

## OVERVIEW OF THE SANTA CLARITA WATER DIVISION

### History and Growth of Santa Clarita Water Company

The origins of the Santa Clarita Water Division (SCWD) began when the Bonelli family started a small water company in 1949 called the Bouquet Canyon Water Company as a public utility water company regulated by the California Public Utilities Commission. When formed, Bouquet Canyon Water Company had three service connections, 2888 feet of pipe, one well capable of producing 900 gallons per minute (GPM), and 200,000 gallons of tank storage. The original service area of Bouquet Canyon Water Company totaled 223 acres and was situated along San Francisquito Canyon Road (now Seco Canyon Road) at Bouquet Canyon Road. The Bonelli family started a second water company in 1956 called the Solemint Water Company. The Solemint Water Company started with 78 service connections, 24,479 feet of pipe, two wells capable of producing 1,325 GPM and 100,000 gallons of storage. At that time, the Solemint Water Company service area was several hundred acres mostly in the Canyon Country, Sand Canyon and Placerita Canyon areas.

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



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

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

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

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



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

## **Santa Clarita Water Division**

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

Today, SCWD is a retail water purveyor operating a service area that includes a portion of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Saugus, Canyon Country and West Newhall. SCWD supplies potable water from imported water purchased from CLWA, accounting for approximately 55-65% of supply, and groundwater wells, accounting for approximately 35-45% of supply, to approximately 28,550 active service connections. Existing land use within the retail service area is primarily residential consisting of approximately 93% of retail customers and 7% for commercial, industrial and other users including public authorities, irrigation, government, institutional, and fire services.

SCWD's staff operates and maintains a distribution system consisting of approximately 300 miles of pipeline, 24 booster stations, 14 active groundwater wells, 5 hydro-pneumatic systems (pressurized system or closed system), 26 pressure reducing stations operating 17 sub-pressure zones and 47 active storage tanks. This infrastructure is organized into 16 pressure zones and 17 sub-pressure zones.

## **Mission Statement**

Santa Clarita Water Division's mission is:

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

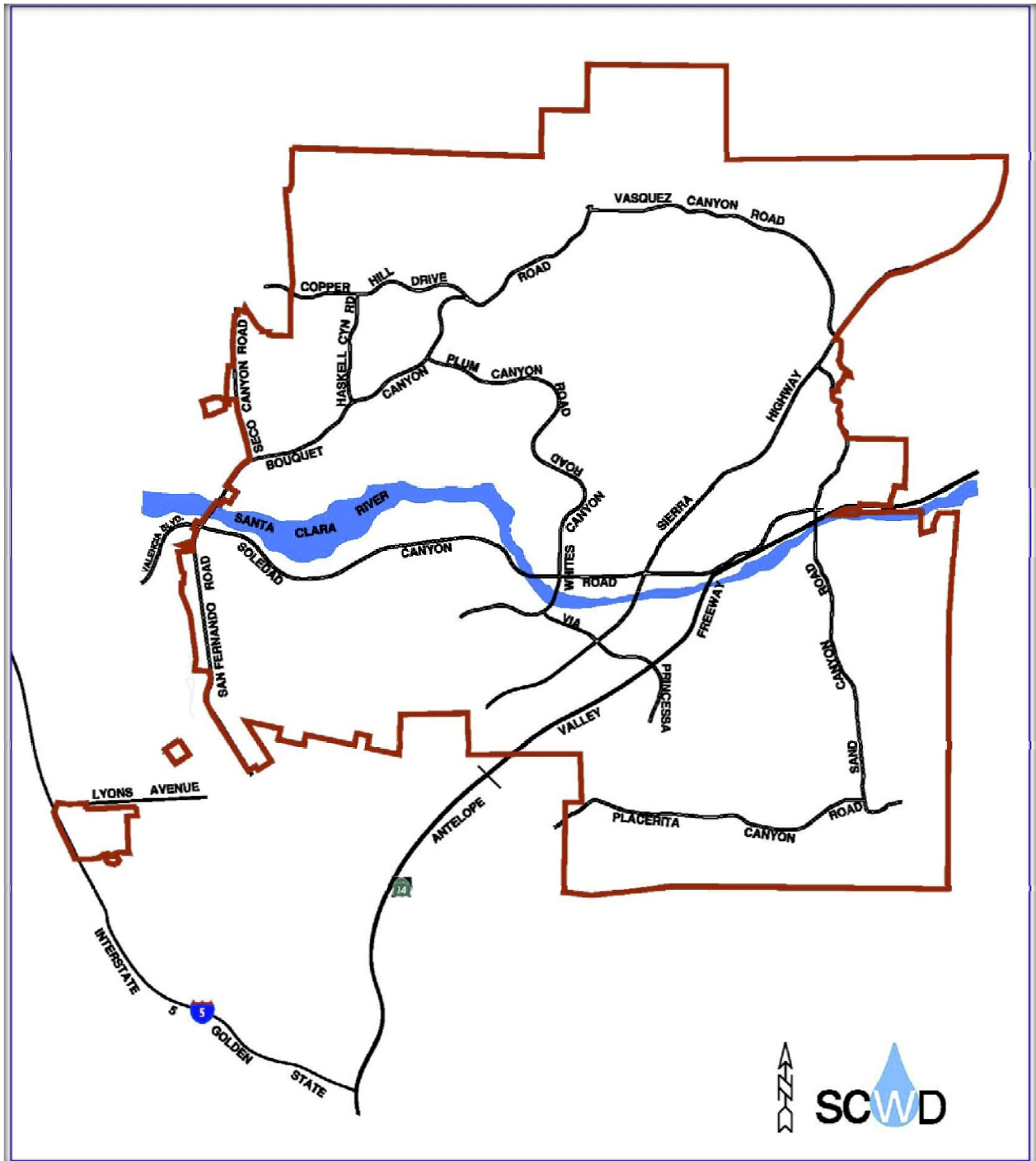
## Location of Santa Clarita Water Division

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



## Santa Clarita Water Division Service Area

SCWD operates a service area that includes a portion of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Saugus, Canyon Country, and West Newhall. SCWD serves 28,550 active connections in a service area of approximately 56 square miles with a population of approximately 124,200.



