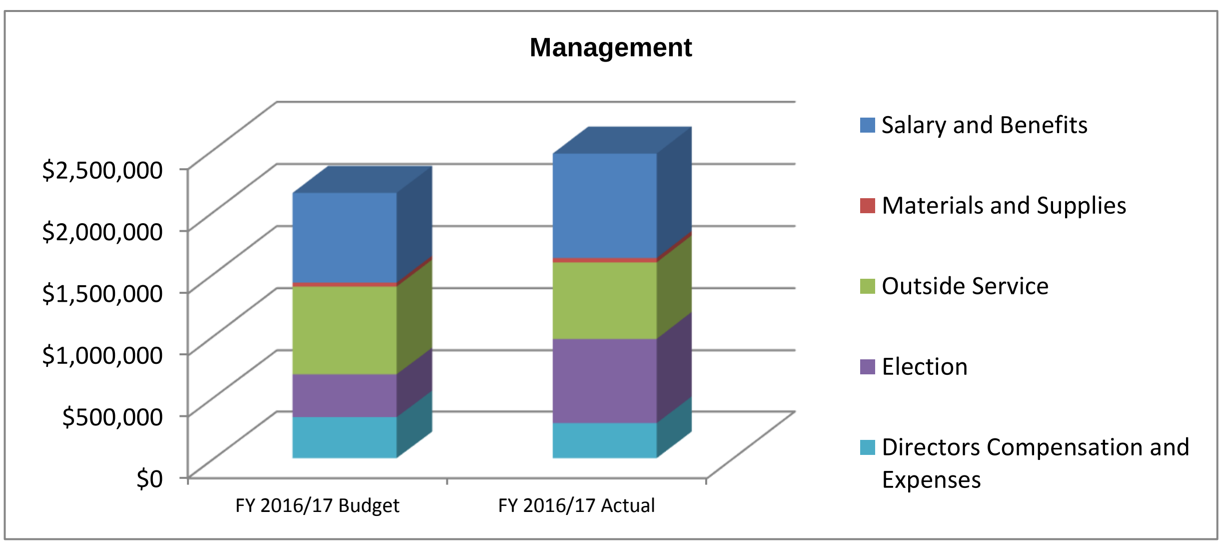
Details of Management Expenditures
FY 2016/17 Year-End Budget Report

0011100000 MANAGEMENT

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 367,300	$ 516,962	141%	A
51007 Overtime	13,000	11,620	89%	
51020 Less Reimbursement from SCWD	-	(17,380)	N/A	
51050 Burden and Benefits	342,000	329,251	96%	
Materials and Supplies				
52010 Supplies and Services	15,000	12,825	86%	
51505 Employee Expense	10,000	10,127	101%	
51515 Employee Travel	7,000	12,475	178%	
Outside Services				
53101 Education/Seminars	8,000	8,099	101%	
53215 Recruitment Expenses	-	9,984	N/A	
53202 Legal Consulting	300,000	277,514	93%	B
53236 Professional Services Other	100,000	51,529	52%	B
53242 Legislative Advocate Service	300,000	268,925	90%	B
Election				
51301 Election	350,000	685,785	196%	C
Directors Compensation and Expenses				
51326 Directors Compensation	240,000	195,491	81%	B
51327 Directors Expenses	49,000	41,996	86%	
51328 Directors Travel	18,500	20,681	112%	
51329 Directors Training	27,900	28,541	102%	
	$ 2,147,700	$ 2,464,425	115%	

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

A. Includes funds for a new position of Assistant General Manager.
B. Based on actual workload requirements.
C. November election cost more than anticipated.



Details of Administration Expenditures
FY 2016/17 Year-End Budget Report

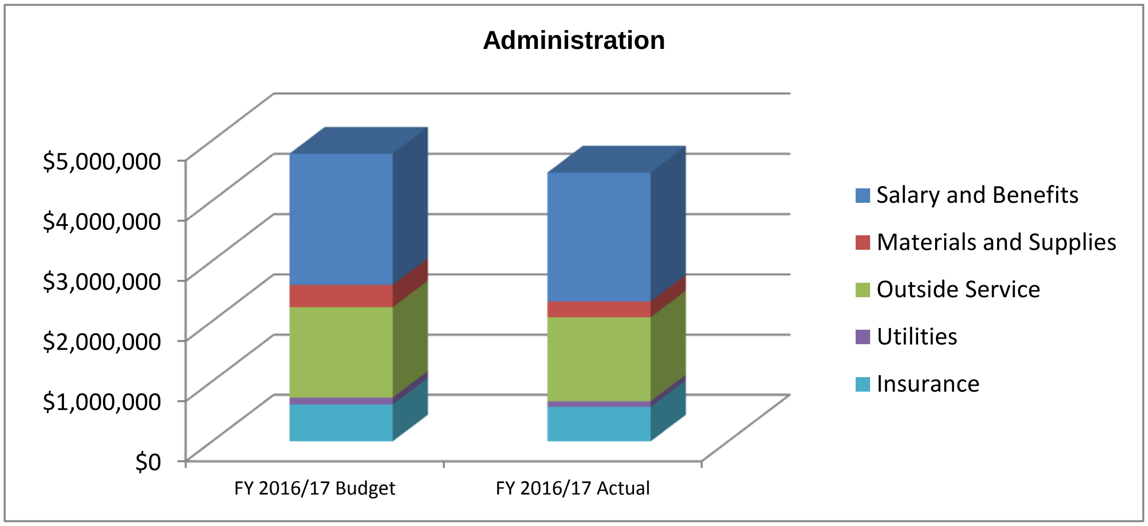
0011200000 ADMINISTRATION

		FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
	Salary and Benefits				
51001	Salary	$ 1,770,800	$ 1,756,315	99%	
51007	Overtime	28,000	32,031	114%	
51050	Burden and Benefits	998,800	956,877	96%	
51020	Less Reimbursement from SCWD	(620,800)	(606,608)	98%	
	Materials and Supplies				
52024	Internal Relations	30,000	22,168	74%	
52005	Safety Training and Equipment	115,000	82,159	71%	A
52010	Supplies and Services	40,000	29,161	73%	
53215	Recruitment Expenses	6,000	4,946	82%	
52020	Postage	15,000	9,947	66%	
51505	Employee Expense	15,000	9,408	63%	
51515	Employee Travel	20,000	9,894	49%	
52035	Janitorial Supplies	8,000	6,116	76%	
52075	Parts and Materials	120,000	86,874	72%	A
	Outside Services				
53101	Education/Seminars	32,000	13,525	42%	
53241	Temporary Personnel Services	85,000	115,319	136%	A
53216	Security/Alarm Services	175,000	122,571	70%	A
53306	Subscriptions	2,400	1,180	49%	
53304	Dues and Memberships	65,000	64,242	99%	
53110	Office Equipment/Repair and Service	30,000	23,411	78%	
53236	Professional Services/Consultants	195,000	113,334	58%	A
53210	Professional Services/Audit	77,000	50,605	66%	A
53214	Technology Services	280,000	250,340	89%	A
53213	Modular Office and Storage Rent	46,000	41,070	89%	
53218	Agency Publications	12,000	12,000	100%	
53212	Licenses/Fees	80,000	92,280	115%	
53104	Uniforms	3,800	3,059	81%	
53105	Outside Service/Contracting	421,000	496,081	118%	B
	Utilities				
54200	Pager/Cell Service	25,000	24,827	99%	
54205	Telephone	20,000	19,480	97%	
54310	Refuse Disposal	20,000	11,762	59%	
54305	Irrigation	15,000	7,161	48%	
54415	Natural Gas	35,000	29,826	85%	
	Insurance				
55200	Retiree Medical Insurance	331,000	328,779	99%	
55205	Unemployment Insurance	5,000	-	0%	
55210	Bonds/Honesty Insurance	2,000	988	49%	
55215	Liability Insurance	190,000	165,975	87%	C
55220	Casualty Insurance	86,000	79,305	92%	
		$ 4,779,000	$ 4,466,408	93%	

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

A. Based on actual workload requirements.
B. AC Firmware upgrade cost more than expected, and erosion control due to heavy rains.
C. Due to low loss history

0011200000 ADMINISTRATION, continued



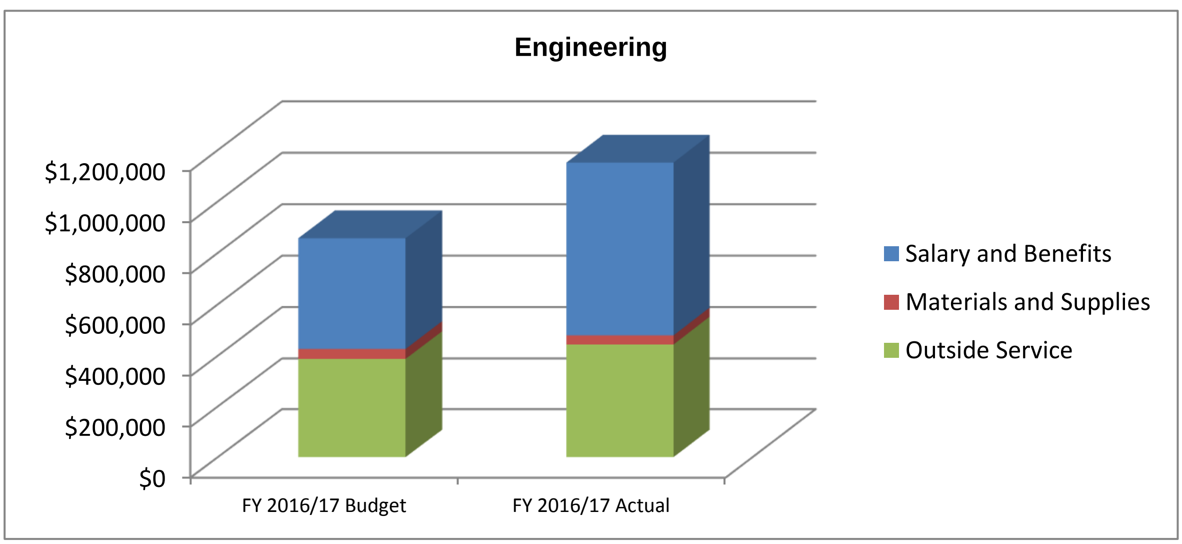
Details of Engineering Expenditures
FY 2016/17 Year-End Budget Report

0011600000 ENGINEERING

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 247,200	$ 422,878	171%	A
51007 Overtime	-	68	0%	
51050 Burden and Benefits	183,200	248,886	136%	A
Materials and Supplies				
52010 Supplies and Services	22,500	28,129	125%	
51505 Employee Expense	13,000	5,428	42%	
51515 Employee Travel	3,500	1,870	53%	
Outside Services				
53101 Education/Seminars	5,500	6,726	122%	
53241 Temporary Personnel Service	2,000	661	33%	
53214 Technology Services	115,000	112,214	98%	
53226 Professional Services/Consulting	200,000	278,945	139%	B
53228 Pipeline Inspection Program Services	65,000	45,276	70%	
Total Engineering Expenditures	$ 856,900	$ 1,151,081	134%	

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

A. Based on decreased charges to Capital Improvement Program projects.
B. Based on unanticipated costs for arbitration related to the perchlorate settlement agreement.



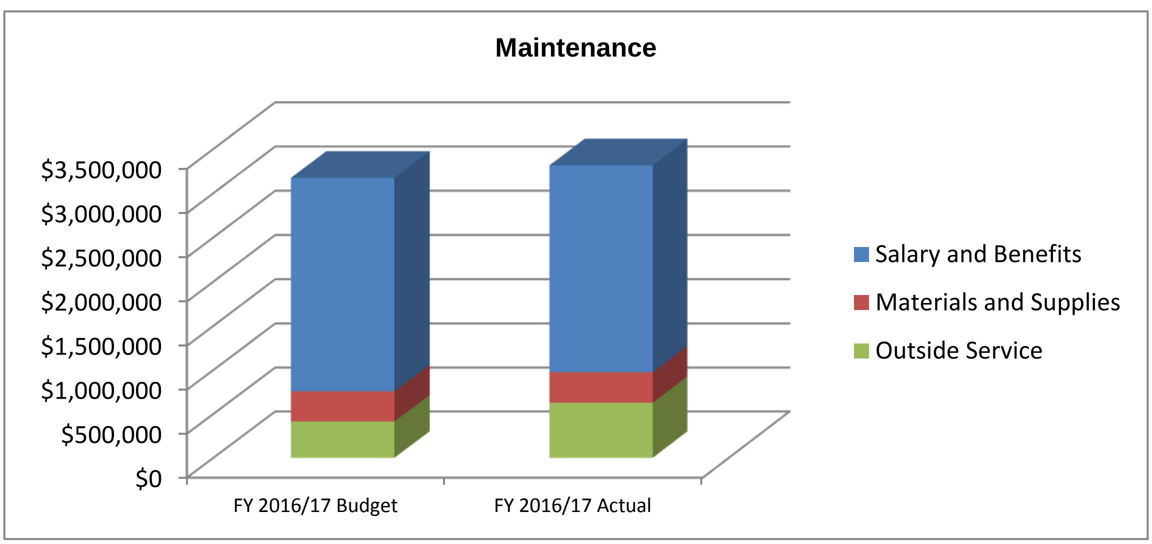
Details of Maintenance Expenditures
FY 2016/17 Year-End Budget Report

0011700000 MAINTENANCE

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 1,492,000	$ 1,446,380	97%	
51007 Overtime	55,000	65,444	119%	
51040 On Call Premium	22,000	20,708	94%	
51050 Burden and Benefits	847,200	806,595	95%	
Materials and Supplies				
52010 Supplies and Services	7,000	8,870	127%	
51505 Employee Expense	3,000	4,163	139%	
51515 Employee Travel	1,000	307	31%	
52651 Gasoline	62,000	51,401	83%	
52085 Small Tools	20,000	16,441	82%	
52075 Parts and Materials	250,000	259,132	104%	
52652 Diesel	-	7,343	N/A	
Outside Services				
53101 Education/Seminars	5,000	6,984	140%	
53104 Uniforms	14,000	14,924	107%	
53105 Outside Service/Contracting	325,000	579,050	178%	A
53229 Hazmat Disposal	40,000	10,366	26%	B
53232 Tool Rental	30,000	16,256	54%	
	$ 3,173,200	$ 3,314,364	104%	

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

A. Two emergency repairs on recycled water system and unplanned major repair of RVIPS pump.
B. Based on actual workload requirements.



