

Facility Capacity Fee
10-year Forecast
(in millions)

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Fund Balance, Beginning	\$ 40.38	\$ 26.89	\$ 16.17	\$ 8.68	\$ 9.00	\$ 10.31	\$ 12.43	\$ 15.47	\$ 19.51	\$ 24.64
RESERVES										
Debt Service Reserves	\$ -	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)
Previous Agency Reserve Requirement	(18.82)	-	-	-	-	-	-	-	-	-
Total Reserves	\$ (18.82)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)	\$ (7.89)
Net Available	\$ 21.56	\$ 19.00	\$ 8.28	\$ 0.79	\$ 1.11	\$ 2.42	\$ 4.54	\$ 7.58	\$ 11.62	\$ 16.75
REVENUES										
Facility Capacity Fees	\$ 3.50	\$ 5.00	\$ 10.00	\$ 17.84	\$ 18.62	\$ 19.43	\$ 20.28	\$ 21.16	\$ 22.08	\$ 23.05
Investment Revenues, non-SCWD	0.20	0.09	0.24	0.13	0.25	0.20	0.17	0.19	0.24	0.34
Investment, SCWD payment	1.18	1.16	1.13	1.10	1.07	1.03	0.99	0.94	0.89	0.83
Total Revenues	\$ 4.88	\$ 6.25	\$ 11.37	\$ 19.07	\$ 19.94	\$ 20.66	\$ 21.44	\$ 22.29	\$ 23.21	\$ 24.22
EXPENDITURES										
Debt Service	\$ (18.82)	\$ (17.48)	\$ (19.44)	\$ (19.40)	\$ (19.36)	\$ (19.35)	\$ (19.28)	\$ (19.22)	\$ (19.15)	\$ (19.08)
Total Expenditures	\$ (18.82)	\$ (17.48)	\$ (19.44)	\$ (19.40)	\$ (19.36)	\$ (19.35)	\$ (19.28)	\$ (19.22)	\$ (19.15)	\$ (19.08)
Fund Balance, Available	\$ 7.62	\$ 7.77	\$ 0.21	\$ 0.46	\$ 1.69	\$ 3.73	\$ 6.70	\$ 10.65	\$ 15.68	\$ 21.89
Add Back:										
SCWD Payment	\$ 0.45	\$ 0.51	\$ 0.58	\$ 0.65	\$ 0.73	\$ 0.81	\$ 0.88	\$ 0.97	\$ 1.07	\$ 1.16
Available Fund Balance, ending	\$ 8.07	\$ 8.28	\$ 0.79	\$ 1.11	\$ 2.42	\$ 4.54	\$ 7.58	\$ 11.62	\$ 16.75	\$ 23.05

One Percent Property Tax Revenues
10-year Forecast
(in millions)