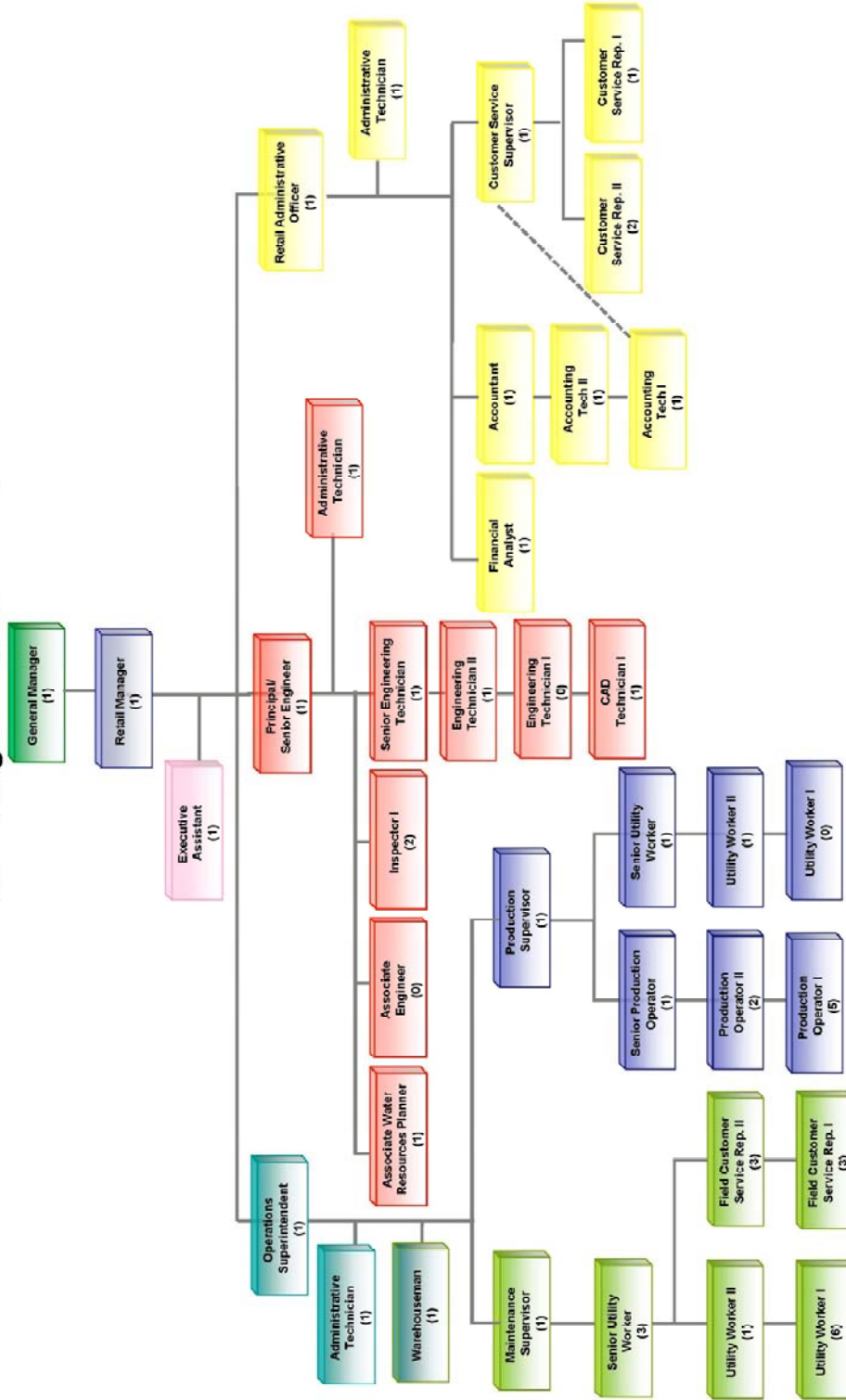
**Governance**

SCWD has the same governing board as the Agency. The Board of Directors is comprised of two Directors from each division, two Directors at large and one Director appointed by three of the retail water purveyors (Los Angeles County Waterworks District #36, Newhall County Water District and Valencia Water Company) for a total of eleven Board members. SCWD also has a Retail Operations Committee (ROC), which is comprised of five Agency Directors and meets on the first Monday of each month. SCWD first presents all retail matters to the ROC for recommendations to the Agency Board. The ROC and Agency Board consists of the following individuals:

<b>Retail Operations Committee</b>	
Peter Kavounas	Chair
Ed Colley	Vice Chair
Dean Efstathiou	
R.J. Kelly	
William Pecs	

<b>Castaic Lake Water Agency – Board of Directors</b>		
<b>Director</b>	<b>Division</b>	<b>Term Expires</b>
Thomas Campbell, President	At Large	January 2015
William Cooper, Vice President	At Large	January 2013
Ed Colley	1	January 2015
R.J. Kelly	1	January 2013
Peter Kavounas	2	January 2015
E.G. “Jerry” Gladbach	2	January 2013
Jacque McMillan	3	January 2015
William Pecs	3	January 2013
Dean Efstathiou	L.A. County WWD #36	January 2015
B.J. Atkins	NCWD	January 2013
Keith Abercrombie	VWC	January 2013

# SCWD Organizational Chart



**SCWD Proposed Rate Increases 2013 to 2017**

SCWD will be able to maintain the current rates through FY 2012/13 as a result of savings through refinancing of CLWA Interfund loan of \$2.3M in 2012 and additional savings through staff's efforts of minimizing expenses and carefully monitoring both capital and operating expenditures.