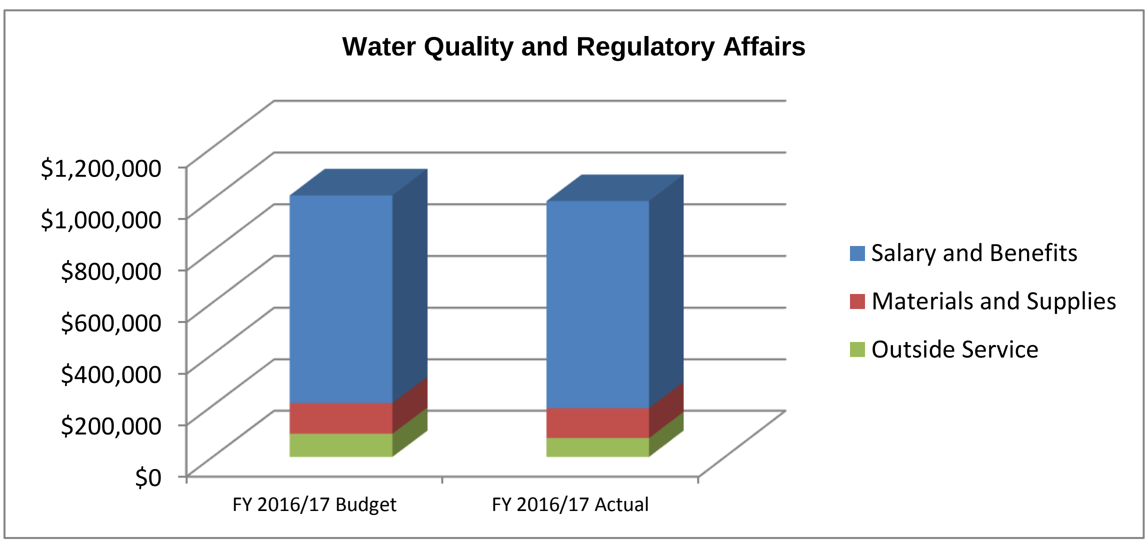
Details of Water Quality and Regulatory Affairs Expenditures
FY 2016/17 Year-End Budget Report

0011500000 WATER QUALITY AND REGULATORY AFFAIRS

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 523,400	$ 514,304	98%	
51007 Overtime	1,500	241	16%	
51050 Burden and Benefits	279,600	287,674	103%	
Materials and Supplies				
52010 Supplies and Services	4,400	7,735	176%	
51505 Employee Expense	3,000	1,861	62%	
51515 Employee Travel	4,000	827	21%	
52050 Laboratory Supplies	45,000	50,971	113%	
52055 Microbiological Samples	35,000	37,920	108%	
52605 Gases	15,000	4,328	29%	
52065 Performance Testing Samples/Standards	13,000	12,684	98%	
Outside Services				
53101 Education/Seminars	3,000	1,664	55%	
53104 Uniforms	2,100	2,127	101%	
53241 Temporary Personnel Service	5,000	-	0%	
53105 Outside Service/Contracting	45,000	55,932	124%	
53112 Commercial Services/Repairs	35,000	13,687	39%	A
	$ 1,014,000	$ 991,955	98%	

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

A. Based on actual workload requirements.



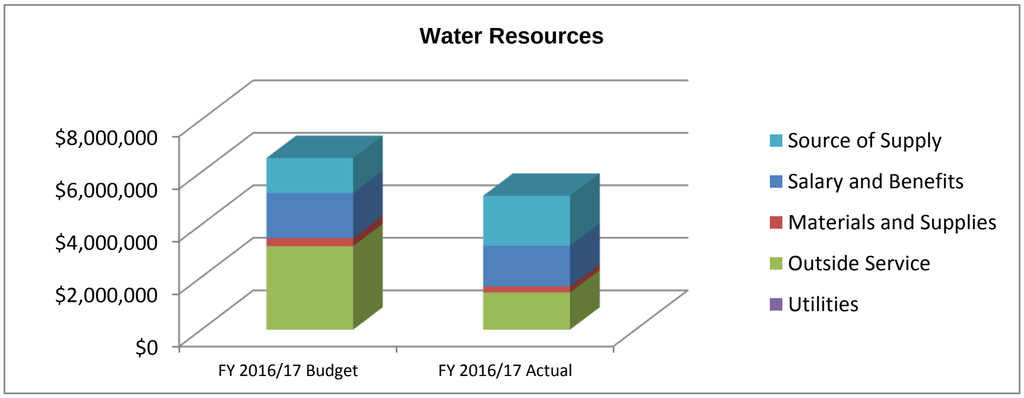
Details of Water Resources Expenditures
FY 2016/17 Year-End Budget Report

0011300000 WATER RESOURCES

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 1,173,900	$ 1,077,807	92%	A
51008 Overtime - Public Events	29,000	26,774	92%	
51050 Burden and Benefits	512,300	447,320	87%	A
Materials and Supplies				
52010 Supplies and Services	20,000	17,302	87%	
51505 Employee Expense	9,000	9,159	102%	
51515 Employee Travel	17,000	21,312	125%	
52045 Materials and Services - Education	69,000	39,439	57%	B
52025 Community Relations Promotions	65,000	50,255	77%	
52030 DD Landowner Expenditures	125,000	92,216	74%	C
Outside Services				
53101 Education/Seminars	12,000	12,089	101%	
53104 Uniforms	1,000	359	36%	
53241 Temporary Personnel Service	10,000	4,448	44%	
53105 Outside Service/Contracting	25,000	19,031	76%	
53236 Professional Services/Consultants	250,000	191,575	77%	D
53219 BMP Implementation	2,650,000	1,069,960	40%	E
53218 Agency Publications	25,000	30,733	123%	
53222 Public Outreach Activities	32,000	23,593	74%	
53223 Public Relations Consulting	175,000	64,281	37%	F
Source of Supply				
55501 Buena Vista/Rosedale Rio Bravo Supply	1,333,400	1,767,941	133%	G
55502 Firming	-	129,330	N/A	H
	$ 6,533,600	$ 5,094,924	78%	

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

A. Due to staff vacancies.
B. Based on workload requirements.
C. Less funds than anticipated required for work related to a potential solar power facility and for the Sustainable Groundwater Management Act (SGMA).
D. Expenditures lower than budget as SGMA Facilitator was funded by the California Department of Water Resources.
E. Based on decreased participation in Agency water use efficiency programs, as well as cancellation of Drought Outreach Campaign.
F. Based on workload requirements and deferral of Cal WaterFix Campaign.
G. BV/RRB Water Supply Contract required a ten-year adjustment to the purchase price based on increases in SWP costs.
H. Banking SWP water in the Semitropic Program to take advantage of high SWP allocation.



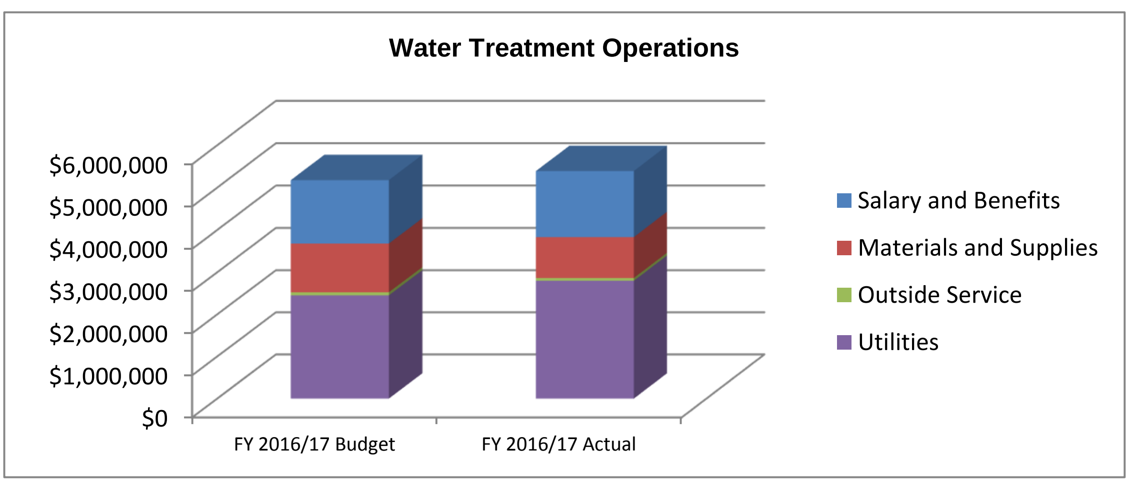
Details of Water Treatment Operations Expenditures
FY 2016/17 Year-End Budget Report

0011400000 WATER TREATMENT OPERATIONS

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget	*
Salary and Benefits				
51001 Salary	$ 913,100	$ 976,692	107%	
51007 Overtime	115,000	101,339	88%	
51050 Burden and Benefits	469,800	481,264	102%	
Materials and Supplies				
52010 Supplies and Services	4,000	4,939	123%	
51505 Employee Expense	-	326	N/A	
51515 Employee Travel	1,000	131	13%	
52600 Chemicals	1,150,000	962,102	84%	A
Outside Services				
53101 Education/Seminars	2,500	1,106	44%	
53104 Uniforms	2,300	2,436	106%	
53105 Outside Service/Contracting	3,000	70	2%	
53224 DDW Large Water System Fee	65,000	62,252	96%	
Utilities				
54402 Electricity - Treatment Plants	350,000	512,536	146%	B
54401 Electricity - Pumping	1,800,000	1,944,273	108%	
54403 Electricity - Other	50,000	56,390	113%	
54404 Electricity - Wells	135,000	167,650	124%	B
54430 Telemetry	10,000	13,896	139%	
54426 Recycled Water Purchase	105,000	102,475	98%	
	$ 5,175,700	$ 5,389,877	104%	

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

A. Budget includes funds for the purcahse of recycled water for grading of Mission Village of Newhall Ranch.
B. Based on solar project reimbursements.



SECTION 5

DEBT COVERAGE RATIOS

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Debt Coverage
FY 2016/17 Year-End Budget Report

	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17
REVENUES					
Facility Capacity Fees	$ 7,914,110	$ 8,695,534	$ 8,193,540	$ 6,747,047	9,597,664
1% Property Tax Revenues	19,485,514	19,998,202	21,618,468	22,648,707	23,678,437
SCWD Payment	-	-	-	-	-
Water Sales	19,474,884	17,973,853	17,148,629	17,660,872	22,913,796
Investment revenues	770,133	1,452,751	1,466,273	1,504,135	1,964,448
Other Revenues (operating)	540,825	219,705	384,468	330,214	431,668
Settlement Agreement (CIP)	4,941	338,851	386,050	53,639	47,554
Settlement Agreement (O&M)	1,375,575	1,378,476	1,084,367	1,217,150	1,225,452
Grants and Reimbursements	1,203,264	245,749	2,645,953	2,057,876	1,081,241
Reimbursement from Annexing Parties	-	2,601,138	295,206	283,050	401,770
One-time Water Sales	4,125,000	7,848,218	-	-	-
Other and Adjustments	34,494	11,584	46,819	90,520	-
Total Revenues	**$ 54,928,740**	**$ 60,764,061**	**$ 53,269,773**	**$ 52,593,210**	$ 61,342,030
Operations and Maintenance Costs (Operations)	**$ 16,598,347**	**$ 18,328,631**	**$ 20,508,624**	**$ 20,916,660**	**$ 22,873,034**
Total System Net Revenues	**$ 38,330,393**	**$ 42,435,430**	**$ 32,761,149**	**$ 31,676,550**	**$ 29,720,176**
Senior Debt Service					
1994 COP	6,681,500	6,685,400	-	-	-
1999 COP	-	-	-	-	-
2004A COP	1,088,350	1,085,950	-	-	-
Total Senior Debt Service	**$ 7,769,850**	**$ 7,771,350**	**$ -**	**$ -**	**$ -**
Senior Debt Service Coverage*	4.93	5.46	N/A	N/A	N/A
Net Revenues Available after Senior Debt Service	**$ 30,560,543**	**$ 34,664,080**	**$ 32,761,149**	**$ 31,676,550**	**$ 29,720,176**
Subordinate Debt Service					
2006A COP	3,307,175	3,308,775	3,307,975	3,304,776	-
2006C COP	5,863,369	5,865,400	5,868,375	-	-
2008A COP	2,008,735	1,898,414	5,217,814	5,197,192	5,501,141
2010A COP	5,308,406	5,297,606	5,294,606	5,285,781	5,282,606
2014A Revenue Bonds	-	-	583,537	3,168,975	3,152,025
2015A Revenue Bonds	-	-	-	2,755,943	5,048,950
2016A Refunding Bonds	-	-	-	-	836,498
2016A Revenue Bonds	-	-	-	-	1,072,116
Total Subordinate Debt Service	**$ 16,487,685**	**$ 16,370,195**	**$ 20,272,307**	**$ 19,712,667**	**$ 20,893,336**
Total Debt Service Coverage	1.58	1.76	1.62	1.61	1.42
Revenues Available for Other Purposes	**$ 14,072,858**	**$ 18,293,885**	**$ 12,488,842**	**$ 11,963,883**	**$ 8,826,840**

* Senior Debt Service only applies to 1999 COPs, for which no debt service payments are due until 2021.