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Fund Balance, Beginning	\$ 52.66	\$ 59.71	\$ 63.90	\$ 67.04	\$ 67.25	\$ 75.58	\$ 89.48	\$ 98.34	\$ 107.41	\$ 116.71
RESERVES										
Debt Service Reserve	\$ -	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)	\$ (2.18)
Capital Reserve	-	(15.44)	(16.63)	(16.81)	(17.30)	(17.21)	(17.73)	(18.26)	(18.81)	(19.37)
Economic Uncertainties (liquidity)	-	(33.05)	(33.05)	(32.92)	(34.84)	(36.88)	(37.98)	(39.12)	(40.29)	(41.50)
Previous Agency Reserve Requirement	(40.75)	-	-	-	-	-	-	-	-	-
Total Reserves	\$ (40.75)	\$ (50.67)	\$ (51.86)	\$ (51.91)	\$ (54.32)	\$ (56.27)	\$ (57.89)	\$ (59.56)	\$ (61.28)	\$ (63.05)
Net Available	\$ 11.91	\$ 9.04	\$ 12.04	\$ 15.13	\$ 12.93	\$ 19.31	\$ 31.59	\$ 38.78	\$ 46.13	\$ 53.66
REVENUES										
1% Property Tax Revenues	\$ 19.95	\$ 18.85	\$ 19.22	\$ 19.61	\$ 20.00	\$ 20.40	\$ 20.81	\$ 21.22	\$ 21.65	\$ 22.08
Settlement Agreement Reimbursement (CIP)	0.25	-	0.23	-	0.60	5.83	-	-	-	-
Settlement Agreement Reimbursement (O&M)	0.11	0.11	0.11	0.11	0.12	0.12	0.12	0.13	0.13	0.13
Investment Revenues, non-SCWD	0.38	0.86	0.96	1.01	2.61	2.87	3.35	3.63	3.91	4.21
Investment, SCWD payment	1.77	1.74	1.70	1.65	1.60	1.54	1.48	1.41	1.33	1.25
Adjustments	1.59	-	(2.38)	-	-	-	-	-	-	-
Total Revenues	\$ 24.05	\$ 21.56	\$ 19.84	\$ 22.38	\$ 24.93	\$ 30.76	\$ 25.76	\$ 26.39	\$ 27.02	\$ 27.54
EXPENDITURES										
Debt Service	\$ (5.88)	\$ (4.90)	\$ (5.17)	\$ (5.16)	\$ (5.15)	\$ (5.15)	\$ (5.13)	\$ (5.12)	\$ (5.10)	\$ (5.08)
Major Capital Projects	(0.01)	(0.23)	(0.60)	(5.83)	-	-	-	-	-	-
Minor Capital Projects	(1.87)	(2.26)	(2.23)	(2.30)	(2.37)	(2.44)	(2.51)	(2.59)	(2.67)	(2.75)
Planning, Studies Admin, less BV/RRB Water	(2.65)	(2.99)	(2.59)	(2.55)	(2.50)	(2.44)	(2.51)	(2.59)	(2.66)	(2.74)
BV/RRB Water	(5.71)	(5.83)	(6.12)	(6.42)	(6.74)	(7.08)	(7.43)	(7.81)	(8.20)	(8.60)
New Capital Equipment	(0.33)	(0.37)	(0.29)	(0.30)	(0.31)	(0.32)	(0.33)	(0.34)	(0.35)	(0.36)
Repair and Replacement Projects	(0.28)	(1.28)	(0.28)	(0.29)	(0.30)	(0.31)	(0.32)	(0.33)	(0.34)	(0.35)
Saugus 1 and 2 Wells MOU	-	(0.28)	(0.29)	(0.30)	(0.32)	(0.33)	-	-	-	-
Rate Stabilization	(0.94)	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ (17.67)	\$ (18.14)	\$ (17.57)	\$ (23.15)	\$ (17.69)	\$ (18.07)	\$ (18.23)	\$ (18.78)	\$ (19.32)	\$ (19.88)
Fund Balance, Available	\$ 18.29	\$ 12.46	\$ 14.31	\$ 14.36	\$ 20.17	\$ 32.00	\$ 39.12	\$ 46.39	\$ 53.83	\$ 61.32
Add Back:										
SCWD Payment	0.67	0.77	0.87	0.98	1.09	1.21	1.33	1.46	1.60	1.74
Available Fund Balance, ending	\$ 18.96	\$ 13.23	\$ 15.18	\$ 15.34	\$ 21.26	\$ 33.21	\$ 40.45	\$ 47.85	\$ 55.43	\$ 63.06