SCWD will be preparing the rate analysis for FY 2013/14 to FY 2016/17 that will access funding the entire Capital Improvement Program (CIP) through rate increases to FY 2016/17 as 100% pay-as-you-go or finance a percentage of the CIP. The rate analysis is anticipated to be presented to the Retail Operations Committee (ROC) and the CLWA Board by the summer of 2013.

**SCWD Retail Water Rates 2010 to 2012**

The following rates were adopted by the Board on September 9, 2009 for 2010, 2011 and 2012.

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

<b>Meter Size (Inches)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
5/8 by 3/4	\$ 14.45	\$ 16.24	\$ 17.41
3/4	\$ 18.26	\$ 20.53	\$ 22.01
1	\$ 25.89	\$ 29.10	\$ 31.20
1 1/2	\$ 44.96	\$ 50.54	\$ 54.17
2	\$ 67.84	\$ 76.26	\$ 81.75
3	\$128.87	\$144.85	\$155.28
4	\$197.52	\$222.01	\$238.00
6	\$388.22	\$436.36	\$467.78
8	\$617.06	\$693.58	\$743.51

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

<b>Rate Block</b>	<b>Block Range (Ccf per Month) Bottom - Top</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Tier 1 -- Essential	0 - 14	\$1.3029	\$1.4644	\$1.5699
Tier 2 -- Basic	15 - 49	\$1.4532	\$1.6334	\$1.7511
Tier 3 -- Conservation	50 and above	\$1.9105	\$2.1474	\$2.3020

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

<b>Commodity Charges</b>	<b>Current</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
All Use	\$1.2604	\$1.9105	\$2.1474	\$2.3020

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

<b>Commodity Charges</b>	<b>Current</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
All Use	\$1.2604	\$1.4532	\$1.6334	\$1.7511

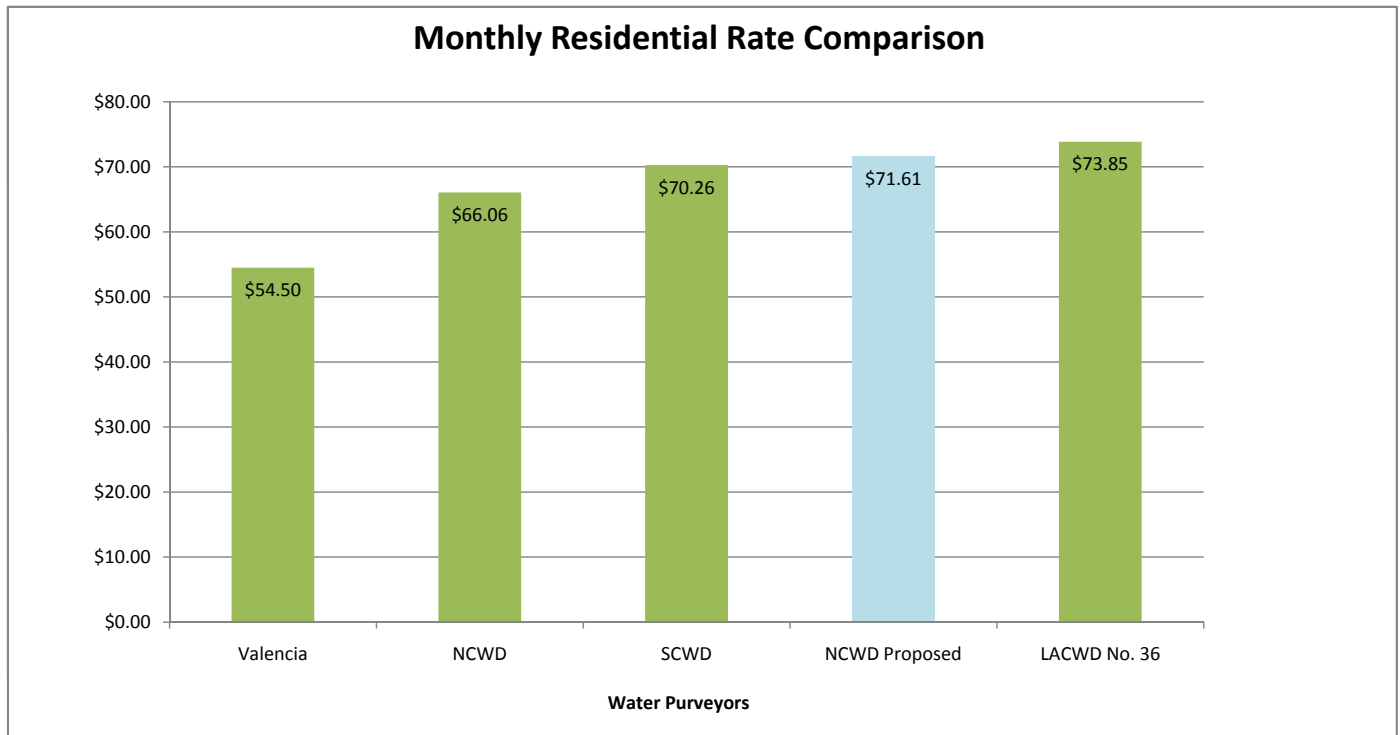


Comparison of the adopted rates to the other three Santa Clarita Valley retailers is shown below:

### 2012 Residential Rate Comparison

Description	Valencia*		NCWD**		SCWD		NCWD Proposed** Effective July 1, 2012		LACWD No. 36**	
	2012 Rates	Blocks (Ccf/Month)	2012 Rates	Blocks (Ccf/Month)	2012 Rates	Blocks (Ccf/Month)	2012 Rates	Blocks (Ccf/Month)	2012 Rates	Blocks (Ccf/Month)
Meter, \$/month	\$13.55		\$17.04		\$22.01		\$18.82		\$21.30	
Commodity, \$/ccf										
Tiered Rate Blocks										
Tier 1	\$1.175	0-100%	\$1.602	1-8	\$1.5699	1-14	\$1.325	1-8	\$0.151	0-5
Tier 2	\$1.399	0-100%	\$1.682	9-25	\$1.7511	15-49	\$1.834	9-21	\$2.158	6+
Tier 3	\$1.749	101-150%	\$1.902	26-48	\$2.3020	50+	\$2.293	22+		
Tier 4	\$2.274	151-200%	\$2.258	49+						
Tier 5	\$2.956	Above 200%								
<b>Total Typical Bill, \$</b>	<b>\$54.50</b>		<b>\$66.06</b>		<b>\$70.26</b>		<b>\$71.61</b>		<b>\$73.85</b>	