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SECTION 6

PERFORMANCE MEASURES

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WORKLOAD MEASURES

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual
Management								
Regular Board Meetings	21	21	19	21	20	22	21	19
Regular Committee Meetings	60	60	51	53	53	53	46	63
Special Board Meetings	8	8	7	9	4	14	22	11
Ad Hoc Committee and Miscellaneous Meetings	13	9	17	21	17	17	43	35
Federal funds appropriated (millions)	$ 1.60	$ 0.53	$ 0.53	$ 1.25	$ -	$ -	$ -	$ -
Administration								
Positions filled	8	16	16	12	11	5	25	19
Candidates interviewed	55	37	39	39	69	31	121	79
Safety training classes held	44	35	36	45	103	40	45	23
Safety training class attendees	911	645	664	643	1,158	438	892	339
Days lost due to injury - Wholesale	*	1	-	8	-	-	98	17
Days lost due to injury - Retail	*	6	1	1	-	-	-	7
Number of invoices/purchase orders/P-card lines	9,328	9,401	9,271	8,989	9,000	8,648	9,078	8,409
Number of purchase orders	2,044	1,925	1,891	1,978	1,911	1,979	3,175	3,020
Value of purchase orders (millions)	$ 5.10	$ 6.30	$ 5.38	$ 6.10	$ 5.95	$ 9.45	$ 13.50	$ 13.10
Facilities work orders	533	380	278	208	403	492	569	580
Engineering								
Number of major capital projects underway	8	11	11	12	13	20	19	18
Value of major capital projects (millions)	$ 32.08	$ 20.01	$ 3.04	$ 5.61	$ 1.61	$ 8.52	$ 16.57	$ 5.61
Maintenance								
Hours of preventive maintenance	9,300	10,000	11,500	12,000	12,250	13,500	*	*
Hours of emergency and corrective maintenance	7,700	6,500	5,500	5,000	5,000	5,500	*	*
Number of preventative maintenance work orders	*	*	*	*	*	*	781	760
Number of corrective maintenance work orders	*	*	*	*	*	*	202	193
Water Quality and Regulatory Affairs								
Total samples collected and analyzed **	87,000	90,400	95,400	97,500	101,000	55,600	53,400	53,700

* Information not collected.

** Revised in FY 2015/16.

WORKLOAD MEASURES continued

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual
Water Resources								
School children educated	12,038	13,508	14,962	13,591	15,073	11,928	12,575	10,307
School teachers educated	530	469	461	420	548	350	365	635
Landscape education participants	275	420	420	479	482	722	814	515
Community events attended	34	41	41	33	34	34	26	26
Number of Facebook posts	*	115	166	188	244	320	376	390
Number of e-newsletter (Water Currents) subscribers	*	515	700	1,006	2,400	2,420	3,000	3,346
AF of water banked	(4,400)	31,650	9,973	6,416	(8,309)	(9,338)	-	8,464
Grant funding awarded (millions)	*	*	*	*	$ 4.24	$ 16.70	$ -	$ -
CEQA and related certifications processed	1	3	2	1	-	-	6	10
Projected ratio of available supplies/projected demands	1.57	2.09	2.35	1.62	1.05	1.56	1.79	1.93
Water Treatment Operations								
AF imported water treated	34,648	33,437	32,325	37,469	40,081	30,571	40,081	43,674
AF perchlorate-contaminated water treated (from Saugus 1 and 2 wells)	-	1,386	2,649	3,107	3,091	2,420	3,218	3,375
AF water sold at Saugus 1 and 2 well rate (per MOU)	-	1,783	3,330	4,100	4,100	4,100	4,100	41,000
AF recycled water provided	295	353	448	512	398	433	513	513
Maximum day deliveries (mgd)	70	61	49	66	70	56	47	70

* Information not collected.

FINANCIAL MEASURES

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual
State Water Contract (SWC) costs per capita	$ 72.59	$ 64.87	$ 71.21	$ 65.68	$ 74.14	$ 70.22	$ 80.30	$ 82.14
Ad Valorem Tax Rate (SWC) cents per $100.00	$ 0.06075	$ 0.07060	$ 0.07060	$ 0.07060	$ 0.07060	$ 0.07060	$ 0.07060	$ 0.07060
Recovery of Operating Expenditures	87%	97%	121%	121%	109%	98%	98%	108%
Days of unrestricted cash on hand on June 30	1,638	1,691	1,885	1775	1,759	1,536	1,453	1,396
Capital expenditures per capita	$ 174.78	$ 106.94	$ 51.47	$ 58.25	$ 35.42	$ 64.97	$ 108.16	$ 65.56
Debt Service per capita	$ 91.87	$ 78.04	$ 84.68	$ 84.59	$ 92.91	$ 70.70	$ 72.21	$ 76.53
Debt per capita	$ 1,206.41	$ 1,114.90	$ 1,084.44	$ 1,052.41	$ 1,018.80	$ 930.71	$ 1,021.42	$ 988.30
Ratio of Debt to AV (assessed valuation)	0.95%	0.95%	0.93%	0.92%	0.87%	0.74%	0.73%	0.68%
Senior Debt Service coverage ratio (1)	2.03	3.75	3.90	4.93	5.46	N/A	N/A	N/A
Parity Debt Service coverage ratio	1.48	1.32	1.25	1.58	1.59	1.62	1.61	1.42
Value of pay-as-you-go capital program (millions)	$ 2.25	$ 1.62	$ 2.01	$ 1.12	$ 0.91	$ 3.36	$ 3.23	$ 3.11

(1) Senior Debt Service only applies to 1999 COPs, for which no debt service payments are due until 2021.

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ITEM NO. 5

Castaic Lake Water Agency Memorandum

October 20, 2017

To: Budget and Rates Committee

From: Keith Abercrombie
Retail Manager

Subject: Recommend Receiving and Filing of Retail System FY 2016/17 Year-End Budget Report

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SUMMARY

Attached is the Santa Clarita Water Division (SCWD) FY 2016/17 Year-end Budget Report. This report reviews the significant revenues and expenditures and compares the FY 2016/17 Budget to actual revenues and expenditures for the operating and capital budgets. A summary is provided in this report and detailed information is provided in the attachment. Additional detailed financial information is included in the FY 2016/17 Comprehensive Annual Financial Report (CAFR) audited by Fedak & Brown LLP, which is included in today's agenda.

Revenues are higher than budgeted from increased water sales due to higher consumption. SCWD's revenues are based on actual customer water usage, which was 14 percent higher than budgeted consumption that took into account the 28 percent water conservation mandate by the State Water Resources Control Board (SWRCB), as compared to the same time period in 2013 plus 2 percent growth. SCWD's customers achieved 16 percent average conservation in FY 2016/17 as compared to 2013.

Overall, expenditures are less than budgeted in both the operating and capital budgets. This is due to active management to maintain expenditures at or below budget. Operating expenditures were below budget due to staff vacancies, as recruitment has been deferred pending formation of the new Agency. In addition, there were less Outside Services required and lower Materials and Supplies due to fewer emergency repairs.

DISCUSSION

Operating Revenues

FY 2016/17 Operating Revenues were $31,931,260 which was $3,090,460, or eleven percent higher than budgeted. Revenues were higher due to 14 percent higher consumption than budgeted, which was originally based on SWRCB mandate of 28 percent conservation goal (compared to 2013 levels) specific to SCWD. During the FY 2016/17 budget process, the SWRCB adopted a new approach which replaced the prior percentage conservation standard with a local "stress test" approach that mandates urban water suppliers self-certify to ensure at least a three-year supply of water to their customers under drought conditions. On June 22, 2016, SCWD submitted its self-certification to the SWRCB. On July 13, 2016, the CLWA Board of Directors approved the SCWD Ordinance No. 44 as a result of the SWRCB new requirements and SCWD's self-certification. The Board of Directors also approved rescinding Resolution No. 3041 thereby lifting the restricted watering day schedules, although certain mandated watering restrictions remain permanently in effect as outlined in Ordinance No. 44, Section 3.

Operating Expenses

FY 2016/17 Operating Expenses were $22,561,037, which was $2,498,863, or 10 percent lower than budgeted. Significant categories with lower expenditures than budgeted are as follows:

- Lower Labor and Burden and Benefits of $1,387,542 due to staff vacancies.
- Lower Outside Services of $1,313,305 due to fewer emergency repairs, reduced need for consultants, lower lab fees and lower SWRCB Division of Drinking Water Program (DDW) fees.
- Lower Other Miscellaneous Expenses of $104,919 due to fewer permits required as a result of fewer emergency repairs.
- Higher Purchased Water costs of $650,531 due to higher CLWA wholesale water purchases (93 percent instead of 75 percent budgeted).

Capital Improvement Program

The FY 2016/17 Capital Improvement Program (CIP) Budget was $6,931,200 including carry-forward of $100,000 for Whites Canyon Booster from FY 2015/16. Actual CIP expenditures were 40 percent of budget or $2,805,279 due to considerable projects being under budget and deferral of some major projects.

Significant projects completed in FY 2016/17 include:

- Automated Meter Reading (AMR):
    - Meters purchased and installed (two percent under budget).
    - Replaced and converted an additional 4,270 meters or 14 percent of SCWD total meter to AMR.
    - Completed installation in April 2017.
- Chlorinator Replacement Program was completed in May 2017 (40 percent under budget).
- Earthquake Valve Retrofit was completed in May 2017 (26 percent under budget).
- Mesa Bridge and Tank Road was completed in June 2017 (30 percent under budget).
- Placerita Tank No. 2 Tank Interior Recoating Replacement/Retrofit was completed in June 2017 (30 percent under budget).
- Whites Canyon Booster was completed in December 2016 (61 percent under budget).

Significant projects in FY 2016/17 that are partially deferred are as follows:

- Circle J Pressure Station started in FY 2016/17, anticipate completion by November 2017.
- Deane Tank No. 2 Interior Coating Replacement/Retrofit started in FY 2016/17, anticipate completion by January 2018.
- GIS was set up in FY 2016/17, field data collection deferred to FY 2017/18.
- Los Angeles Residential Community (LARC) Water Pipeline:
    - California Environmental Quality Act (CEQA) Mitigated Negative Declaration (MND) approved in March 2017.
    - Grant application preparation began in FY 2016/17 and was substantially completed in September 2017. State review is underway.
    - Construction pending State approval of Grant funds, with construction anticipated to start in FY 2018/19.
- Placerita Booster Station – SC-12 started in FY 2016/17 and anticipate completion in FY 2017/18.

- Recycled Water Vista Canyon (2B) Extension Pipeline:
    - Existing DWR Grant Agreement was repurposed to cover a portion of the project in July 2017.
    - CEQA documents started in FY 2016/17 and anticipate completion in November 2017.
    - Design is deferred to FY 2017/18.
    - Anticipate construction in FY 2018/19.
- SCADA upgrades started in FY 2016/17, anticipate completion in May 2018.
- Water Distribution System Hydraulic Model software was purchased in FY 2016/17, scheduled implementation in FY 2017/18.
- 3.25 MG Placerita Pressure Zone Storage:
    - Land was purchased in April 2017.
    - California Environmental Quality Act (CEQA) and Site Investigations deferred to FY 2017/18 or later.

Other Information

FY 2016/17 Performance Measures are also in the attachment that includes the Workload and Financial Measures. The debt service coverage ratio is shown under the Financial Measures section.

RECOMMENDATION

That the Budget and Rates Committee recommends that the Board of Directors receive and file the SCWD FY 2016/17 Year-end Budget Report.

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Attachment

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Santa Clarita Water Division
Financial Summary
FY 2016/17 Year-End Budget Report

Santa Clarita Water Division	FY 2016/17 Budget	FY 2016/17 Actuals	FY 2016/17 Variance	FY 2016/17 % Variance
Total Operating Revenues	$ 28,840,800	$ 31,931,260	$ 3,090,460	11%
Operating Expenditures				
Source of Supply	10,936,100	11,574,114	638,014	6%
Pumping	2,674,400	2,471,444	(202,956)	-8%
Water Treatment	1,178,000	890,005	(287,995)	-24%
Transmission and Distribution	4,681,300	3,594,393	(1,086,907)	-23%
Customer Service	1,012,800	777,398	(235,402)	-23%
Engineering	1,002,900	577,199	(425,701)	-42%
Administrative and General	3,574,400	2,676,484	(897,916)	-25%
Total Operating Expenses	25,059,900	22,561,037	(2,498,863)	-10%
Operating Income	3,780,900	9,370,223	5,589,323	148%
Non-Operating Revenue/(Expense)				
Other Income - Cellular Antenna Rental and Miscellaneous	286,000	251,464	(34,536)	-12%
Rental Income - 22722 Soledad Canyon Road Office Building	134,400	134,388	(12)	0%
Interest Earnings - SCWD Fund	236,000	264,128	28,128	12%
Interest Expense - COP Series 2010 B (Capital Projects)	(670,588)	(670,582)	6	0%
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition Repayment)	(2,138,513)	(2,138,481)	32	0%
Total Non-Operating, Net	(2,152,701)	(2,159,083)	(6,382)	0%
Net Income Before Debt Principal Payment	1,628,199	7,211,140	5,582,941	343%
Principal Payment - COP Series 2010 B (Capital Projects)	-	-	-	
Principal Payment - Revenue Bond Series 2011 A (Retail Acquisition Repayment)	-	-	-	
Increase/(Decrease) to Fund Balance	1,628,199	7,211,140	5,582,941	343%
Total Revenue Requirements	**$ 28,840,800**	**$ 31,931,260**	**$ 3,090,460**	**11%**