General Fund -
Operating
5-year Forecast

	Estimated FY 2009/10	Budget FY 2010/11	Projected FY 2011/12	Projected FY 2012/13	Projected FY 2013/14	Projected FY 2014/15
Fund Balance, Beginning	\$ 300,000	\$ 100,000	\$ 1,114,400	\$ 1,387,777	\$ 1,669,841	\$ 1,904,574
RESERVES						
Operating Reserves	\$ -	\$ -	\$ (726,000)	\$ (1,452,000)	\$ (2,195,776)	\$ (2,957,719)
Net Available	\$ 300,000	\$ 100,000	\$ 388,400	\$ (64,223)	\$ (525,935)	\$ (1,053,145)
REVENUES						
Water Sales - Purveyors - Variable	\$ 11,449,400	\$ 16,058,000	\$ 17,772,480	\$ 19,520,358	\$ 21,292,638	\$ 22,520,636
Water Sales - Ranch	6,400	6,700	7,035	7,387	7,756	8,144
Water Sales - Recycled	134,600	139,200	146,160	153,468	161,141	169,198
Water Sales - Saugus 1 and 2	-	385,400	404,670	424,904	446,149	468,456
Laboratory Revenues	95,100	95,000	96,900	98,838	100,815	102,831
Communications Revenues	153,100	150,000	157,500	165,375	173,644	182,326
Settlement Agreement O&M	28,500	28,500	29,925	31,421	32,992	34,642
Investment Revenues	-	-	25,000	25,000	25,000	25,000
Miscellaneous Revenues	146,000	-	-	-	-	-
Total Revenues	\$ 12,013,100	\$ 16,862,800	\$ 18,639,670	\$ 20,426,750	\$ 22,240,135	\$ 23,511,234
EXPENDITURES						
Management	\$ (1,028,400)	\$ (1,442,300)	\$ (1,520,272)	\$ (1,596,285)	\$ (1,676,100)	\$ (1,759,905)
Administration	(3,329,900)	(3,706,300)	(4,129,369)	(4,335,837)	(4,552,629)	(4,780,260)
Engineering	(697,200)	(554,200)	(598,492)	(640,386)	(685,213)	(733,178)
Maintenance	(2,129,200)	(2,502,300)	(2,651,126)	(2,783,682)	(2,922,867)	(3,069,010)
Water Quality Compliance	(936,300)	(1,045,800)	(1,109,409)	(1,164,879)	(1,223,123)	(1,284,280)
Water Resources	(1,604,600)	(2,719,200)	(3,244,208)	(3,471,302)	(3,714,294)	(3,974,294)
Water Treatment Operations	(3,429,200)	(4,153,400)	(4,676,272)	(5,003,611)	(5,353,864)	(5,728,635)
Transfers to Reserves	-	(726,000)	(726,000)	(743,776)	(761,943)	(780,510)
Total Expenditures	\$ (13,154,800)	\$ (16,849,500)	\$ (18,655,148)	\$ (19,739,760)	\$ (20,890,033)	\$ (22,110,071)
TRANSFERS						
Rate Stabilization	\$ 941,700	\$ -	\$ -	\$ -	\$ -	\$ -
Saugus 1 and 2 Wells MOU	-	275,100	288,855	303,298	318,463	334,386
Net Transfers	\$ 941,700	\$ 275,100	\$ 288,855	\$ 303,298	\$ 318,463	\$ 334,386
Available Fund Balance, Ending	\$ 100,000	\$ 388,400	\$ 661,777	\$ 926,065	\$ 1,142,631	\$ 682,403

Wholesale Water Rate Revenue
5-year Forecast

	Estimate FY 2010/11	Estimate FY 2011/12	Estimate FY 2012/13	Estimate FY 2013/14	Estimate FY 2014/15
Rate 1st 6 months of year	420	478	507	552	570
Rate 2nd 6 months of year	478	507	552	570	588
AF to be delivered *	40,400	40,400	41,289	42,197	43,125
Less Saugus Replacement Wells (start 09/10)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)
Net AF to be delivered	36,300	36,300	37,189	38,097	39,025
AF 1st 6 months of year (60%)	22,300	21,780	22,313	22,858	23,415
AF 2nd 6 months of year	14,000	14,520	14,876	15,239	15,610
Wholesale water rate (WWR) revenue, 1st 6 months of year	9,366,000	10,410,840	11,312,833	12,611,996	13,338,253
WWR revenue, 2nd 6 months of year	6,692,000	7,361,640	8,207,525	8,680,642	9,182,383
Total WWR Revenue **	\$ 16,058,000	\$ 17,772,480	\$ 19,520,358	\$ 21,292,638	\$ 22,520,636

* The 2005 UWMP predicts 2.2% growth through 2030. However, due to the current economic downturn and conservation, the forecast assumes no growth until FY 2012/13.

Rates highlighted and italicized are those adopted by the Board in FY 2009/10. Other rates are calculated to recover costs with a 5% contingency.

Wholesale Water Rate Revenue
5-year Forecast

	Estimate FY 2009/10	Estimate FY 2010/11	Estimate FY 2011/12	Estimate FY 2012/13	Estimate FY 2013/14	Estimate FY 2014/15
AF to be delivered (1)	35,849	40,400	40,400	41,289	42,197	43,125
Less Saugus Replacement Wells (2)	-	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)
Net AF to be delivered (3)	35,849	36,300	36,300	37,189	38,097	39,025
Growth in AF for imported water deliveries		1.26%	0.00%	2.45%	2.44%	2.44%

(1) The 2005 UWMMP predicts 2.2% growth through 2030.

However, due to the current economic downturn and conservation, the forecast assumes no growth until FY 2012/13.