Bills are for average Single Family Dwelling, 3/4 inch meter, 29 Ccf/month



\* Valencia Water Total includes a PUC surcharge of 1.5% and a Revenue Adjustment Surcharge of \$.056

\*\* Receives annual property tax revenues

**Miscellaneous Fees** - On October 14, 2009 the CLWA Board of Directors approved the following schedule effective January 1, 2010:

<b>SCWD Miscellaneous Fees</b>	
	<b>Current Fees</b>
48 Hour Door Hanger Notice (1)	\$ 25.00
Late Charge (3)	\$ 10.00
Meter Re-check after 2 free checks (special reading at customer's request) -no charge if meter is inaccurate (1)	\$ 53.00
Meter Calibration by Bench Test (> 2" meters with testing valve in place)-no charge if meter is inaccurate (1)*	\$ 205.00
Meter Calibration by Bench Test (Up to 2" meters)-no charge if meter is inaccurate (1)*	\$ 112.00
Hydrant Meter Deposit (includes Eddy valve) (2)	\$ 1,100.00
Hydrant Meter Deposit (without Eddy valve) (2)	\$ 900.00
Hydrant Meter Processing Fee (1)	\$ 25.00
Meter Tampering/Illegal Connection Penalty (4)	\$ 1,000.00 plus estimated water use
Return Check Charge (1)	\$ 43.00
Service Reconnection-after business hours (1)	\$ 82.00
Service Reconnection-regular business hours (1)	\$ 44.00
Cut Lock Charge (2)	\$ 6.90
Pulled Meter Charge (1)	\$ 23.00
<p>Notes:</p> <ol style="list-style-type: none"> <li>1. Based on actual time for labor with benefits and equipment required for the service.</li> <li>2. Based on actual material costs.</li> <li>3. Cost of sending a late notice reminder through our billing outsource vendor, and staff's labor time with benefits.</li> <li>4. To discourage illegal activities.</li> </ol> <p>* SCWD has the meter calibrated after the meter has been rechecked three times and the customer still disagrees with the results.</p>	

**Impact Capacity Fees** – SCWD’s Impact Capacity Fees (formerly known as Offsite Production and Storage Fees) are billed to developers seeking new service connections to reimburse SCWD for the costs of backbone facilities that store and deliver water to a local development. Any updates to the impact fees must be defensible, in compliance with state laws and consistent with industry practices. The prior fees had two cost components and were based on the value of capacity in groundwater production well sites and in water storage facilities.

Impact Capacity Fees include the costs for production, storage and transmission, based on methods endorsed by the American Water Works Association (AWWA) and presented in the Water Rate AWWA Manual M1. They are consistent with California Government Code requirements promulgated under AB1600, including Government Code Section 66013. The Impact Capacity Fees, also known as System Development Charges, assign the capacity cost of growth to those entities causing the growth rather than to existing customers, thus insulating existing customers from capital costs associated with system growth. The fees are based on both the replacement value of existing but unused assets held for the benefit of new customers and the projected cost of future expansion related projects in the 2008 Water Master Plan. The value of existing assets is calculated using the equity buy-in method, and the value of future facilities is calculated using the incremental future capacity method.

The following Impact Capacity Fees were approved by the CLWA Board of Directors on November 11, 2009 and took effect February 1, 2010.

<b>SCWD Impact Capacity Fees</b>	
<b>Meter Size</b>	<b>Current Fees</b>
5/8" x 3/4"	\$ 2,047
3/4"	\$ 2,047
1"	\$ 3,699
1 1/2"	\$ 7,143
2"	\$ 12,567
3"	\$ 21,430
4"	\$ 36,816
6"	\$ 95,234
8"	\$ 132,561

**Revenue Sources**

SCWD’s revenue sources are as follows:

- ◆ **Retail Water Sales** – SCWD bills approximately 28,550 active customers monthly for water consumption, which consists of a combination of groundwater pumped from our production wells and imported water purchased from CLWA. SCWD charges a flat meter service charge based on the meter size plus a water commodity charge that includes our local SCWD water usage charge and pass-through charges for purchased water from CLWA and power purchased from Southern California Edison.

To encourage conservation, SCWD implemented a three-tiered rate structure for Single Family Residential Customers effective January 1, 2010. Irrigation Customers have a flat third tiered rate and all Other Customer categories have a flat second tiered rate from the Single Family Residential Customer tiered rate structure. The retail water sales revenues are used to pay for operating expenses and capital improvement projects and fund reserve target levels.

- ◆ **Miscellaneous Fees** – The miscellaneous fees revenue is used to recover actual costs of staff time and material.
- ◆ **Impact Capacity Fees** – The Impact Capacity Fees are paid by future developers and the revenues are strictly used for future expansion related capital improvement projects. They are not used for existing system upgrades that benefit existing customers. This source of revenue is difficult to project due to its heavy reliance on developers' plans, which, in turn, are based on variable real estate demands. The Impact Capacity Fees revenues are not included as part of the Operating Revenues budget.

### **Financial Policies**

SCWD's Financial Policies includes some of the same policies as CLWA and certain separate policies specific to SCWD. SCWD utilizes the same Investment Policy, Derivatives Policy and Build America Bonds Compliance Policy as CLWA. SCWD has a separate Reserve Fund Policy, Debt Management Policy and Purchasing and Bidding Policy. All the financial policies are included in the Appendices.

### **Reserve Fund Policy**

SCWD has a policy for funding two reserve funds established in January 2004 to be fully funded by June 2014. They are the Operating Expense Fund and Rate Stabilization Fund.