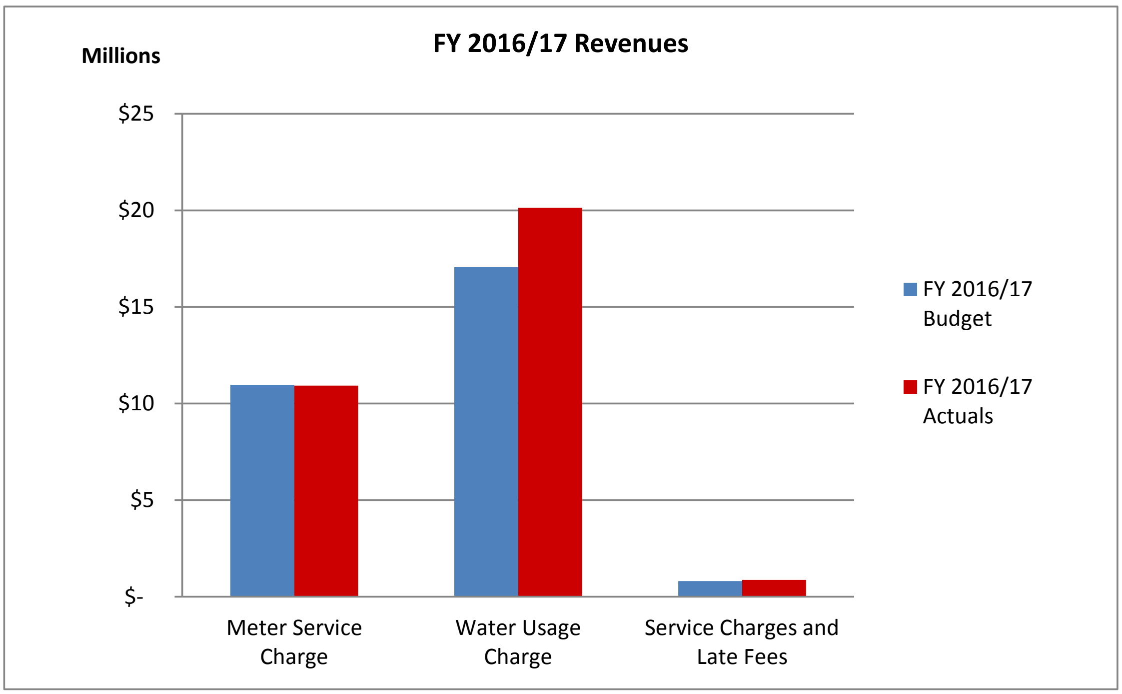
Fund Summary	FY 2016/17 Beginning Balance	FY 2016/17 Additions	FY 2016/17 Uses	FY 2016/17 Ending Balance
Developer Refundable Deposit	$ 3,781,692	$ 2,972,486	$ (3,931,043)	$ 2,823,135
Expansion Fund	6,298,515	1,527,578	(427,776)	7,398,317
CIP Fund	-	3,837,503	(2,337,503)	1,500,000
Operating Reserve Fund	5,691,100	573,900		6,265,000
Rate Stabilization Reserve Fund	2,653,530	230,550		2,884,080
Capital Reserve Fund	1,000,000			1,000,000
Emergency Reserve Fund	1,000,000			1,000,000
Unrestricted Fund	17,260,443	2,569,187	-	19,829,630
Total Funds Available	**$ 37,685,280**	**$ 11,711,204**	**$ (6,696,322)**	**$42,700,162**

Santa Clarita Water Division
Operating Revenues
FY 2016/17 Year-End Budget Report

Operating Revenues	FY 2016/17 Budget	FY 2016/17 Actuals	FY 2016/17 Variance	FY 2016/17 % Variance	
Meter Service Charge	$ 10,967,300	$ 10,931,852	$ (35,448)	0%	
Water Usage Charge	17,058,500	20,132,922	3,074,422	18%	A
Service Charges and Late Fees	815,000	866,486	51,486	6%	
Total Operating Revenues	**$ 28,840,800**	**$ 31,931,260**	**$ 3,090,460**	**11%**	

Changes of more than 10% and $20,000

A. Higher consumption in the spring and early summer due to the rescinding of the drought proclamation by Governor Brown on April 7, 2017.

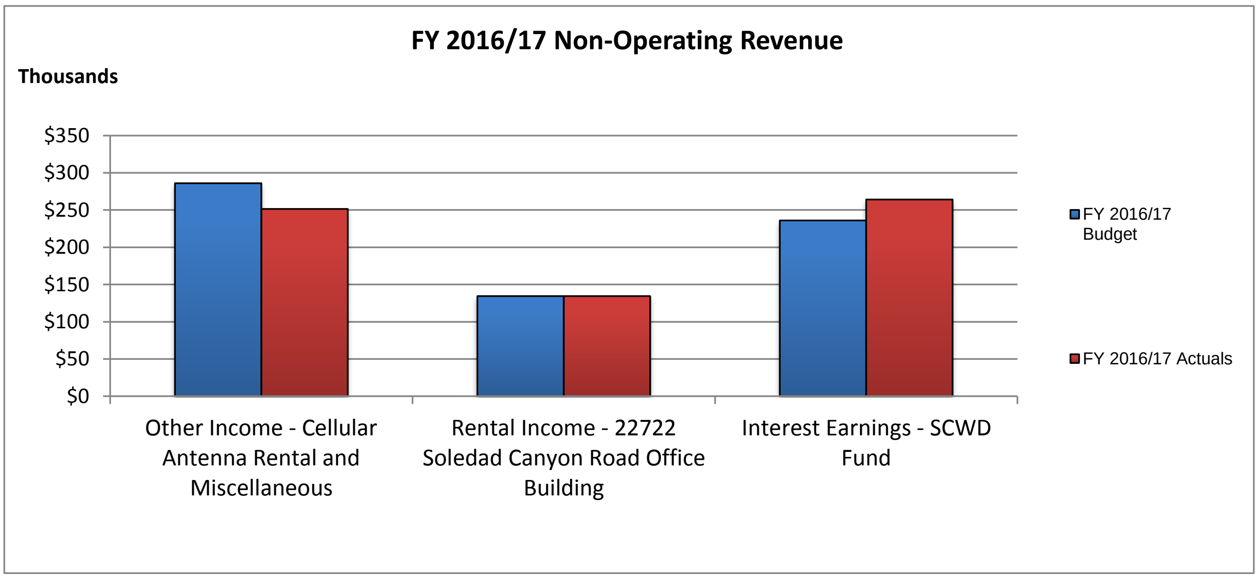


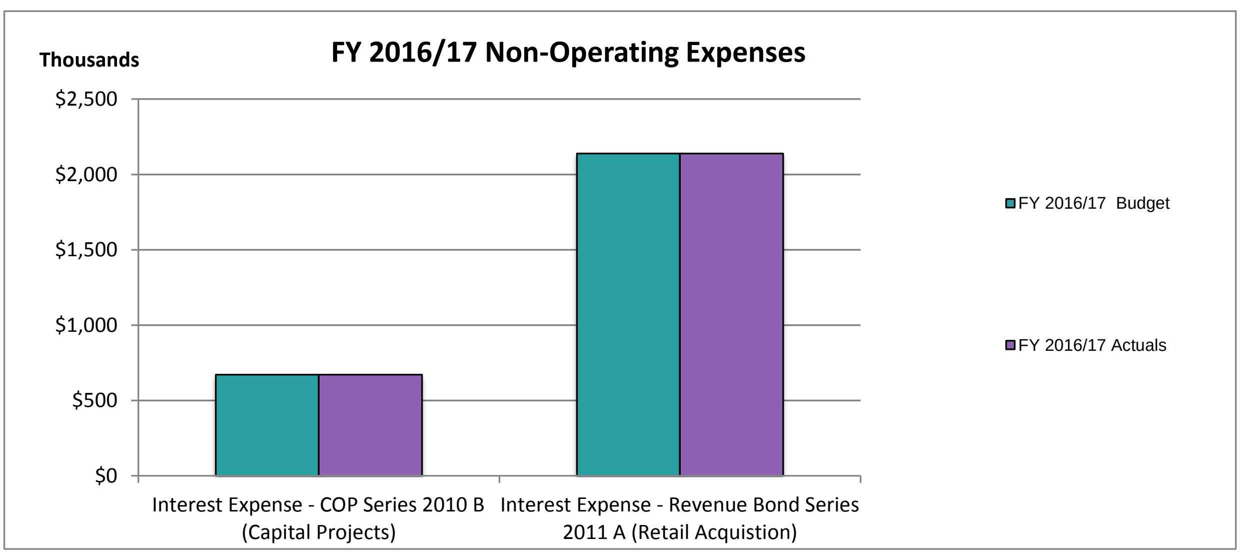
Santa Clarita Water Division
Non Operating Revenues/(Expenses)
FY 2016/17 Year-End Budget Report

Non Operating Revenues/(Expenses)	FY 2016/17 Budget	FY 2016/17 Actuals	FY 2016/17 Variance	FY 2016/17 % Variance	
Other Income - Cellular Antenna Rental and Miscellaneous	$ 286,000	$ 251,464	$ (34,536)	-12%	
Rental Income - 22722 Soledad Canyon Road Office Building	134,400	134,388	(12)	0%	
Interest Earnings - SCWD Fund	236,000	264,128	28,128	12%	A
Interest Expense - COP Series 2010 B (Capital Projects)	(670,588)	(670,582)	6	0%	
Interest Expense - Revenue Bond Series 2011 A (Retail Acquistion)	(2,138,513)	(2,138,481)	32	0%	
Total Non Operating Revenues/(Expenses)	**$ (2,152,701)**	**$ (2,159,083)**	**$ (6,382)**	**0%**	

Changes of more than 10% and $20,000

A. Higher interest rates than anticipated, higher revenues, lower expenses and higher Capacity Fees from development which increased overall fund balance for investing.





SCWD Operating Expense Summary
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget	FY 2016/17 Actual	% of Budget
Source of Supply			
Purchased Water	$ 10,706,000	$ 11,356,531	106%
Labor	141,700	132,800	94%
Burden and Benefits	73,000	71,423	98%
Transportation	14,500	12,660	87%
Materials and Supplies	100	210	
Outside Services	-	-	
Other	800	490	61%
Total Source of Supply	**$ 10,936,100**	**$ 11,574,114**	**106%**
Pumping			
Power for pumping	$ 1,700,000	$ 1,624,837	96%
Labor	403,600	388,143	96%
Burden and Benefits	206,300	127,327	62%
Transportation	42,000	74,984	179%
Materials and Supplies	105,200	113,657	108%
Outside Services	198,000	132,289	67%
Other	19,300	10,207	53%
Total Pumping	**$ 2,674,400**	**$ 2,471,444**	**92%**
Water Treatment			
Chemicals	$ 95,000	$ 72,228	76%
Labor	401,400	349,779	87%
Burden and Benefits	205,800	135,844	66%
Transportation	50,700	45,187	89%
Materials and Supplies	77,500	46,590	60%
Outside Services	343,800	237,810	69%
Other	3,800	2,567	68%
Total Water Treatment	**$ 1,178,000**	**$ 890,005**	**76%**
Transmission and Distribution			
Labor	$ 1,906,200	$ 1,751,421	92%
Burden and Benefits	1,029,000	552,714	54%
Transportation	180,000	145,131	81%
Materials and Supplies	626,600	696,426	111%
Outside Services	818,000	401,498	49%
Other	121,500	47,203	39%
Total Transmission and Distribution	**$ 4,681,300**	**$ 3,594,393**	**77%**
Customer Service			
Uncollectibles	$ 75,000	$ 63,307	84%
Labor	332,900	330,901	99%
Burden and Benefits	185,200	135,965	73%
Transportation	-	660	
Materials and Supplies	172,100	141,511	82%
Outside Services	241,000	101,957	42%
Other	6,600	3,097	47%
Total Customer Service	**$ 1,012,800**	**$ 777,398**	**77%**
Engineering			
Labor	$ 462,300	$ 329,973	71%
Burden and Benefits	236,200	87,771	37%
Transportation	5,800	6,675	115%
Materials and Supplies	29,100	8,706	30%
Outside Services	243,600	134,275	55%
Other	25,900	9,799	38%
Total Engineering	**$ 1,002,900**	**$ 577,199**	**58%**