(2) Saugus replacement wells go online in May 2009, will deliver 4,100 AF per year.

(3) This is net demand to be met by CLLWA.

**SCV Local Water Tour: Part 2
(cont.) –SCV Sanitation District**

Tour participants saw first-hand where treated recycled water was discharged into the Santa Clara River (top). Senior Water Resources Planner Jeff Ford talked about the impact of chloride on the river system (center).



**SCV Local Tour: Part 3 –
Perchlorate Treatment Plant**
Senior Engineer Jim Leserman gave an overview of the proposed containment project for the Perchlorate Treatment Plant.

Debt Coverage 5-year Forecast
FY 2010/11 Budget

	Estimated FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
REVENUES					
Facility Capacity Fees	\$ 3,500,000	\$ 5,000,000	\$ 10,000,000	\$ 17,840,000	\$ 18,617,824
1% Property Tax Revenues	19,952,400	18,846,300	19,223,226	19,607,691	19,999,844
SCWD Payment	4,080,000	4,180,200	4,279,800	4,380,000	4,480,200
Wholesale Water Sales	11,449,400	16,058,000	17,772,480	19,520,358	21,292,638
Investment revenues	575,300	947,100	1,201,092	1,135,721	2,865,373
Other Revenues (operating)	563,700	804,800	867,190	906,393	947,497
Settlement Agreement O&M)	134,100	134,100	138,123	142,267	146,535
Settlement Agreement (CIP)	250,000	-	225,000	-	600,000
Adjustments	1,589,300	-	-	-	-
Total Revenues	\$ 42,094,200	\$ 45,970,500	\$ 53,706,911	\$ 63,532,428	\$ 68,949,911
Operations and Maintenance Costs (Operations)	\$ 13,154,800	\$ 16,123,500	\$ 17,929,148	\$ 18,995,984	\$ 20,128,090
Total System Net Revenues	\$ 28,939,400	\$ 29,847,000	\$ 35,777,764	\$ 44,536,444	\$ 48,821,822
Senior Debt Service					
1994 COP	6,713,475	6,701,081	6,694,075	6,681,500	6,685,400
1999 COP	1,192,378	-	-	-	-
2001 COP	5,355,400	-	-	-	-
2004A COP	1,088,826	1,087,245	1,085,485	1,088,350	1,085,950
Total Senior Debt Service	\$ 14,350,079	\$ 7,788,326	\$ 7,779,560	\$ 7,769,850	\$ 7,771,350
Senior Debt Service Coverage	2.02	3.83	4.60	5.73	6.28
Net Revenues Available after Senior Debt Service	\$ 14,589,321	\$ 22,058,674	\$ 27,998,204	\$ 36,766,594	\$ 41,050,472
Subordinate Debt Service					
2004B COP	-	-	-	-	-
2006A COP	2,180,944	3,316,044	3,317,610	3,307,176	3,308,786
2006C COP	5,867,988	5,867,888	5,856,563	5,863,369	5,865,400
2008A COP	1,922,891	2,029,504	2,044,332	2,025,806	1,990,786
20010A COP	-	3,086,708	5,318,706	5,308,406	5,297,606
Total Subordinate Debt Service	\$ 9,971,823	\$ 11,213,436	\$ 11,218,505	\$ 11,196,351	\$ 11,164,972
Subordinate Debt Service Coverage	1.46	1.97	2.50	3.28	3.68
Revenues Available for Other Purposes	\$ 4,617,498	\$ 10,845,238	\$ 16,779,699	\$ 25,570,243	\$ 29,885,500
Total Subordinate Debt Service	\$ 9,971,823	\$ 11,213,436	\$ 11,218,505	\$ 11,196,351	\$ 11,164,972
20% of Subordinate Debt Service (Coverage Required)	\$ 1,994,365	\$ 2,242,687	\$ 2,243,701	\$ 2,239,270	\$ 2,232,994
Minimum Net Revenues After Senior Debt Service (120% Subordinate)	\$ 11,966,188	\$ 13,456,123	\$ 13,462,206	\$ 13,435,621	\$ 13,397,966
MINIMUM Net Revenues (Senior Debt Service + 120% Subordinate)	\$ 26,316,267	\$ 21,244,449	\$ 21,241,766	\$ 21,205,471	\$ 21,169,316
IMPLIED SENIOR DEBT COVERAGE PLEDGE (assuming Subordinate Pledge is met)	1.83	2.73	2.73	2.73	2.72

Notes on Debt Coverage 5-year Forecast
FY 2010/11 Budget

SCWD Interfund Loan Payment

The SCWD interfund loan payment is made to the Facility Capacity Fee fund (40%) and one percent property tax revenues (60%).