- ◆ **Operating Expense Fund** – Covers unscheduled costs relating to the operations of the retail water system including, but not limited to, unforeseen repairs, emergencies, unexpected increases in treatment costs, regulatory changes and unforeseen legal expenses. The target amount is 25% of annual operating budget.
- ◆ **Rate Stabilization Fund** – Covers variations in water sales resulting from unusual seasons, major consumption reduction due to voluntary conservation and to correct for net loss of revenues in the event of a catastrophic loss of imported water supplies, which serves to defer rate increases due to temporary reductions in water sales. Currently the Rate Stabilization Fund is set at 2% of annual revenues.

SCWD will consider adding a Capital Reserve Fund in the near future to cover any unexpected and emergency infrastructure repairs.

## **Investment Policy**

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

## **Debt Management Policy**

On October 14, 2009, the Agency Board of Directors approved SCWD’s 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 Build America Bonds Compliance Policy supplement the Debt Management Policy.

## **Purchasing and Bidding Policy**

On April 14, 2010, the Agency Board of Directors approved SCWD’s Purchasing and Bidding Policy to more cost effectively and efficiently construct works of improvement and acquire goods and services needed for the operation, maintenance and improvement of the retail system. SCWD’s Purchasing and Bidding Policy distinguishes retail procurement and contracting procedures from those followed for CLWA’s wholesale operations and is designed in accordance with the County Water District Law (Water Code Section 30000 et seq.).

## **Long-Term Commitments**

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

### **Interfund Loan**

CLWA acquired Santa Clarita Water Company’s (SCWC) stock through condemnation in September 1999. CLWA acquired SCWC’s stock in 1999 at a purchase price of \$63 million. The acquisition was treated as an Interfund Loan. At the time of the purchase, the CLWA Financial Advisor prepared a financial analysis of SCWC’s cash flow. This analysis showed that it was financially feasible to fund the acquisition of the company with its own revenue stream. Santa Clarita Water Division (SCWD) is repaying the loan plus interest at a rate of 5.04%. SCWD began making payments on the loan in FY 2000/01. In 2006, the Board of Directors formally adopted a payment schedule that includes quarterly payments to minimize accrued interest, smoothes payments throughout each fiscal year and allows the growth in customers to fund the increase in payments. This schedule is intended to provide financial stability to both CLWA and SCWD and consistent and definitive information for long-range forecasts. The payments increase by \$100,000 each fiscal year with the provision that, if necessary due to financial condition of the retail division, SCWD may make payments for interest only or pay an amount in excess of the scheduled payment. The interest rate would remain the same at 5.04%.

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

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

### **Certificates of Participation (COPs)**

COPs were issued to finance 80% of SCWD's capital improvement program for FY 2009/10 to FY 2011/12 with the remaining 20% from the 2010 to 2012 retail water rates. The following is a summary of the two issues to date. Additional information and a full payment schedule are provided in the Long Term Commitments section of the budget.

#### **2010B**

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

The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The balance at the end of FY 2011/12 is \$14,230,000. Payments totaling \$961,088 are due during FY 2012/13.

#### **2011A**

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

The balance at the end of FY 2011/12 is \$52,290,000 since the first principal payment in the amount of \$1,200,000 will not be due until FY 2012/13. Payments totaling \$3,632,963 are due during FY 2012/13.

### **Basis of Budgeting**

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

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

## **Water Enterprise Fund**

SCWD uses the Enterprise Fund to account for SCWD's retail water operations including the amount of funds advanced from CLWA to fund the original purchase of SCWC. SCWD also uses the Enterprise Fund to pay the COP Series 2010B and Series 2011A Revenue Bond debt service.

## **Budgetary Control**

The Agency Board of Directors annually adopts a balanced operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the SCWD retail operations and capital projects. The Retail Operations Committee monitors the budget through monthly Finance and Expenditures reports, Quarterly Investment reports, Midyear Budget report and Comprehensive Annual Financial Report (CAFR). The Retail Manager is authorized to direct the Retail Administrative Officer to transfer within the Enterprise Fund as long as the amount does not exceed the total current budget amount.

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

## **Budget Process**

The budget planning and preparing process is an important SCWD activity and provides an opportunity for the Retail Operations Committee, Board of Directors, management and staff to assess goals and objectives for the upcoming and future years. Starting with FY 2010/11 budget and a key part of each year's budget process is the use of a strategic plan specific to SCWD to relate the mission statement to annual work program objectives to be achieved during FY 2012/13 and in the future.

During March and April of each year, management and staff update current and develop new objectives for the upcoming fiscal year. The objectives are discussed and refined with the Retail Operations Committee and CLWA Board of Directors in April and May. The process is used to develop the Preliminary Budget which is presented to the Retail Operations Committee and subsequently the CLWA Board of Directors in May. This is the initial review of the budget by CLWA Board of Directors. The Board reviews the Preliminary Budget and recommends changes as it deems appropriate.

During April, the Board of Directors holds a Strategic Planning Workshop to refine the Strategic Plan and finalize the objectives for the upcoming fiscal year. This is the basis for the Final Budget. Staff revises and updates the Preliminary Budget reflecting the Board's direction and submits it as the proposed Final Budget in June for Board review and adoption. The Final Budget is approved by motion and majority vote of the Board. All of these meetings are posted for public participation.

The Preliminary FY 2012/13 Budget is posted on both SCWD's and CLWA's websites to allow for public review. The Final FY 2012/13 Budget is also posted on both SCWD's and CLWA's websites after it is adopted and published.

## **Strategic Planning**

Annually management participates in a strategic plan workshop with the Board. This year the workshop was held on April 20 and 21, 2012, and the results of both the staff and Board strategic plan workshops are included in this FY 2012/13 Budget.