SCWD Operating Expense Summary
FY 2016/17 Year-End Budget Report

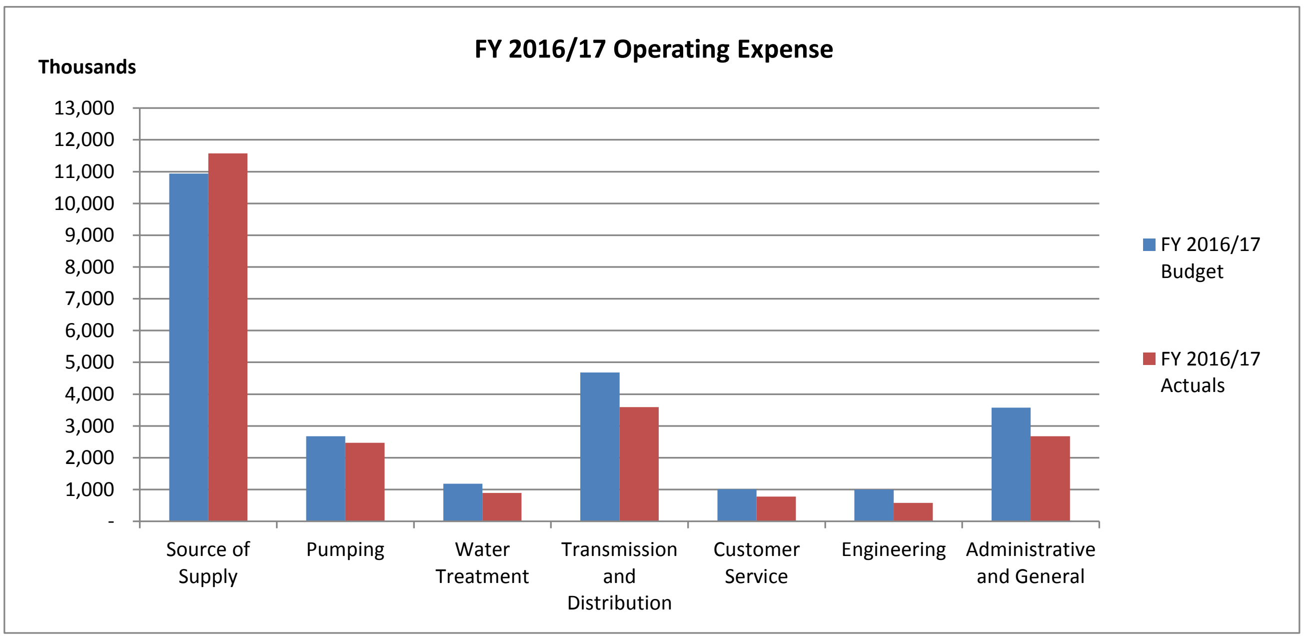
Administrative and General			
Labor	$ 799,200	$ 724,019	91%
Burden and Benefits	390,200	267,378	69%
Shared Labor/Burden and Benefits from CLWA	620,500	607,428	98%
Transportation	6,500	262	4%
Materials and Supplies	117,000	80,821	69%
Outside Services	946,700	469,966	50%
Directors Compensation	12,000	7,057	59%
Professional Services	305,000	225,080	74%
Property, Liability and Retiree Medical Insurance	361,100	313,746	87%
Dues and Memberships	60,200	41,194	68%
Other	91,400	91,018	100%
Administrative and General Transfer Labor	(135,400)	(151,485)	112%
Total Administrative and General	**$ 3,574,400**	**$ 2,676,484**	**75%**
TOTAL			
Purchased Water	$ 10,706,000	$ 11,356,531	106%
Power for Pumping	1,700,000	1,624,837	96%
Chemicals	95,000	72,228	76%
Uncollectibles	75,000	63,307	84%
Labor	4,447,300	4,007,036	90%
Burden and Benefits	2,325,700	1,378,422	59%
Shared Labor/Burden and Benefits from CLWA	620,500	607,428	98%
Transportation	299,500	285,559	95%
Materials and Supplies	1,127,600	1,087,921	96%
Outside Services	2,791,100	1,477,795	53%
Property, Liability and Retiree Medical Insurance	361,100	313,746	87%
Dues and Memberships	60,200	41,194	68%
Directors Compensation	12,000	7,057	59%
Professional Services	305,000	225,080	74%
Administrative and General Transfer Labor	(135,400)	(151,485)	112%
Other	269,300	164,381	61%
Total Operating Expenditures	**$ 25,059,900**	**$ 22,561,037**	**90%**

Santa Clarita Water Division
Operating Expenses
FY 2016/17 Year-End Budget Report

Operating Expenses	FY 2016/17 Budget	FY 2016/17 Actuals	FY 2016/17 Variance	FY 2016/17 % Variance	
Source of Supply	10,936,100	11,574,114	638,014	6%	
Pumping	2,674,400	2,471,444	(202,956)	-8%	
Water Treatment	1,178,000	890,005	(287,995)	-24%	A
Transmission and Distribution	4,681,300	3,594,393	(1,086,907)	-23%	B
Customer Service	1,012,800	777,398	(235,402)	-23%	C
Engineering	1,002,900	577,199	(425,701)	-42%	D
Administrative and General	3,574,400	2,676,484	(897,916)	-25%	E
Total Operating Expenditures	**$ 25,059,900**	**$ 22,561,037**	**$ (2,498,863)**	**-10%**	

Changes of more than 10% and $20,000

A. Staff vacancies and lower than anticipated outside services.
B. Staff vacancies and fewer emergency repairs.
C. Lower outside services needed for utility billing software support.
D. More staff time charged to projects and less general engineering consulting support.
E. Lower Outside Services and Professional Services Other.



Santa Clarita Water Division
Capital Improvement Program
FY 2016/17 Year-End Budget Report

	FY 2016/17 Budget and FY 2015/16 Carry Forward	FY 2016/17 Actual	Total Amount Remaining	% Spent
Major Capital Improvement Projects				
Reservoirs				
3.25 MG Placerita Pressure Zone Storage (originally 3.25 MG Placerita Tank)	$ 250,000	$ 87,217	$ 162,783	35%
Pipelines				
Los Angeles Residential Community (LARC) Water Pipeline	700,000	15,000	685,000	2%
Recycled Water Pipeline	250,000	20,294	229,706	8%
Total Major Capital Improvement Projects	**$ 1,200,000**	**$ 122,511**	**$ 1,077,489**	**10%**

	FY 2016/17 Budget and FY 2015/16 Carry Forward	FY 2016/17 Actual	Total Amount Remaining	% Spent
Repair and Replacement Projects				
Wells				
Chlorinator Replacement Program	$ 60,000	$ 36,234	$ 23,766	60%
Clark Well	70,500	73,352	(2,852)	104%
Well Allowance FY 2016/17	60,000	63,091	(3,091)	105%
Pressure Regulating Stations				
Placerita Canyon Road	53,000	14,185	38,815	27%
Rainbow Glen/Sierra Highway	5,700	-	5,700	0%
Whites Canyon and Americana	55,000	14,621	40,379	27%
Booster Pumps				
Booster Allowance FY 2016/17	$ 100,000	$ 108,644	$ (8,644)	109%
Booster Mag Meter	41,000	6,050	34,950	15%
Circle J Pressure Station	230,000	90,017	139,983	39%
Circle J Pressure Station (Expansion)	230,000	90,017	139,983	39%
Subtotal Circle J Pressure Station	460,000	180,034	279,966	39%
Placerita Booster Station - SC-12	669,000	46,188	622,812	7%
Placerita Booster Station - SC-12 (Expansion)	669,000	46,188	622,812	7%
Subtotal Placerita Booster Station - SC-12	1,338,000	92,376	1,245,624	7%
Princess Booster - Surge Protection	75,000	-	75,000	0%
Whites Canyon Booster*	100,000	83,224	16,776	47%
Reservoir Access				
Asphalt Replacement/Repair Program (FY 15/16 S15-715)	117,500	29,049	88,451	25%
Asphalt Replacement/Repair Program (Expansion)	117,500	29,049	88,451	25%
Subtotal Asphalt Replacement/Repair Program	235,000	58,098	176,902	25%
Mesa Bridge and Tank Road	142,000	98,847	43,153	70%
Reservoir Maintenance				
Dean Tank No. 2 Interior Coating Replacement/Retrofit	170,000	97,228	72,772	57%
Dean Tank No. 2 Interior Coating Replacement/Retrofit (Expansion)	170,000	97,227	72,773	57%
Subtotal Dean No. 2 Interior Coating Replacement/Retrofit	340,000	194,455	145,545	57%
Earthquake Valve Retrofit	156,000	114,685	41,315	74%
Subtotal Repair and Replacement Projects	**$ 3,291,200**	**$ 1,137,896**	**$ 2,153,304**	**35%**

* FY 2015/16 Carry Forward
Expansion

Santa Clarita Water Division
Capital Improvement Program
FY 2016/17 Year-End Budget Report

Repair and Replacement Projects (Cont.)	FY 2016/17 Budget and FY 2015/16 Carry Forward	FY 2016/17 Actual	Total Amount Remaining	% Spent
Placerita No. 2 Tank Interior Coating Replacement/Retrofit	235,000	164,901	70,099	70%
Placerita No. 2 Tank Interior Coating Replacement/Retrofit (Expansion)	235,000	164,902	70,098	70%
Subtotal Placerita No. 2 Interior Coating Replacement/Retrofit	470,000	329,803	140,197	70%
Tank Allowance	50,000	7,491	42,509	15%
Pipeline and Service Replacement				
Rainbow Glen (WMP Pipe #5)	25,000	-	25,000	0%
Service Line Replacement Program FY 2016/17	200,000	126,509	73,491	63%
Soledad Canyon Road from Oak Springs Canyon Road to Rue Entrée	35,000	-	35,000	0%
West Newhall Alley	17,000	-	17,000	0%
Total Repair and Replacement Projects	**$ 4,088,200**	**$ 1,601,699**	**$ 2,486,501**	**39%**

Capital Equipment	FY 2016/17 Budget and FY 2015/16 Carry Forward	FY 2016/17 Actual	Total Amount Remaining	% Spent
Meters				
Automated Meter Reading (AMR) FY 2016/17	$ 800,000	$ 783,223	$ 16,777	98%
Core Automation Suite - Northstar (A)	11,000	10,080	920	92%
Electronic Timesheet Upgrade	20,000	-	20,000	0%
GIS Implementation	70,000	393	69,607	1%
GIS Implementation (Expansion)	70,000	393	69,607	1%
Subtotal GIS	140,000	786	139,214	1%
Water Distribution System Hydraulic Model	100,000	15,796	84,204	16%
Media Equipment				
26521 Summit Circle Conference Room Projection System (B)	19,000	16,695	2,305	88%
Office Equipment				
Copier/Scanner (C)	25,000	24,306	694	97%
Oce ColorWave 500 (D)	23,000	22,635	365	98%
Computer Hardware				
Network Switch Stacking	8,000	-	8,000	0%
Building Improvements				
22722 Soledad Canyon Road Building Exterior Lighting Replacement	40,000	-	40,000	0%
26521 Summit Circle Bullpen Gate Upgrade	15,000	12,933	2,067	86%
Facility Video Surveillance (E)	154,000	1,648	152,352	1%
Air Conditioning Unit Replacements (F)	22,000	21,609	391	98%
Transportation Equipment				
Crew Truck	120,000	63,956	56,044	53%
Office Vehicle	35,000	29,902	5,098	85%
Service Truck	45,000	25,269	19,731	56%
Super Cab Trucks (2)	66,000	52,232	13,768	79%
Total Capital Equipment	**$ 1,643,000**	**$ 1,081,069**	**$ 408,659**	**66%**
Total Capital	**$ 6,931,200**	**$ 2,805,279**	**$ 3,972,649**	**40%**

Expansion
(A) Transfer from (B)
(B) Transfer $11,000 to (A), $5,000 to (C) and $5,000 to (F)
(C) Includes $5,000 transfer from (B)
(D) Includes $5,000 transfer to (F)
(E) Includes $12,000 transfer to (F)
(F) Includes $5,000 transfer from (B), $5,000 from (D) and $12,000 from (E)

Performance Measures
FY 2016/17 Year-End Budget Report

WORKLOAD MEASURES

	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Budget	FY 2016/17 Actual
Customer Service								
Active service connections	28,073	28,330	28,688	29,232	29,502	30,278	30,478	30,851
Accounts closed and opened	2,900	3,000	3,660	3,900	4,980	5,242	5,600	4,900
Service orders	12,200	9,800	11,151	11,500	12,575	12,378	12,900	15,116
Connections per employee	597	567	574	552	578	571	525	593
Administration								
Retail Operations Committee meetings	10	10	10	9	9	10	12	13
Safety training classes	35	35	35	34	36	24	20	16
Operations								
Valves exercised	3,165	934	1,375	1,520	827	-	-	-
Meter changeouts	455	239	309	254	402	409	197	197
Service line replacements	102	146	31	87	65	-	24	27
Blow-off maintenance	*	*	184	25	207	-	-	-
Number of water quality tests/samples	6,314	6,314	6,314	5,150	6,300	5,552	5,600	7,188
Engineering								
Consumption per service connection	373	385	382	400	344	282	279	317
Major Capital Improvement Projects underway	7	5	4	5	6	7	11	11
Value of Major Capital Improvement Projects underway	$ 5,329,140	$ 2,062,766	$ 5,165,742	$ 3,208,069	$ 4,439,793	1,598,175	4,943,000	1,813,013

* No Data
- Valves exercised, service line replacements and blow-off maintenance were deferred due to the drought.

Performance Measures
FY 2016/17 Year-End Budget Report

FINANCIAL MEASURES

	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Budget	FY 2016/17 Actual
Capital Expenditures per connection	$ 219	$ 102	$ 215	$ 175	$ 189	$ 311	$ 224	$ 91
Operating Expenditures per connection	$ 588	$ 633	$ 664	$ 701	$ 668	$ 749	$ 822	$ 731
Operating Revenues per connection	$ 896	$ 1,011	$ 1,079	$ 1,054	$ 979	$ 877	$ 946	$ 1,034
Debt Service Coverage Ratio	7.67	3.43	2.73	2.97	2.08	2.39	1.58	3.62

ITEM NO. 6

Castaic Lake Water Agency Memorandum

October 30, 2017

To: Budget and Rates Committee

From: Valerie L. Pryor
Assistant General Manager

Subject: Recommend Approval of a Resolution Revising the Castaic Lake Water Agency's Wholesale Water Rates

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SUMMARY

On March 23, 2016, the Agency adopted Resolution No. 3096 which established wholesale water rates for calendar years 2016, 2017 and 2018. Fixed charges are established for 2018, but not for calendar year (CY) 2019. Staff recommends the Board of Directors approve the CY 2019 rates no later than February 2018 to be used for the FY 2018/19 Budget process, which starts in February 2018. Management has prepared the attached Wholesale Water Study (Study), and recommends the CLWA Board of Directors adopt the CY 2019 rate before the end of CY 2018, to allow the new SCV Water Agency Board to concentrate on start-up, strategic and policy issues.

Recent water sales have been higher than budgeted, resulting in a fund surplus above what is required to recover operating expenditures and reserves. This report addresses that surplus, and recommends that half of it be used to establish a Water Supply Reliability Reserve Fund ($3 million) to be available to extract water from groundwater banking programs in dry years, and also to mitigate rate increases.

The attached detailed Study includes a three-year pro forma which estimates revenue requirements. This estimates a revenue requirement increase of a total of 13% over three years. However, at this time, management recommends the Board of Directors adopt an inflationary increase only, inflating the fixed charge and variable rates by 2.6% in CY 2019. This is based on the average year-over-year change in the CPI for calendar year 2017.