The loan payment consists of Investment Revenues and Principal payments.

For FY 2010/11, the breakdown is as follows:

Facility Capacity Fees principal	\$	514,100
Facility Capacity Fees interest		1,158,000
One percent property tax revenues principal		771,100
One percent property tax revenues interest		<u>1,737,000</u>
	\$	4,180,200

Investment Revenues

The Investment Revenues consist of Facility Capacity Fee and one percent property tax investment earnings, net of interest from the SCWD Interfund Loan.

Facility Capacity Fee fund investment earnings break down as follows:

SCWD Interfund Loan interest	\$	1,158,000
Other investment earnings		<u>91,100</u>
Total	\$	1,249,100

One percent property tax revenues investment earnings break down as follows:

SCWD Interfund Loan interest	\$	1,737,000
Other investment earnings		<u>856,000</u>
Total	\$	2,593,000

Debt Coverage Forecast Investment Earnings

Facility Capacity Fee fund non-SCWD investment earnings:	\$	91,100
One percent property tax revenues non-SCWD investment earnings:		<u>856,000</u>
	\$	947,100

FORECAST ASSUMPTIONS

One Percent Property Tax Revenues – 10-year forecast assumptions

Reserve Requirements

FY 2010/11 reserve amounts have been set at the targeted amount for Debt Service and Capital Reserves, and increased amounts of one percent property tax funding for the Reserves for Economic Uncertainties and Catastrophic Situations, to make up for a shortfall in Facility Capacity Fee funding of Reserves for Economic Uncertainties and Catastrophic Situations and a shortfall in General Fund funding of Operating Reserves. Each fiscal year, the Agency reviews the allocation of reserves between Facility Capacity Fees and one percent property tax revenues and adjusts it according to the upcoming fiscal year budget, funds balances, projected activities and other such items.

In general, the forecast assume an increase in reserve funding amounts of three percent per year. Capital reserves are based on a three-year average of expenditures which is then inflated by three percent per year.

One Percent Property Tax Revenues

One percent property tax revenues are dedicated to fund existing users' share of the COP debt and capital improvement projects and repair programs, as well as core non-SWP water supplies. FY 2010/11 revenues are estimated at \$18.8 million, assuming a decrease in assessed valuation of 5.6%, which is the same decreased experienced in FY 2009/10. This compares to Los Angeles County as a whole, where the County Assessor is projecting a one percent decrease in assessed valuation for FY 2009/10. From FY 2006/07 to FY 2007/08, the increase in the Agency's service area assessed value was approximately eight percent. For FY 2008/09, the assessed valuation increased by five percent.

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

For FY 2011/12 and thereafter, the forecast uses an increase of two percent per year.

A history of the change in service area assessed valuation is as follows:

Year	Change from previous year
FY 2009/10	(5.6%)
FY 2008/09	5.0%
FY 2007/08	9.2%
FY 2006/07	12.9%
FY 2005/06	19.3%
FY 2004/05	13.4%
FY 2003/04	12.9%
FY 2002/03	10.7%
FY 2001/02	10.7%
FY 2000/01	11.4%

Whittaker-Bermite Litigation Settlement Agreement Revenues

In May 2007, the Agency and the three Santa Clarita Valley purveyors settled a long-running lawsuit against the current and past owners of the former Bermite industrial site and approved a settlement agreement to remove perchlorate from the Santa Clarita Valley's groundwater aquifers. The water agencies estimate this settlement, when added to past settlements, will provide up to \$100 million on an undiscounted basis.

Settlement Agreement (CIP)

These revenues are reimbursement for the construction of capital improvement projects (CIP) necessary to treat the contaminated groundwater. The Agency finished constructing a perchlorate treatment plant and the associated pipelines (distribution project) in FY 2009/10. Reimbursements in the amount of \$18 million were received for these projects through FY 2008/09. Minimal revenues were received in FY 2009/10. The Agency will construct replacement wells in FY 2011/12 and beyond. The FY 2011/12 amount assumes reimbursement of design costs incurred in FY 2010/11. The FY 2012/13 and F 2013/14 amounts assume reimbursement of construction costs in the year following the expenditure.