## **Performance Measurement**

The Strategic Plan and fiscal year objectives are the basis for performance measurement. Major accomplishments for the previous fiscal year are reported in the Budget. During the fiscal year, staff reports to the ROC on the status of all objectives at midyear and at yearend, allowing the ROC to monitor progress and adjust priorities as necessary. Performance and financial measures are included in the Performance Measurement section.

## **Balancing the Budget**

A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. In developing the FY 2012/13 Budget, management reviews the short-term and long-term forecast information to develop a budget that balances anticipated revenues and expenditures.

## **Capital Budget Process**

The fiscal year capital budget is generally based on the 2008 SCWD Water Master Plan. The 2008 Water Master Plan was prepared to recommend and prioritize capital improvements based on long-range planning efforts through analysis and assessment of the capacity of existing and planned infrastructure with respect to established design criteria. Major considerations in the development of the recommended improvements include water sources, condition of existing facilities, pumping efficiency and operational parameters determined by management and staff. SCWD will be reviewing and updating the 2008 Water Master Plan in 2013.

The CIP projects are identified as either maintenance-related for projects that require repairs to maintain the system or to improve the existing system for current users, or expansion-related for projects that are for future growth due to new development. 20% of the overall FY 2009/10 to 2011/12 maintenance-related projects that benefit existing users are funded through the retail water rates and 80% are funded through COP financing. The expansion-related projects are funded through the Impact Capacity Fee Fund that are collected from various development projects.

The CIP projects for FY 2012/13 are funded from the 2012 savings of \$2.3 million from refinancing of CLWA Interfund Loan and additional savings through staff's efforts of minimizing expenses and carefully monitoring both capital and operating expenditures through FY 2011/12.

Projected CIP projects for FY 2013/14 to FY 2016/17 will be included in the next rate analysis, which is anticipated to be presented to the Retail Operations Committee and the CLWA Board by the summer of 2013.



## **Capital Projects**

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

- ◆ **Capital Improvement Projects**. The acquisition of land, facilities, works, improvements and supplies of water, and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Capital improvement projects are typically included in the 2008 Water Master Plan.
- ◆ **Repair and Replacement Projects**. Any repair or replacement to SCWD's existing water infrastructure that extends the life a minimum of five years or more and costs \$5,000 or more.
- ◆ **Capital Planning, Studies and Administration**. The initial planning costs of future capital improvement projects such as site feasibility studies and permit requirement, etc.
- ◆ **Capital Equipment**. The purchase of fixed asset equipment with a cost of \$5,000 or more and has a life of more than five years.

## **Capital Improvement Project Cost Allocation**

The repair and replacement capital improvement projects for FY 2012/13 are funded from the 2012 savings of \$2.3 million from refinancing of CLWA Interfund Loan and additional savings through staff's efforts of minimizing expenses and carefully monitoring both capital and operating expenditures through FY 2011/12.

## **Risk Management**

SCWD strives to minimize losses through its safety and training programs and through its risk transfer and its risk management programs. SCWD has adopted and follows a Risk Transfer Manual. The Risk Transfer Manual recognizes that a critical step in minimizing the exposure to loss is to execute effective risk transfer. SCWD uses the same Agency standard contracts to minimize potential liability exposures by transferring the legal and financial responsibility for losses to the party best able to control them.

## **Insurance**

SCWD is a member of the Association of California Water Agencies Joint Power Insurance Authority (JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The JPIA arranges and administers programs of insurance for the pooling of self-insured losses, and purchases excess insurance coverage for its members. As of June 30, 2010, the Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA are as follows:

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

- ◆ Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss; otherwise such losses are paid on an actual cash value basis, subject to a \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$100,000,000 per occurrence.
- ◆ Workers compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law and employer's liability coverage up to \$4,000,000. The JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.

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

## **Employee Compensation**

### **Salaries**

General wage increases are established by a program of alternating cost-of-living adjustments (COLAs) and market surveys. The program is for market surveys to be performed every other year and for resulting general wage increases to be implemented in July with a new fiscal year. In the intervening years, the Board of Directors review Consumer Price Index (CPI) and other relevant information and, where appropriate, grant COLA in July.

Due to the continuing economic downturn, the Board of Directors decided there will not be a COLA increase in 2012 and deferred the market survey to early 2013. The Board of Directors values the Agency's employees and their contributions but wants to ensure that the Agency continues to be fiscally sound.

Year	COLA Increase	Effective
2012	None	
2011	2%	January 1, 2011
2010	None	July
2009	None	July

## Retirement

SCWD is a member of the California Public Employees Retirement System (PERS). For FY 2012/13, PERS will require SCWD to pay the employer contribution at a rate of 13.104%, an increase from the FY 2011/12 rate of 12.954%. SCWD also pays the employee's contribution of 7%, which brings SCWD's total contribution to 20.104% in FY 2012/13.

Fiscal Year	Employer Contribution
2013/14	13.4% (projected)
2012/13	13.104%
2011/12	12.954%
2010/11	11.983%
2009/10	11.935%
2008/09	11.935%
2007/08	11.975%
2006/07	12.293%
2005/06	12.180%

## Health Insurance

SCWD provides a range of medical insurance plans through PERS under the Agency's membership. Recent increases in medical insurance costs have been relatively modest because PERS converted from statewide rates to zone rates and rates in Southern California tend to be less than in northern California. The FY 2012/13 Budget assumes an increase of 15% effective January 1, 2013. The Agency is currently reviewing its medical insurance program to ensure long-term fiscal stability.

Calendar Year	Change from Previous Year – Blue Shield Family Premium
2013	15.00% (projected)
2012	04.01%
2011	17.00%
2010	03.00%
2009	03.60%
2008	10.10%
2007	13.80%
2006	08.77%
2005	(08.71%)

Dental and vision insurance are provided through the Association of California Water Agencies (ACWA). The actual 2012 rate increase for dental insurance was 4.23% from prior year and FY 2012/13 Budget assumes an increase of 5% effective January 1, 2013. No rate increase for vision insurance is anticipated in 2013.