The recommended water rates are as follows:

Calendar Year	Fixed Charges	Variable Rate/AF
2018 (current)	$ 14,913,205	$ 223.18
2019 (proposed)	$ 15,300,948	$ 228.98

Staff recommends the Budget and Rates Committee recommend one of two options to the Board:

1. Adopt a resolution setting the 2019 rates and providing for an annual CPI-based increase until new rates are adopted; or
2. Adopt a resolution setting the 2019 rates and maintaining those rates until new rates are adopted.

DISCUSSION

This 2019 Wholesale Water Rate Study (Study) has been prepared by staff, and follows the same methodology and rate structure currently being used. It also includes a financial forecast for FY 2019/20 and FY 2020/21. The water rate structure is designed to meet the following Agency objectives:

- Ensure financial sufficiency by meeting the operations and maintenance (O&M) costs, capital replacement and improvement costs, and to provide the necessary reserves for the functioning of the Agency
- Provide fiscal stability to the Agency by maximizing fixed cost recovery through fixed charges.
- Provide a rate design framework consistent with the cost of service guidelines used in the industry that adequately and fairly distributes the full cost of service to clients of the Agency based on the demand they place on the Agency's system
- Encourage efficient use and conservation of water

The rate structure includes two components:

- A fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor
- A variable charge that is based on a per-acre foot charge for the treatment and distribution of imported water within the Agency's service area and also 20 percent of the fixed costs incurred by the Agency

The variable rate is calculated based on the variable expenses of the Agency to treat and deliver imported water (energy and chemical expenses and the cost for the Buena Vista/Rosedale Rio Bravo (BV/RRB) water supply allocated to the General Fund.

Results of Financial Forecast and Recommended Rates

With no change in the wholesale water rate, the status quo pro forma shows a negative fund balance in FY 2020/21. As discussed above, the Study estimates a revenue requirement increase of a total of 13% over three years. However, at this time, management recommends the Board of Directors adopt an inflationary increase only, inflating the fixed charge and variable rates by 2.6% in CY 2019. This is based on the average year-over-year change in the CPI for calendar year 2017.

This recommendation is based on using a fund surplus to mitigate rate increases. Recent water sales have been higher than budgeted, resulting in a fund surplus above what is required to recover operating expenditures and reserves.

It is also recommended that half of the fund surplus be used to establish a Water Supply Reliability Reserve Fund ($3 million) to be available to extract water from groundwater banking programs in dry years and also to mitigate rate increases. As identified in the Agency's Long-Term Financial Plan, during dry years, the Agency can extract water from its banking programs. The estimated cost in 2017 dollars is $2.5 million for one year of extraction. The Agency first extracted water during 2009 and costs were recovered from the purveyors through a water rate surcharge. The Agency again extracted water in 2014 and used available fund balances for the costs and did not charge the purveyors. Management recommends setting aside funds now, rather than the potential of having to raise rates during a dry year or drought conditions.

Future Non-Operating Funding Needs

The Agency's FY 2017/18 Budget Executive Summary discusses the projected capital funding sources (one percent property tax revenues and Facility Capacity Fees may not be sufficient to pay debt service on projected bond issuance for the 10-year Capital Improvement Program (CIP). To continue funding the long-term CIP, the Agency will need to review its existing revenue streams, review additional availability of grant funding, consider deferring projects and will likely need to consider additional revenue sources. The most likely revenue source would be to include a capital component in the Agency's wholesale water rates. This would most likely represent a significant increase in wholesale water rates. It would also be a means for the Agency to add a more significant pay-as-you-go component to its Capital Improvement Program funding, and become less reliant on long-term debt.

Recommended 2019 Rates and Options for Future Years

The recommended water rates are as follows:

Calendar Year	Fixed Charges	Variable Rate/AF
2018 (current)	$ 14,913,205	$ 223.18
2019 (proposed)	$ 15,300,948	$ 228.98

Staff recommends the Budget and Rates Committee recommend one of two options to the Board:

1. Adopt a resolution setting the 2019 rates and providing for an annual CPI-based increase until new rates are adopted; or
2. Adopt a resolution setting the 2019 rates and maintaining those rates until new rates are adopted

FINANCIAL CONSIDERATIONS

The proposed rates are based on a Wholesale Water Rate Study that sets forth the Agency's costs of providing wholesale water services.

RECOMMENDATION

That the Budget and Rates Committee recommends the Board of Directors approve :

1. A resolution revising the Castaic Lake Water Agency's Wholesale Water Rates for calendar 2019 and one of the following two options for future years (options are shown in attached proposed resolution in italics); and
   a. Adopt a resolution setting the 2019 rates and providing for an annual CPI-based increase until new rates are adopted; or
   b. Adopt a resolution setting the 2019 rates and maintaining those rates until new rates are adopted
2. Establishing a Water Supply Reliability Reserve Fund and transferring $3 million to that Fund.

VLP

Attachments

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RESOLUTION NO.

A RESOLUTION OF THE CASTAIC LAKE WATER AGENCY REVISING AND ADOPTING RATES FOR WHOLESALE WATER SERVICE CHARGES

WHEREAS, pursuant to the Castaic Lake Water Agency Law (Water Code Appendix 103-2 *et seq*., the CLWA Act) the CASTAIC LAKE WATER AGENCY (Agency) is authorized to (i) acquire water and water rights, including but not limited to, water from the State of California under the State Water Resources Development System; (ii) provide, sell, and deliver that water, for municipal, industrial, domestic and other purposes; and (iii) impose charges for such wholesale water services; and

WHEREAS, the Agency provides wholesale water service to four retail water purveyors – Los Angeles County Waterworks District No. 36, Newhall County Water District, Valencia Water Company, and the Santa Clarita Water Division of the Agency (collectively, the Retail Purveyors); and

WHEREAS, within its service area, the Agency is able to meet approximately half of the urban water demand within its service area with imported water, and the Agency and the Retail Purveyors primarily meet the balance of their demands with local groundwater and a small portion of recycled water; and

WHEREAS, the sole source of local groundwater for urban water supply in the Santa Clarita Valley is the Santa Clara River Valley Groundwater Basin, East Subbasin (the Basin); and

WHEREAS, to stabilize its revenues and fully recover the costs of providing water service, staff has prepared a comprehensive rate study (the Rate Study) for its wholesale water service charges; and

WHEREAS, on March 23, 2016, the Board of Directors adopted Resolution No. 3096 revising the Agency's wholesale water service rates and charges; and

WHEREAS, the wholesale water rate structure consists of two components:

1. a fixed per acre foot charge (the Fixed Charge) designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor; and

2. a variable per acre foot charge (the Variable Charge) designed to recover the Agency's costs for the treatment and distribution of imported water within the Agency's service area and 20 percent of the fixed costs incurred by the Agency; and

WHEREAS, staff has prepared a Rate Study that includes a methodology for annually calculating the amount of the Fixed Charge to be imposed on each Retail Purveyor and rates for the Variable Charge, and the Agency has distributed to the Retail Purveyors a copy the Rate Study, which sets forth the Agency's costs of providing wholesale water services and the anticipated sources of revenue available to fund those costs; and

WHEREAS, based on the Rate Study, the Board has determined that the amount of the proposed charges are no more than necessary to cover the reasonable costs of providing the wholesale water services, and that the manner in which those costs are allocated to the Retail Purveyors bear a fair or reasonable relationship to each of the Retail Purveyor's burdens on, or benefits received from, the Agency's wholesale water service activities; and

***WHEREAS**, the new rates will take effect beginning January 1, 2019, and*

> *Option No. 1: will be revised each January 1 thereafter based on the annual increase in the Consumer Price Index provided, however, that such increase shall not cause the wholesale water service charges to exceed the reasonable cost of providing wholesale water service;*
>
> *OR:*
>
> *Option No. 2: will be maintained each year provided, however, that such increase shall not cause the wholesale water service charges to exceed the reasonable cost of providing wholesale water service; and*

WHEREAS, in accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines, Agency staff has determined that the increases in water service charges are exempt from CEQA pursuant to Section 15378 and Section 15273 of the CEQA Guidelines and Public Resources Code section 21080(b)(8) because: (i) the increased charges are for the purpose of meeting operational and maintenance expenses of the aforementioned services; and (ii) the charges constitute the creation of a funding mechanism/other governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and

WHEREAS, the adoption of this Resolution is exempt from CEQA for the same reason.

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of the Castaic Lake Water Agency, as follows:

> FINDINGS AND DETERMINATIONS: The foregoing Recitals are true and correct and are hereby made legislative findings and determinations of the Board of Directors (the Board) and by this reference made an operative part of this Resolution.
>
> FIXED CHARGE: The Board hereby adopts, and authorizes and directs the General Manager, or his authorized designee, to calculate the amount of the Fixed Charge to be imposed on January 1, 2019, for each Retail Purveyor, in accordance with the following formula: divide the Agency's total fixed revenue for calendar year 2019 to be collected by the previous ten-year average of imported water demand of the applicable Retail Purveyor to arrive at a per unit cost per acre-foot. For the purposes of this calculation, the total imported demand fixed revenue for January 1, 2019 through December 31, 2019 shall be $15,300,948. For the purposes of this calculation, a Retail Purveyor's imported water demand shall be determined on the basis of the most recent data available for the Retail Purveyor as reported in the Santa Clarita Valley Water Report for the applicable calendar year.
>
> VARIABLE CHARGE: The Board hereby adopts the Variable Charge, at the rate and effective on the date set forth in the table below:

Rates for Monthly Variable Charge and Effective Dates			
			January 1, 2019
Variable Charge ($/AF)			$228.98

<u>OPTION NO: 1 ANNUAL ADJUSTMENT</u>: Beginning January 1, 2020, and each January 1 thereafter until otherwise modified by the Board of Directors, the rates for the Fixed Charge and Variable Charge set forth above shall be adjusted for inflation in an amount not to exceed the increase in the Los Angeles specific Consumer Price Index (CPI) provided, however, that no such annual adjustment shall exceed the reasonable cost of providing wholesale water service to the Retail Purveyors.

<u>OPTION NO: 2 CONTINUITY OF RATES</u>: Beginning January 1, 2020, and each January 1 thereafter until otherwise modified by the Board of Directors, the will be maintained at the same amounts, provided, however, that no such annual adjustment shall exceed the reasonable cost of providing wholesale water service to the Retail Purveyors.

<u>AUTHORIZATIONS OF AGENCY GENERAL MANAGER</u>: The General Manager is hereby authorized and directed to take all actions necessary to effectuate and implement the rates for the wholesale water service charges and other authorizations set forth herein, including the annual adjustment to the wholesale water service charges.

<u>WHOLESALE WATER RATE SUFFICIENT TO FUND AGENCY OPERATING EXPENSES</u>: Based upon substantial evidence presented to the Board in the form of staff financial analysis and the Rate Study, the Board has determined that the wholesale water rates adopted in this Resolution will be sufficient to fund Agency operating expenses, and none of the revenue from the rates set by this Resolution are required to, nor shall they be used to, support the Santa Clarita Water Division of the Agency in any way, and the Board thus makes the finding set forth in the CLWA Act, Section 103-24(b). Notwithstanding the foregoing, the Board of Directors shall review the wholesale water rates annually, as a part of its budget process, and may increase or decrease the wholesale water rates at any time if it determines an adjustment is necessary in accordance with this Resolution, the CLWA Act, and applicable law.

<u>CEQA</u>: The Board is adopting the wholesale water rates herein to meet the Agency's operating expenses. Therefore, the Board finds and determines, based upon substantial evidence, that the establishment of the rates for wholesale water service charges are exempt from CEQA, pursuant to Section 21080(b)(8) of the Public Resources Code and Section 15273(a) of the State CEQA Guidelines because the establishment of water rates is for the purpose of meeting operating expenses and purchasing materials (e.g., water).

<u>EFFECTIVE DATE</u>: This Resolution shall be effective as of the date of adoption. The increased rates for wholesale water service charges set forth herein shall become effective as authorized herein.

<u>SUPERSEDES PRIOR RESOLUTIONS</u>: All resolutions or administrative actions by the Board, or parts thereof that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

INVALIDITY: If any section, subsection, subdivision, sentence, clause, or phrase in this Resolution or any part thereof is for any reason held to be unconstitutional or invalid, ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Resolution or any part thereof. The Board hereby declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective. If the water rates established by this Resolution are declared invalid or otherwise set aside by any court of competent jurisdiction, the water rates in effect prior to the effective date of this Resolution shall be deemed by this Resolution to be restored, revived, and brought to full force and effect.

MAILING: The Secretary of the Agency is hereby directed to mail copies of this Resolution to every Retail Purveyor that purchases water from the Agency.

INTRODUCTION

This 2019 wholesale water rate study has been prepared by staff, and follows the same methodology and rate structure currently being used. It also includes a financial forecast for FY 2019/20 and FY 2020/21. In March 2016, the Board of Directors adopted a new wholesale water rate structure effective April 1, 2016, and adopted rates for calendar years 2017 and 2018. The water rate structure was designed to meet the following Agency objectives:

- Ensure financial sufficiency by meeting the operations and maintenance (O&M) costs, capital replacement and improvement costs, and providing the necessary reserves for the functioning of the Agency
- Provide fiscal stability to the Agency by maximizing fixed cost recovery through fixed charges
- Provide a rate design framework consistent with the cost of service guidelines used in the industry that adequately and fairly distributes the full cost of service to clients of the Agency based on the demand they place on the Agency's system
- Encourage efficient use and conservation of water

The rate structure includes two components:

- A fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor
- A variable charge that is based on a per acre foot charge for the treatment and distribution of imported water within the Agency's service area and also 20 percent of the fixed costs incurred by the Agency

The variable rate is calculated based on the variable expenses of the Agency to treat and deliver imported water (energy and chemical expenses and the cost for the Buena Vista/Rosedale Rio Bravo supply (BV/RRB) allocated to the General Fund.

CURRENT RATES

Current rates for CY 2017 and 2018 are shown in Table 1 below.