Settlement Agreement (O&M)

These revenues are reimbursement for the operations and maintenance (O&M) for the perchlorate projects. For one percent property tax funding, the reimbursements is for legislative advocate services related to perchlorate. The FY 2010/11 amount of \$105,600 is inflated by three percent per year.

Investment Revenues, SCWD Payment

This represents the interest portion of the SCWD interfund loan payment per the payment schedule adopted by the Board in August 2006. 60% of the amount is allocated to one percent property tax revenues.

Investment Revenues, Other

Based on fund balances and assumes a 1.5 percent rate of return for FY 2010/11 through FY 2012/13, and then a four percent rate of return thereafter.

Debt Service

Reflects existing debt service schedule and allocation to existing users. Does not include any additional debt beyond the 2006C COP proceeds.

Capital Improvement Program

The Major Capital Projects expenditures reflect front-funding of perchlorate-related capital improvement projects. These projects are reimbursed in the year following the expenditure. For all others, except for the BV/RRB water purchase program, capital improvement costs are inflated by three percent per year.

BV/RRB Water Purchase

This item is funded in Capital Planning, Studies and Administration, but is shown separately. This uses the actual 2009 calendar year payment and then assumes five percent inflation per year.

SCWD Principal Payment

This represents the principal portion of the SCWD interfund loan payment per the payment schedule adopted by the Board in August 2006. 60% of the amount is allocated to one percent property tax revenues.

Adjustments

The FY 2011/12 forecast includes a one-time adjustment of (\$2,380,000). This provides for a return of payments by one potential annexing party. This payment was made in FY 2006/07 by one party seeking to annex into the Agency's service area. The annexing party paid for a proportionate share of the BV/RRB water purchase. Due to uncertainties in SWP supply reliability caused by certain court rulings in 2007, the Agency has deferred consideration of the potential annexations to retain for the time being the BV/RRB water for the existing service area. To be conservative in this financial forecast, it is assumed that all BV/RRB water would be required within the existing service area, the annexations would not be considered and the Agency would return the payment to the annexing party. *This is not a foregone conclusion and the Agency has not made any determination regarding potential annexations. This assumption represents a conservative financial forecast.*

Saugus 1 and 2 Wells MOU

Groundwater treatment of Saugus 1 and 2 wells became operational in late FY 2009/10. This operation is intended to contain the spread of perchlorate contamination emanating from the Whittaker-Bermite site and restoring a certain amount of lost pumping capacity due to the contamination. In accordance with the Memorandum of Understanding (MOU) between the Agency and the purveyors, the Agency will operate the wells and sell 4,100 AF of the water per year at the current operating and maintenance costs of extracting, disinfecting and delivering groundwater from the Saugus Formation. The MOU requires the Agency to provide 4,100 AF of water per year at the Saugus 1 and 2 well rate (currently \$94/AF). However, the wells are anticipated to provide 3,325 AF of water assuming a 12-month operation during FY 2010/11. In adopting the wholesale water rate structure in August 2009, the Board of Directors determined that the operating and maintenance costs incurred to deliver treated imported water under the provisions of the MOU be funded by one percent property tax revenues rather than wholesale water rates to avoid a subsidy among purveyors. For FY 2010/11, it is estimated that one percent property tax revenues will be used to fund the differential cost for 775 AF (4,100 AF less well production of 3,325 AF). The actual quantity of treated groundwater for FY 2010/11 will be used to determine the amount of one percent property tax revenues required to fund the MOU. For the FY 2010/11 Budget, the total cost is estimated to be \$275,100. The forecast increases this amount by five percent per year. It is assumed that additional well capacity will be available in FY 15/16 and this subsidy will no longer be required.



School Education Program

CLWA's Education Program features interactive student activities that present interesting and age-appropriate water treatment and conservation topics.

(Pictured: 1st grade)



Facility Capacity Fee Tax Revenues – 10-year forecast assumptions

Reserve Requirements

FY 2010/11 reserve levels and beyond have been set at the Debt Service Reserve amount. Ideally, Facility Capacity Fees should also contribute to the Reserves for Economic Uncertainties and Catastrophic Situations. However, due to the significant decrease in development activity and until updated fees are implemented in January 2011, Facility Capacity Fees can only fund the Debt Service Reserves.