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

SCWD offers full medical and dental insurance to retirees and their dependents. In FY 2011/12, SCWD funded nine retirees.

The Governmental Accounting Standards Board (GASB) recently published Statement No. 45, requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as SCWD (beginning with the fiscal year ending June 30, 2009), to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. SCWD offers post-employment health care benefits (medical and dental), which have historically been funded on a pay-as-you-go basis. Beginning in FY 2008/09, SCWD implemented partial pre-funding for retiree health insurance (10% of salaries) only on shared employee services with CLWA and instructed staff to further address the liability. In FY 2009/10, SCWD implemented pre-funding for all SCWD's retiree health insurance and now fully prefunds the ARC (annually required contribution) on an annual basis. In FY 2010/11 and FY 2011/12, SCWD's pre-funding rate was 11.5% of salaries. The projected FY 2012/13 pre-funding rate is 12.5% of salaries.

## **Workers' Compensation Insurance**

SCWD receives Workers' Compensation insurance from the ACWA Joint Powers Insurance Authority (ACWA-JPIA). Premiums are based on CLWA's and SCWD's size and experience ratings. The JPIA uses the same formula developed by the Workers' Compensation Insurance Rating Bureau to generate an experience modification factor that reflects CLWA and SCWD's loss experience in comparison with other employers in the same classifications. Premiums are paid quarterly based on actual payroll for the previous quarter. The rates vary by employee classification. No increase is anticipated for FY 2012/13.

## **Community Profile**

The Santa Clarita Valley is located in the northwestern portion of Los Angeles County approximately 35 miles from downtown Los Angeles. Santa Clarita is the fourth largest city in Los Angeles County with an approximate population of 176,971 in January 2011 and is the 24th largest city in the State of California.

The Santa Clarita Valley is part of a comprehensive transportation network, which includes three major freeways, three Metrolink commuter rail stations in Santa Clarita which carries more than 2,200 passengers a day to and from the San Fernando Valley and Downtown Los Angeles. The City of Santa Clarita Transit Commuter Express also offers a convenient and comfortable way to travel to Los Angeles, Warner Center, Van Nuys, Century City and the Antelope Valley where commuters are able to transfer to the Metro. The City also has over 60 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 and Hurricane Harbor amusement park and Gene Autry's Melody Ranch. SCWD's service area includes Placerita Canyon Nature Center and is adjacent to the Angeles National Forest. It is also near Castaic Lake and Vasquez Rocks County Park.

Also located in the Santa Clarita Valley are the 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 business. Maintenance of a highly supportive environment for business development is achieved through the cooperation of the local Chamber of Commerce and the City government. In addition, companies benefit greatly from the area's land and leasing opportunities, as well as from the highly-skilled labor pool, variety of transportation choices, housing, quality of life, climate, and scenery. As of July 2010, over 200 businesses are participating in the Santa Clarita Enterprise Zone, resulting in the creation of over 1,700 jobs. Santa Clarita continues to have one of the lowest unemployment rates in Los Angeles County. 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, Quest Diagnostics, Newhall School District and The Master's College.

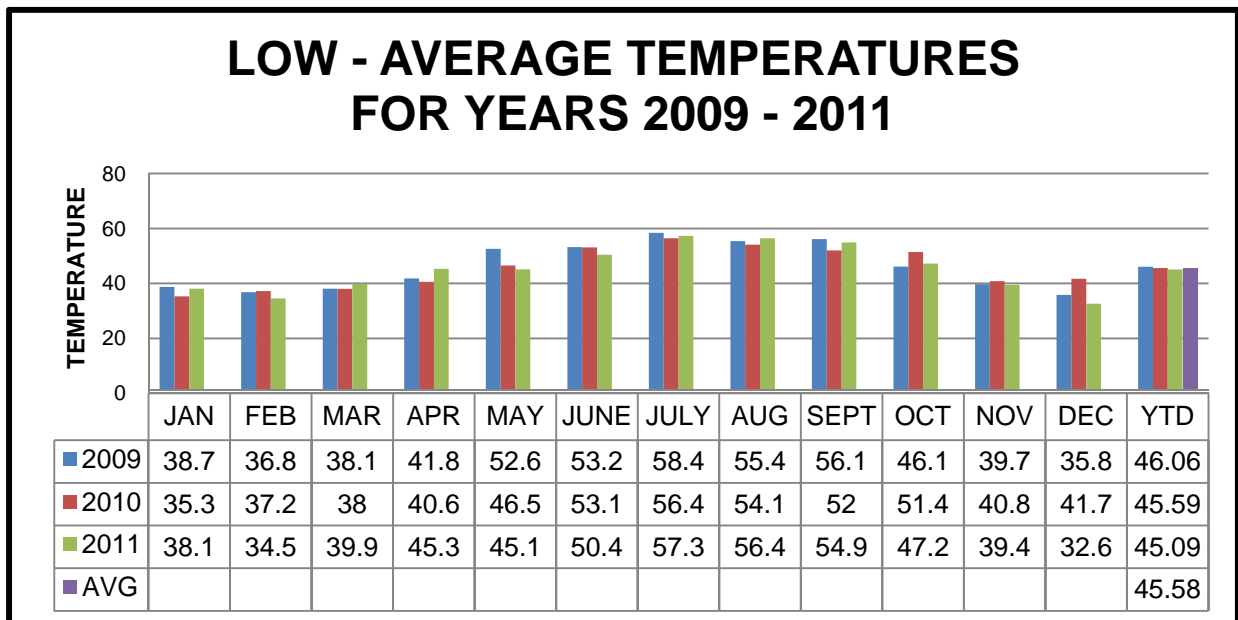
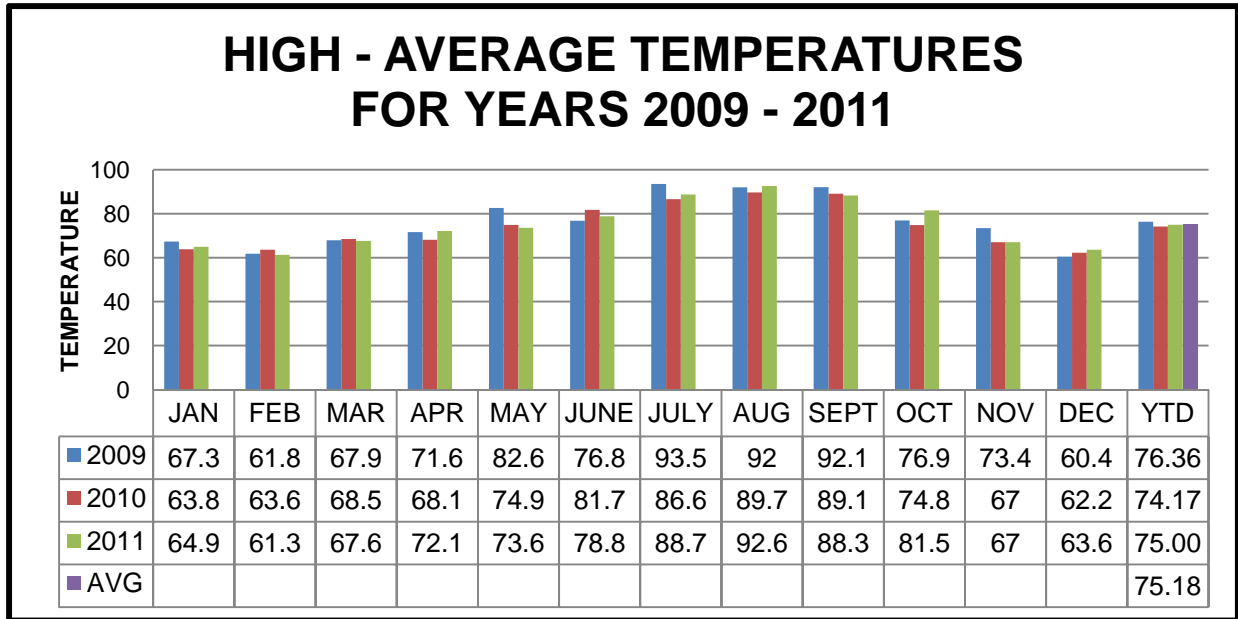
### **Economy**