Table 1 - Current Rates

Calendar Year	Fixed Charges	Variable Rate
2017	$ 14,186,584	$ 218.18
2018	$ 14,913,205	$ 223.18

ASSUMPTIONS USED IN THIS STUDY

Water Demand

Recent water sales have been high based on growth in the number of connections, anticipated reduced availability of groundwater in the eastern portion of the Valley and a high allocation of State Water Project water in calendar year 2017. This water rate study projects lower imported water sales based on information provided by the retail purveyors. The information provided by the purveyors is summarized in Table 2 below.

Table 2 - Projected Sales

	Budget FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
CLWA Santa Clarita Water Division	18,200	16,424	14,281	13,940
L.A. County WWD #36	-	-	-	-
Newhall County Water District	3,300	3,300	3,350	3,422
Valencia Water Company	19,100	13,269	13,394	13,569
	40,600	32,993	31,025	30,931
Change in sales:		-18.7%	-6.0%	-0.3%

Variable Operating Expenditures – BV/RRB Water Supply

On May 22, 2007, the Agency executed an agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District (BV/RRB) for the annual purchase of 11,000 acre-feet (AF) of firm non-State Water Project (SWP) water supply. The agreement provides for periodic cost adjustments. Annually the purchase price is adjusted to reflect changes in the previous year's consumer price index (CPI). The agreement also contains provision for a "look in" every ten years to make adjustments that partially reflect the increases in BV/RRB's SWP costs. If SWP costs increase at a rate that exceeds the CPI then costs are recalculated to reflect the melded increase in SWP costs and CPI index. Such adjustments are then spread over the next 10 years. Further, the annual base costs are increased to reflect the adjusted melded cost determined by the look-in. The first "look in" provision occurred in 2017 and resulted in a 30% increase in the cost. Based on this, fr the purposes of this study, BV/RRB costs are escalated by 5%.

The Agency is transitioning the BV/RRB water supply from a supply reserved for future users (funded by Facility Capacity Fees and one percent property tax revenues) to supply used by current users and funded by water rates. The total supply is 11,000 acre-feet per year (AFY), and it is being transferred to the General Fund at a rate of 550 AFY. In FY 2017/18, 2,750 AFY is funded by the General Fund. The cost per acre-foot is estimated to be $844/AF.

The projections are shown in Table 3 below:

Table 3 - BV/RRB Water Supply Costs				
	Budget FY 2017/18	**Forecast FY 2018/19**	**Forecast FY 2019/20**	**Forecast FY 2020/21**
BV/RRB cost per AF (1)	$ 843.71	$ 885.90	$ 930.20	$ 976.71
AFY funded by General Fund (2)	2,750	3,300	3,850	4,400
Total cost	$ 2,320,200	$ 2,923,470	$ 3,581,270	$ 4,297,524
(1) escalated by 5% per year				
(2) increases by 550 AFY				

Other Variable Operating Expenditures

Other variable operating expenditures include chemicals used to treat water and the energy used to transport the water. These are the costs that vary with the AF of water delivered. Per AF costs are derived based on the FY 2017/18 budget as shown in Tables 4 and 5 below:

Table 4 - Chemical Costs per AF	
	Budget FY 2017/18
Chemical total cost	$ 1,150,000
AF of sales	40,600
Cost per AF	$ 28.33

Table 5 - Power Costs per AF	
	Budget FY 2017/18
Power total cost	$ 2,008,000
AF of sales	40,600
Cost per AF	$ 49.46

Projected costs assume that the per AF costs increase by 5% per year and are based on the projected water sales included in Table 2 and are shown in Tables 6 and 7 below:

Table 6 - Projected Chemical Costs			
	Forecast FY 2018/19	**Forecast FY 2019/20**	**Forecast FY 2020/21**
AF Sales (1)	32,993	31,025	30,931
Chemical cost per AF (2)	$ 29.75	$ 31.24	$ 32.80
Projected costs	$ 981,527	$ 969,221	$ 1,014,529
(1) based on Table 2			
(2) escalated by 5% per year			

Table 7 - Projected Power Costs			
	Forecast FY 2018/19	**Forecast FY 2019/20**	**Forecast FY 2020/21**
AF Sales (1)	32,993	31,025	30,931
Power cost per AF (2)	$ 51.93	$ 54.53	$ 57.26
Projected costs	$ 1,713,301	$ 1,691,793	$ 1,771,095
(1) based on Table 2			
(2) escalated by 5% per year			

Other Operating Costs – Fixed Expenditures

All other operating costs are fixed and do not vary with the amount of water sales. Each category is escalated by a different rate, generally between two and five percent as shown in Table 8 below.

Table 8 - Escalation Rate		
Department/Division	**Escalation Rate**	
Management (1)	2%	
Administration	2%	
Engineering	2%	
Maintenance	2%	
Water Quality and Regulatory Affairs	2%	
Water Resources (2)	5%	
Water Treatment Operations (3)	2%	
(1) Does not include the cost of an election, which starting in FY 2019/20 are included every two years		
(2) Does not include the cost of the BV/RRB water supply which are addressed separately in the variable costs		
(3) Does not include the cost of chemicals and power which are addressed separately in the variable costs		

Operating Costs – Projected Costs Savings from New Water Agency Economies of Scale

State legislation has been passed to create a new Santa Clarita Valley Water Agency, effective January 1, 2018, that would include the Agency and the Newhall County Water District. This is the result of a year of study and public discussion that included a financial analysis showing cost savings over a 10-year period. One-third of the projected cost savings have been included in this financial plan, as follows in Table 9:

Table 9 - Projected Cost Savings from New Agency Economies of Scale			
	Forecast FY 2018/19	**Forecast FY 2019/20**	**Forecast FY 2020/21**
Projected Cost Savings	$ 158,333	$ 219,333	$ 539,667

Revenue Offsets

Revenue offsets include other revenues besides wholesale water rate revenues. These revenues are available to offset overall wholesale water rate revenues. All of these revenues are escalated by two percent per year. The results are shown in Table 10 below:

Table 10 - Revenue Offsets

Revenue Offsets	Budget FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
Water Sales - Recycled	$ 265,500	$ 270,810	$ 276,226	$ 281,751
Water Sales - Saugus 1 and 2 Wells	627,300	639,846	652,643	665,696
Laboratory Revenues	106,000	108,120	110,282	112,488
Communications Revenues	170,000	173,400	176,868	180,405
Reimbursement from Settlement Agreement (1)	1,546,400	1,200,000	1,224,000	1,248,480
Investment Revenues	107,400	109,548	111,739	113,974
Miscellaneous Revenues	19,100	-	-	-
Total Revenue Offsets	$ 2,841,700	$ 2,501,724	$ 2,551,758	$ 2,602,794

(1) FY 2017/18 Budget includes a one-time project. FY 2018/19 is based on the normal level of O&M expenditures

FINANCIAL RESULTS

Based on the assumptions detailed above, total projected expenditures are shown in Table 11 below:

Table 11 - Projected Expenditures				
	Budget FY 2017/18	**Forecast FY 2018/19**	**Forecast FY 2019/20**	**Forecast FY 2020/21**
Fixed Operating Expenditures				
Management (1)	$ 2,054,100	$ 2,095,182	$ 2,137,086	$ 2,179,828
Administration	5,040,100	5,140,902	5,243,720	5,348,594
Engineering	1,174,500	1,197,990	1,221,950	1,246,389
Maintenance	3,257,800	3,322,956	3,389,415	3,457,203
Water Quality and Regulatory Affairs	1,076,400	1,097,928	1,119,887	1,142,285
Water Resources (2)	4,387,800	4,607,190	4,837,550	5,079,428
Water Treatment Operations (3)	2,027,800	2,068,356	2,109,723	2,151,917
Election	-		1,000,000	
Less New Agency savings	-	(158,333)	(219,333)	(539,667)
Subtotal	$ 19,018,500	$ 19,372,171	$ 20,839,998	$ 20,065,977
Variable Operating Expenditures				
BV/RRB water supply	$ 2,320,200	$ 2,923,470	$ 3,581,270	$ 4,297,524
Chemicals	1,150,000	981,527	969,221	1,014,529
Powers	2,008,000	1,713,301	1,691,793	1,771,095
Subtotal	$ 5,478,200	$ 5,618,298	$ 6,242,284	$ 7,083,148
Total	$ 24,496,700	$ 24,990,469	$ 27,082,282	$ 27,149,125
Overall increase in total expenditures		2.0%	8.4%	0.2%
(1) net of election costs				
(2) net of BV/RRB costs				
(3) net of chemical and power costs				

Operating reserves are based on three months of operating expenditures and are calculated as shown in Table 12 below:

Table 12 - Operating Reserve Projection				
	Budget FY 2017/18	**Forecast FY 2018/19**	**Forecast FY 2019/20**	**Forecast FY 2020/21**
Operating Expenditures	$ 24,496,700	$ 24,990,469	$ 27,082,282	$ 27,149,125
Operating Reserve (25%)	$ 6,124,175	$ 6,247,617	$ 6,770,571	$ 6,787,281

The calendar year 2018 variable water rate is $223.18 per AF. Based on projected water sales and this current variable rate, total revenue would be as shown in Table 13 below:

Table 13 - Variable Water Rate Revenue at the 2018 Rate			
	Forecast FY 2018/19	**Forecast FY 2019/20**	**Forecast FY 2020/21**
AF Sales (1)	32,993	31,025	30,931
CY 2018 variable water rate	$ 223.18	$ 223.18	$ 223.18
Projected revenue	$ 7,363,266	$ 6,924,160	$ 6,903,125
(1) based on Table 2			

A status quo pro forma based on no changes in wholesale water rates is shown as follow in Table 14 below:

Table 14 - Status Quo Pro Forma

	Budget FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
Fund Balance, Beginning	$ 12,196,378	$ 13,453,778	$ 12,825,699	$ 9,714,110
RESERVES				
Operating Reserves	(6,136,700)	(6,260,742)	(6,784,352)	(6,801,752)
Net Available	$ 6,059,678	$ 7,193,036	$ 6,041,347	$ 2,912,358
REVENUES				
Water Sales - Purveyors - Fixed Charge	$ 14,549,900	$ 14,549,900	$ 14,549,900	$ 14,549,900
Water Sales - Purveyors - Variable	8,000,000	7,363,266	6,924,160	6,903,125
Water Sales - Recycled	265,500	270,810	276,226	281,751
Water Sales - Saugus 1 and 2 Wells	627,300	639,846	652,643	665,696
One-time Water Sales	412,500	-	-	-
Laboratory Revenues	106,000	108,120	110,282	112,488
Communications Revenues	170,000	173,400	176,868	180,405
Reimbursement from Settlement Agmt	1,546,400	1,200,000	1,224,000	1,248,480
Investment Revenues	107,400	109,548	111,739	113,974
Miscellaneous Revenues	19,100	-	-	-
Total Revenues	$ 25,804,100	$ 24,414,890	$ 24,025,818	$ 24,055,819
EXPENDITURES				
Fixed Operating Expeditures				
Management (1)	$ 2,054,100	$ 2,095,182	$ 2,137,086	$ 2,179,828
Administration	5,040,100	5,140,902	5,243,720	5,348,594
Engineering	1,174,500	1,197,990	1,221,950	1,246,389
Maintenance	3,257,800	3,322,956	3,389,415	3,457,203
Water Quality and Regulatory Affairs	1,076,400	1,097,928	1,119,887	1,142,285
Water Resources (2)	4,437,800	4,659,690	4,892,675	5,137,309
Water Treatment Operations (3)	2,027,800	2,068,356	2,109,723	2,151,917
Election	-	-	1,000,000	-
Less New Agency savings	-	(158,333)	(219,333)	(539,667)
Variable Operating Expenditures				
BV/RRB water supply	2,320,200	2,923,470	3,581,270	4,297,524
Chemicals	1,150,000	981,527	969,221	1,014,529
Powers	2,008,000	1,713,301	1,691,793	1,771,095
Total Expenditures	$ 24,546,700	$ 25,042,969	$ 27,137,407	$ 27,207,006
Available Fund Balance, Ending	**$ 7,317,078**	**$ 6,564,957**	**$ 2,929,758**	**$ (238,829)**

With no change in the wholesale water rate, the status quo pro forma shows a negative fund balance in FY 2020/21.

RATE DESIGN

This study follows the rate-setting methodology used in the previous wholesale water study. The rate structure includes two components:

- A fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor
- A variable charge that is based on a per acre foot charge for the treatment and distribution of imported water within the Agency's service area and also 20 percent of the fixed costs incurred by the Agency

Table 15 calculates the intermediate revenue requirements by taking the expenditures shown in Table 11 and the revenue offsets shown in Table 10. The intermediate revenue requirements calculate the revenue needed to recover total fixed costs and total variable costs. Table 16 calculates the final revenue recovery amounts based on the variable rates recovering 20 percent of the fixed charges.

Table 15 - Intermediate Revenue Requirements by Type of Service			
	Forecast FY 2018/19	**Forecast FY 2019/20**	**Forecast FY 2020/21**
Revenue Requirements	24,990,469	27,082,282	27,149,125
1 Fixed	19,372,171	20,839,998	20,065,977
2 Variable	5,618,298	6,242,284	7,083,148
Less Revenue Offsets			
3 Fixed	2,501,724	2,551,758	2,602,794
Intermediate Requirements			
Fixed Expenses			
4 (Line 1 - Line 3)	16,870,447	18,288,240	17,463,183
Variable Expenses			
5 (Line 2, no change)	5,618,298	6,242,284	7,083,148
Net Revenue Requirements (Line 4 + Line 5)	22,488,745	24,530,524	24,546,331
Change	3.85%	9.08%	0.06%

Table 16 - Revenue Recovery Final Calculation			
	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
6 Fixed Expenses (Table 15, line 4)	16,922,947	18,343,365	17,521,064
7 Variable Expenses (Table 15, line 5)	5,618,298	6,242,284	7,083,148
8 Net Revenue Requirements	**22,541,245**	**24,585,649**	**24,604,212**
Change	3.85%	9.07%	0.08%
9 Revenue to be Recovered by Fixed Charges (Line 6 * 8	**13,538,358**	**14,674,692**	**14,016,851**
Change	-7.0%	8.4%	-4.5%
10 Variable Revenue to be recovered (Line 8 - Line 9)	9,002,887	9,910,957	10,587,361
11 Projected AF of sales	32,993	31,025	30,931
12 Variable Rate (Line 10 / Line 11)	**$ 272.88**	**$ 319.45**	**$ 342.29**
Change	22.27%	17.07%	7.15%

RECOMMENDATIONS

The FY 2017/18 Budget projects an available fund balance of over $6 million based on high water sales in recent years. Staff recommends that half of these funds be used to establish a Water Supply Reliability Reserve Fund to fund extractions from banking programs in dry years and the rest to offset the rate increases calculated by this rate study.