Each fiscal year, the Agency reviews the allocation of reserves between Facility Capacity Fees and one percent property tax revenues and adjusts it according to the upcoming fiscal year budget, funds balances, projected activities and other such items.

For FY 2009/10 and thereafter, Facility Capacity Fee reserves are allocated in an amount equal to Facility Capacity Fee annual debt service. The remaining reserve requirement is allocated to one percent property tax revenues.

Facility Capacity Fees

Facility Capacity Fee revenues are estimated at \$3.5 million for FY 2009/10 and \$5 million for FY 2010/11, compared to FY 2008/09 revenues of \$1.8 million. This reflects the significant decrease in development activity in FY 2008/09 and FY 2009/10, but increasing activity in FY 2009/10 and FY 2010/11. The recent ten-year average for revenues is \$14 million per year. The FY 2009/10 revenues are based on receipts through April 30, 2010. The FY 2010/11 revenues assume the increase in development activity continues.

Facility Capacity Fee revenues are always difficult to estimate due to the unpredictable timing of receipts. Collection of this revenue depends heavily on development activity which, in turn, depends on real estate demands, the regional economic situation, land use planning activity, coordination with other projects and other difficult-to-estimate activity. This revenue stream will always demonstrate a “boom or bust” pattern and will always be difficult estimate. For this reason, even though there was a 70 percent increase in revenue from the past year to the current year, the FY 2010/11 revenue estimate assumes a more moderate increase.

The 2010 North Los Angeles County Real Estate and Economic Outlook published by the California Economic Forecast in April 2010 discusses that 2010 is a transition year for the economy, with economic expansion scheduled for 2011, and also predicts a rebound in residential construction with steadily improving demand for homes each year through 2013:

The housing recovery for existing home sales began in 2009 and will continue building momentum this year. However, the recovery in new housing production has been delayed until 2011. While the general economy shows improvement this year due to the rebound in resale housing, more time for production to rise is needed; consequently, a more convincing recovery in housing production occurs in 2011.

More specifically, for the Santa Clarita Valley:

The forecast calls for 540 new housing units to be started in the Santa Clarita Valley this year and 900 in 2011. Between 2010 and 2015, a total of 8,500 homes will be started. While this is our base forecast, it is conservative.

Based on this, the FY 2011/12 forecast is \$10 million per year, anticipating a continued increase in development activity.

Thereafter, the forecast assumes an annual amount equal to annual average amount of revenue to be collected through 2050, as calculated by the Data Document.

The Data Document to develop the Agency's Facility Capacity Fees is dated November 12, 2008, and provides the basis for the fees that went into effect on January 12, 2009. The forecast takes the total amount to be collected between FY 2012/13 and FY 2049/2050 and calculates an annual amount. This results in an annual amount of \$17.8 million for FY 2012/13. This same annual amount is used in subsequent years, but inflated at the 4.36% rate of inflation used in the November 12, 2008 Data Document.

Through June 30, 2009, more than \$235.8 million of facility capacity fees have been collected.

Investment Revenues, SCWD Payment

This represents the interest portion of the SCWD interfund loan payment per the payment schedule adopted by the Board in August 2006. 40% of the amount is allocated to Facility Capacity Fees.

Investment Revenues, Other

Based on fund balances and assumes a 1.5 percent rate of return for FY 2010/11 through FY 2012/13, and then a four percent rate of return thereafter.

Debt Service

Reflects existing debt service schedule and allocation to future users. Does not include any additional debt beyond the 2006C COP proceeds.

SCWD Principal Payment

This represents the principal portion of the SCWD interfund loan payment per the payment schedule adopted by the Board in August 2006. 40% of the amount is allocated to Facility Capacity Fees.

Issues

As shown in the 10-year forecast, projected Facility Capacity Fee revenues are not sufficient for full funding of reserve requirements or for the issuance of new Certificates of Participation. Reserve funding will be covered by one percent property tax revenues until revenues increase. The issuance of new Certificates of Participation will be deferred until revenues are sufficient to support debt service.

During 2010, the 2008 Data Document will be updated and new Facility Capacity Fees will be recommended for approval to be effective in January 2011. The new fees will be designed to generate sufficient revenues to fund reserves and the issuance of Certificates of Participation.