Los Angeles County is not immune to the national and world economic downturn and, as a result, March 2012 unemployment rate was 11.9% compared to the State of California's 10.9% (California Labor Market Information). In May 2011, the unemployment rate for the City of Santa Clarita was 7.1%.

**Santa Clarita Valley Climate**

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

**Average High/Low Temperatures from 2009 to 2011**



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

The long-term average precipitation is 22.43 inches (1981-2011). In general, periods of less-than-average precipitation have been longer and more moderate than periods of greater-than-average precipitation. The precipitation records were taken from Newhall-Soledad 32c gage and the KCANEWHA2 gage.

The short-term average precipitation is 23.78 inches for 2009, 2010 and 2011. There was zero precipitation during July to September 2009, June to September 2010 and August and September 2011.

YEAR	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
2009	0.69	6.78	1.18	0.07	0.01	0.03	0.00	0.00	0.00	4.04	0.08	4.28	17.16
2010	9.13	4.96	0.69	2.40	0.07	0.00	0.00	0.00	0.00	1.34	1.87	11.97	32.43
2011	0.96	5.36	8.86	0.12	0.74	0.04	0.01	0.00	0.00	1.97	2.50	1.19	21.75
AVG													23.78

### **Conservation**

SCWD has taken a proactive approach to water conservation and establishing a permanent water use efficiency ethic in both its service area and the Santa Clarita Valley. SCWD's goals are to maximize the availability of existing water supplies, comply with the requirements of SBX7-7 to reduce daily per capita demand by 20 percent by 2020 and promote responsible stewardship of our water resources.

Beginning in 2009, SCWD, together with CLWA and the other local water retailers began to execute key conservation programs that target residential landscapes and commercial, industrial and institutional customers. To compliment these programs, SCWD has also initiated programs that provide incentives to smaller homeowner associations to reduce landscape irrigation and to our customers to reduce both indoor and outdoor water use.

SCWD is a member of the Family of Water Suppliers, [www.scvh2o.org](http://www.scvh2o.org), and the Santa Clarita Valley Water Committee. Together these groups are committed to monitoring and improving water use efficiency in the Santa Clarita Valley to create a more sustainable environment for the future.

Public outreach is a critical component to our conservation efforts. SCWD participates in a variety of community events (Home and Garden Show, Earth/Arbor Day, Water Awareness, River Rally, etc.) as well as neighborhood expos and Make-A-Difference Day. SCWD provides water conservation tips on its newly re-designed website, [www.scwater.org](http://www.scwater.org), and on monthly bills, maintains a Facebook page and provides a quarterly e-newsletter. SCWD has also wrapped one of its Water Quality vans with messages that encourage conservation. This mobile signage can be seen throughout SCWD's service area as our employees collect water samples throughout our distribution system.

**FY 2012/13  
BUDGET CALENDAR**

<b>April 2</b>	<b>Retail Operations Committee</b> Review of proposed fiscal year Actions.
<b>April 17</b>	<b>Finance and Administration Committee</b> Provide direction for the upcoming FY Budget.
<b>April 20-21</b>	<b>Board of Directors</b> Develop Strategic Plan.
<b>April 30</b>	<b>Retail Operations Committee</b> Review SCWD Preliminary FY Budget.
<b>May 23*</b>	<b>Board of Directors</b> Presentation of SCWD Preliminary FY Budget and approval of Final FY Budget
<b>*Note</b>	Normally the Preliminary FY budget is presented in May and the Final FY Budget is presented in June after revisions are made based on the Board's input. The Board did not have any recommended revisions to the Preliminary FY 2012/13 Budget; therefore, the Final FY 2012/13 Budget was approved on May 23, 2012 after presentation of the Preliminary FY Budget.