Water Supply Reliability Banking Programs

As identified in the Agency's Long-Term Financial Plan, during dry years, the Agency can extract water from its banking programs. The estimated cost in 2017 dollars is $2.5 million for one year of extraction. The Agency first extracted water during 2009 and costs were recovered from the purveyors through a water rate surcharge. The Agency again extracted water in 2014 and used available fund balances for the costs and did not charge the purveyors. Note that if these costs were to be funded on an ongoing basis, the estimated cost per AF would be approximately $15-20/AF. It is recommended that $3 million be used to establish a Water Supply Reliability Reserve Fund.

Calendar year 2019 Rates

As far a specific rate-setting, the recommendation is to set the set the calendar year 2019 fixed and variable rates not by the recommendations in this study, but to increase the calendar year 2018 rates by 2.6%, reflecting the average change in the CPI for calendar year 2017 through September. The available fund balance will be used to meet revenue requirements above this modest increase. The recommended rates are shown in Table 17 below:

Table 17 - Recommended Rates		
Calendar Year	**Fixed Charges**	**Variable Rate**
2018	$ 14,913,205	$ 223.18
2019	$ 15,300,948	$ 228.98

A pro forma based on funding the Reliability Reserve Fund and the 2.6% CPI increase to the calendar year 2019 rate only is shown as follow in Table 18 below:

Table 18 - Pro Forma with Reliability Reserve and CY 2019 CPI Increase

	Budget FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
Fund Balance, Beginning	$ 12,196,378	$ 10,634,193	$ 10,706,616	$ 8,387,274
RESERVES				
Operating Reserves	(6,136,700)	(6,247,617)	(6,770,571)	(6,787,281)
Net Available	$ 6,059,678	$ 4,386,576	$ 3,936,045	$ 1,599,993
REVENUES				
Water Sales - Purveyors - Fixed Charge	$ 14,549,900	$ 15,107,077	$ 15,107,077	$ 15,107,077
Water Sales - Purveyors - Variable	8,000,000	7,454,091	7,104,105	7,082,523
Water Sales - Recycled	265,500	270,810	276,226	281,751
Water Sales - Saugus 1 and 2 Wells	627,300	639,846	652,643	665,696
One-time Water Sales	412,500	-	-	-
Laboratory Revenues	106,000	108,120	110,282	112,488
Communications Revenues	170,000	173,400	176,868	180,405
Reimbursement from Settlement Agreement	1,546,400	1,200,000	1,224,000	1,248,480
Investment Revenues	107,400	109,548	111,739	113,974
Miscellaneous Revenues	19,100	-	-	-
Total Revenues	$ 25,804,100	$ 25,062,892	$ 24,762,940	$ 24,792,393
EXPENDITURES				
Fixed Operating Expenditures				
Management (1)	$ 2,054,100	$ 2,095,182	$ 2,137,086	$ 2,179,828
Administration	5,040,100	5,140,902	5,243,720	5,348,594
Engineering	1,174,500	1,197,990	1,221,950	1,246,389
Maintenance	3,257,800	3,322,956	3,389,415	3,457,203
Water Quality and Regulatory Affairs	1,076,400	1,097,928	1,119,887	1,142,285
Water Resources (2)	4,387,800	4,607,190	4,837,550	5,079,428
Water Treatment Operations (3)	2,027,800	2,068,356	2,109,723	2,151,917
Election	-	-	1,000,000	-
Less New Agency savings	-	(158,333)	(219,333)	(539,667)
Variable Operating Expenditures				
BV/RRB water supply	2,320,200	2,923,470	3,581,270	4,297,524
Chemicals	1,150,000	981,527	969,221	1,014,529
Powers	2,008,000	1,713,301	1,691,793	1,771,095
Total Expenditures	$ 24,496,700	$ 24,990,469	$ 27,082,282	$ 27,149,125
Transfer to Reliability Reserve Fund	$ 3,000,000	$ -	$ -	$ -
Available Fund Balance, Ending	$ 4,367,078	$ 4,458,999	$ 1,616,703	$ (756,739)

If the Board of Directors chose to continue to increase the annual rates by the CPI, a pro forma showing the Reliability Reserve Fund and 2.6% increases for calendar years 2020 and 2021 is shown in Table 19 below:

Table 18 - Pro Forma with Continued CPI Increases

	Budget FY 2017/18	Forecast FY 2018/19	Forecast FY 2019/20	Forecast FY 2020/21
Fund Balance, Beginning	$ 12,196,378	$ 10,634,193	$ 10,706,616	$ 8,964,764
RESERVES				
Operating Reserves	(6,136,700)	(6,247,617)	(6,770,571)	(6,787,281)
Net Available	$ 6,059,678	$ 4,386,576	$ 3,936,045	$ 2,177,483
REVENUES				
Water Sales - Purveyors - Fixed Charge	$ 14,549,900	$ 15,107,077	$ 15,499,860	$ 15,902,857
Water Sales - Purveyors - Variable	8,000,000	7,454,091	7,288,811	7,455,602
Water Sales - Recycled	265,500	270,810	276,226	281,751
Water Sales - Saugus 1 and 2 Wells	627,300	639,846	652,643	665,696
One-time Water Sales	412,500	-	-	-
Laboratory Revenues	106,000	108,120	110,282	112,488
Communications Revenues	170,000	173,400	176,868	180,405
Reimbursement from Settlement Agreement	1,546,400	1,200,000	1,224,000	1,248,480
Investment Revenues	107,400	109,548	111,739	113,974
Miscellaneous Revenues	19,100	-	-	-
Total Revenues	$ 25,804,100	$ 25,062,892	$ 25,340,430	$ 25,961,253
EXPENDITURES				
Fixed Operating Expenditures				
Management (1)	$ 2,054,100	$ 2,095,182	$ 2,137,086	$ 2,179,828
Administration	5,040,100	5,140,902	5,243,720	5,348,594
Engineering	1,174,500	1,197,990	1,221,950	1,246,389
Maintenance	3,257,800	3,322,956	3,389,415	3,457,203
Water Quality and Regulatory Affairs	1,076,400	1,097,928	1,119,887	1,142,285
Water Resources (2)	4,387,800	4,607,190	4,837,550	5,079,428
Water Treatment Operations (3)	2,027,800	2,068,356	2,109,723	2,151,917
Election	-	-	1,000,000	-
Less New Agency savings	-	(158,333)	(219,333)	(539,667)
Variable Operating Expenditures				
BV/RRB water supply	2,320,200	2,923,470	3,581,270	4,297,524
Chemicals	1,150,000	981,527	969,221	1,014,529
Powers	2,008,000	1,713,301	1,691,793	1,771,095
Total Expenditures	$ 24,496,700	$ 24,990,469	$ 27,082,282	$ 27,149,125
Transfer to Reliability Reserve Fund	$ 3,000,000	$ -	$ -	$ -
Available Fund Balance, Ending	$ 4,367,078	$ 4,458,999	$ 2,194,193	$ 989,610

FUTURE FUNDING NEEDS

The Agency's FY 2017/18 Budget Executive Summary discusses the projected capital funding sources (one percent property tax revenues and Facility Capacity Fees may not be sufficient to pay debt service on projected bond issuance for the 10-year Capital Improvement Program (CIP). To continue funding the long-term CIP, the Agency will need to review its existing revenue streams, review additional availability of grant funding, consider deferring projects and will likely need to consider additional revenue sources. The most likely revenue source would be to include a capital component in the Agency's wholesale water rates. This would most likely represent a significant increase in wholesale water rates. It would also be a means for the Agency to add a more significant pay-as-you-go component to its Capital Improvement Program funding, and become less reliant on long-term debt.

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ITEM NO. 7

NOVEMBER 2017

SPECIAL COMMITTEE (November 6)

1. Recommend Receiving and Filing:
    a. FY 2016/17 Comprehensive Annual Financial Report and the Management Report
    b. FY 2016/17 Wholesale and Retail Interdivisional Services Report
2. Recommend Approval of a Resolution Establishing the Santa Clarita Water Division Retail Water Rates for Calendar Years 2018, 2019 and 2020
3. Recommend Receiving and Filing of Wholesale System FY 2016/17 Yearend Budget Report
4. Recommend Receiving and Filing of Retail System FY 2016/17 Yearend Budget Report
5. Recommend Approval of a Resolution Revising the Castaic Lake Water Agency's Wholesale Water Rates
6. Committee Planning Calendar

BOARD (November 20)

1. Public Hearing to Review the 2017 Facility Capacity Fee Study (Proposed 2017 Facility Capacity Fees)
2. Approve a Resolution to Modify Water Service Areas and Apportion the Annual Capital Budget and Set Facility Capacity Fees and Charges for the Castaic Lake Water Agency for Calendar Years 2018, 2019 and 2020
3. Public Hearing on the Proposition 218 Proposed Retail Water Rates Adjustments
4. Approve Receiving and Filing:
    a. FY 2016/17 Comprehensive Annual Financial Report and the Management Report
    b. FY 2016/17 Wholesale and Retail Interdivisional Services Report
5. Approve a Resolution Establishing the Santa Clarita Water Division Retail Water Rates for Calendar Years 2018, 2019 and 2020
6. Approve Receiving and Filing of Wholesale System FY 2016/17 Yearend Budget Report (consent)
7. Approve Receiving and Filing of Retail System FY 2016/17 Yearend Budget Report (consent)
8. Approve a Resolution Revising the Castaic Lake Water Agency's Wholesale Water Rates

JPA Meeting (November 20)

DECEMBER 2017

COMMITTEE (December 11)

1. Committee Planning Calendar

BOARD (December 27)

JPA Meeting (December 27)

JANUARY 2018

FINANCING CORPORATION (tbd)

1. Annual meeting

COMMITTEE (January 8)

1. Committee Planning Calendar

BOARD (January 24)

JPA Meeting (January 24)

FEBRUARY 2018

COMMITTEE (February 12)

1. Recommend Receiving and Filing of Wholesale System FY 2017/18 Midyear Budget Report
2. Committee Planning Calendar

BOARD (1st meeting, February 14)

JPA Meeting (1st meeting, February 14)

BOARD (2nd meeting, February 28)

1. Approve Receiving and Filing of Wholesale System FY 2017/18 Midyear Budget Report (consent)

JPA Meeting (2nd meeting, February 28)

1. Re-adopt Investment Policy
2. Elect officers

STRATEGIC PLANNING WORKSHOP (February 23 and 24)

MARCH 2018

COMMITTEE (March 12)

1. Recommend Receiving and Filing of Retail FY 2017/18 Midyear Budget Report
2. Committee Planning Calendar

BOARD (1st meeting, March 14)

JPA Meeting (1st meeting, March 14)

BOARD (2nd meeting, March 28)

1. Approve Receiving and Filing of Retail FY 2017/18 Midyear Budget Report (consent)

JPA Meeting (2nd meeting, March 28)

APRIL 2018

COMMITTEE (April 9)

1. Provide Direction for a Proposed Employee Salary Adjustment for FY 2018/19
2. Review Draft FY 2018/19 Wholesale Budget
3. Review Draft FY 2018/19 SCWD Budget
4. Committee Planning Calendar

BOARD (1st meeting, April 11)

1. Review and Provide Direction for Budget Baseline and Baseline Options

JPA Meeting (1st meeting, April 11)

BOARD (2nd meeting, April 25)

1. Approve Proposed Employee Salary Adjustment for FY 2018/19

JPA Meeting (2nd meeting, April 25)

MAY 2018

COMMITTEE (May 14)

1. Recommend Approval of a Resolution Adopting the Wholesale System Fiscal Year 2018/19 Budget
2. Recommend Approval of a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2017/18
3. Recommend Approval of a Resolution Adopting the Appropriation Limit for FY 2018/19
4. Recommend Approval of a Resolution Adopting the SCWD Fiscal Year 2018/19 Budget
5. Committee Planning Calendar

BOARD (meeting, May 23)

1. Approve a Resolution Adopting the Wholesale System Fiscal Year 2018/19 Budget
1. Approve a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2017/18 (consent)
2. Approve a Resolution Adopting the Appropriation Limit for FY 2018/19 (consent)
3. Approve a Resolution Adopting the SCWD Fiscal Year 2018/19 Budget

JPA Meeting (meeting, May 23)

1. Approve a Resolution Adopting the Fiscal Year 2018/19 Budget

JUNE 2018

COMMITTEE (June 11)

1. Recommend Approval of Resolutions Setting Castaic Lake Water Agency Tax Rate for Fiscal Year 2018/19 and Requesting Levy of Tax by Los Angeles County and Ventura County
2. Recommend Approval of Resolution Authorizing July 2018 Water Supply Contract Payment
3. Committee Planning Calendar

BOARD (1st meeting, June 13)

JPA Meeting (1st meeting, June 13)

BOARD (2nd meeting, June 27)

1. Approve Resolutions Setting Castaic Lake Water Agency Tax Rate for Fiscal Year 2018/19 and Requesting Levy of Tax by Los Angeles County and Ventura County (consent)
2. Approve a Resolution Authorizing July 2018 Water Supply Contract Payment (consent)

JPA Meeting (2nd meeting, June 27)