General Fund – Operating – 5-year forecast assumptions

Perchlorate-Contaminated Groundwater Operations

The impact in this forecast is the effect on deliveries of treated water to the purveyors when the Saugus replacement wells come on line. These wells will provide 4,100 acre-feet of replacement water to the purveyors and it is assumed that Agency treated water deliveries will decrease by that amount. Costs and revenues associated with this program are included in the forecast.

The perchlorate treatment facilities and pipelines will start up at the beginning of FY 2009/10. Operations and maintenance of these facilities will be fully reimbursed from the settlement agreement. The budget assumes that all costs are offset by reimbursements. Staff will monitor the operations and reimbursements, and may more specifically refer to this program in the FY 2010/11 Budget.

Water Sales – Purveyors

Through December 31, 2009, the wholesale water rate is \$275/AF, based on the three-year rate established in FY 2006/07.

During FY 2006/07, the Board of Directors adopted a three-year program of 15% rate increases for the wholesale water rate to be implemented beginning in January 2007, with a rate of \$210/AF effective January 1, 2007, \$240/AF effective January 1, 2008 and \$275/AF effective January 1, 2009. During this period, one percent property tax revenues are used to offset shortages between wholesale water rate revenues and operating expenses and maintain a fund balance of \$300,000 in the Operating Fund. At the time the rate structure was adopted, the goal was to fully cover operating expenses with operating revenues by 2010. After that, it was expected that rate increases would continue to be required, and would be calculated to recover operating expenditures. That is, future increases in the wholesale water rate would be tied to increases in operating expenses and fully cover operating expenses. During Fall 2009, the Board of Directors will establish a new rate to be effective January 1, 2010.

Based on the operating costs included in the FY 2009/10 Budget and the estimated water sales, the revenue estimate for water sales from January 1, 2010 through June 30, 2010 is based on a wholesale water rate of \$400/AF.

After that, a rate is projected that would cover operating costs and provide a 5% contingency. This is a projection only and is not a recommended rate.

The estimated water sales are based on purveyor requests for FY 2009/10. Due to the economic downturn and conservation, no growth in water sales is assumed until FY 2012/13. After that, the total amount is inflated by 2.2% per year, consistent with the 2005 UWMP. Based on recent history, it is assumed that 60% of sales occur during the first half of the fiscal year.

NOTE: In order to firm up the Agency's water supply during a drought situation, the Board of Directors approve the purchase of one-time extraction capacity of 4,950 AF of water from the Semitropic banking program, at an approximate cost of \$740,000. To recover these costs over a one-year period, the Board of Directors improved an increase of \$20/AF for the period July 1, 2009 through June 30, 2010, based on water sales of 38,000 AF per year (lowest one-year amount of deliveries over the past five years). Because these costs are being borne by one percent property tax funds, the revenues are being returned to the one percent property tax fund and do not impact the General Fund/Operating Budget.

Water Sales – Saugus 1 and 2 Wells

The Saugus 1 and 2 wells will restore a certain amount of lost pumping capacity and is intended to contain perchlorate contamination of groundwater emanating from the Whittaker-Bermite sites. These wells are anticipated to provide 4,100 AF of water per year to the Newhall County Water District and the Santa Clarita Water Division. For FY 2009/10, it is anticipated these two wells will provide 2,800 AF of water. In accordance with the Memorandum of Understanding between the Agency and the purveyors, the Agency will operate the wells and sell the water at the current operating and maintenance costs of extracting, disinfecting and delivering groundwater from the Saugus Formation. At this time, it is estimated the cost will be \$92/AF, of which \$82/AF is for energy and \$10/AF is for operations and maintenance. The FY 2009/10 Budget includes revenue of \$257,600 based on sales of 2,800 AF.

For FY 2010/11 and thereafter, the forecast assumes that 4,100 AF of water will be treated and delivered per year, with revenues associated with power being inflated by five percent per year.

Water Sales – Ranch

Because Devil's Den Water sales are a pass-through, for the purpose of this forecast, neither the revenues nor the expenses are included. A minimal amount is included for the Lombardi Ranch located at RVWTP.

Water Sales – Recycled

The forecast assumes three percent inflation in rates.

Laboratory Revenues

The forecast assumes two percent inflation in rates.

Communications Revenues

The forecast assumes three percent inflation in rates.

Investment Revenues

The forecast assumes minimal returns.

Operating Expenses

In general, the forecast assumes a five to seven percent increase per year.