




ITEM NO.  
7a.

## BOARD MEMORANDUM

**DATE:** December 29, 2017  
**TO:** SCV Water Board of Directors  
**FROM:** Valerie L. Pryor   
Assistant General Manager  
**SUBJECT:** Dissolution of the Valencia Water Company, as Required by SB 634

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### SUMMARY

On February 17, 2017, California Senator Scott Wilk introduced SB 634, which Governor Brown signed into law on October 15, 2017. The bill established the Santa Clarita Valley Water Agency (SCV Water), effective on January 1, 2018, and directs SCV Water to take the appropriate steps together with the Board of Directors of Valencia Water Company (VWC) to authorize the dissolution of VWC no later than January 31, 2018, and the transfer of the company's assets, property, liabilities, and indebtedness to SCV Water. SB 634 requires that the dissolution and transfer shall be finalized no later than May 1, 2018. Staff have developed a plan of action to effect this transaction by January 31, 2018 and recommends the Board:

1. Adopt the Plan of Dissolution approved by the Board of Directors of VWC and authorize the General Manager to take the necessary steps on behalf of SCV Water to implement the plan and carry out the Dissolution in accordance with SB 634.
2. Find that the proposed Board action is not a CEQA "project" or, alternatively, is exempt.

### DISCUSSION

#### Plan of Dissolution

Staff have worked with legal counsel and management of VWC to prepare the attached Plan of Dissolution that will allow for (i) the legal dissolution of VWC and all filings required in connection therewith; (ii) the transfer of the assets and liabilities of VWC to SCV Water; and (iii) a smooth transition of the operations of VWC to SCV Water. The Plan was approved by the VWC Board of Directors on December 28, 2017 and is recommended by the VWC Board to SCV Water as the sole shareholder for adoption. In summary, the Plan of Dissolution provides that:

1. All assets, property, liabilities and encumbrances of VWC will be transferred to SCV Water by January 29, 2018, and will be further covered by an Assignment and Assumption Agreement.
2. Employees will be transferred from VWC to SCV Water on January 20, 2018.
3. VWC and the Agency will notify all VWC customers informing them of the transition of service to SCV Water (letter dated December 20, 2017).
4. VWC will provide tail insurance coverage to the Company and its Directors and Officers.
5. VWC will repay its existing loan from revenue refunding bonds issued by SCV Water and with future debt service paid by the Valencia Water Division.

6. VWC will file final tax returns as required by the Internal Revenue Service.

### **Discussion of California Environmental Quality Act (CEQA) Analysis**

No analysis of environmental impacts of the Dissolution is required under the California Environmental Quality Act (Pub. Res. Code §§ 21000 et seq.) (“CEQA”) and State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) for the following reasons:

#### The Dissolution is not a “project” under CEQA

The Dissolution demanded by SB 634 is a legislative act of the state legislature. The State CEQA Guidelines (14 Cal. Code Regs., § 15000 et seq.) expressly provide that CEQA does not apply to legislation adopted or proposed by the legislature. (State CEQA Guidelines, § 15378(b)(1).) As such, CEQA does not apply to the Dissolution because it is not a “project” under CEQA.

#### The legislature did not intend the Dissolution to undergo CEQA review

The legislature – through Assembly Bill 634 – required that SCV Water take action on the Dissolution no later than January 31, 2018. Language in the bill expressly states that the new SCV Water Board hold its first meeting “as soon as possible” and that SCV Water dissolve VWC “on or before January 31, 2018.” As a practical matter, then, the Legislature could not have intended SCV Water to undertake substantive CEQA review, because such review will take longer than the 31-days available to comply with the statute. Thus, it is reasonable to conclude that the legislature did not intend for the Dissolution to be subject to CEQA. This situation is akin to the *Tuolumne Jobs & Small Business Alliance v. Superior Court* case, in which the Supreme Court found that because of the short deadlines set forth in the Elections Code’s procedures for cities to either adopt a qualified voter initiative or hold a special election, it would be impossible to complete CEQA review before a city adopted a voter initiative. ((2015) 59 Cal.4th 1029.) The “Legislature is presumed to be aware of all laws in existence when it passes or amends a statute” and that “[i]f the Legislature had intended to require CEQA review before direct adoption, despite the [short] deadlines, it could have easily said so. It did not.” (Id. at 1039.) Similarly, here, the legislature did not state that the Dissolution was subject to CEQA, and SB 634’s requirements to hold a SCV Water Board meeting “as soon as possible” and dissolve VWC by January 31, 2018 indicate that the legislature did not intend CEQA review to occur prior to the Dissolution.

#### The Dissolution is a ministerial action not subject to CEQA

The Dissolution is a ministerial action because it involves little or no judgment by the public agency. (See State CEQA Guidelines, § 15369.) The Dissolution is commanded by the legislature in SB 634, and SCV Water exercises little to no discretion in undertaking the Dissolution mandated by SB 634. CEQA Guidelines section 15268 states that ministerial projects are not subject to the requirements of CEQA. As such, the Dissolution called for in SB 634 is not subject to CEQA.

#### The Dissolution is exempt from CEQA

Even if the Dissolution is a “project” and subject to CEQA, it is exempt under State CEQA Guidelines section 15061(b)(3)-Common Sense Exemption. The “common sense exemption” states that a lead agency may find a project exempt from CEQA is “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” The Dissolution is exempt under State CEQA Guidelines section 15061(b)(3) because it will have no significant effect on the environment—it is a change in legal organization that dissolves a private water company owned by SCV Water to transition its operations into SCV Water. No operational change is contemplated.

**FINANCIAL CONSIDERATIONS**

None.

**RECOMMENDATION**

That the Board of Directors adopt the attached resolution that makes finding regarding CEQA; approves the dissolution of VWC and authorizes the General Manager to take the necessary steps on behalf of SCV Water to implement the plan and carry out the Dissolution in accordance with the intent of the legislature and the language of SB 634 .

VLP

Attachments

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**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SANTA CLARITA VALLEY WATER AGENCY  
ADOPTING THE PLAN OF DISSOLUTION OF THE VALENCIA WATER COMPANY,  
AND FINDING THAT THE DISSOLUTION IS NOT SUBJECT TO CEQA  
OR, ALTERNATIVELY, IS EXEMPT**

**WHEREAS**, on October 15, 2017, Senate Bill 634 was signed into law by Governor Brown, thereby creating the Santa Clarita Valley Water Agency (“SCV Water”); and

**WHEREAS**, SB 634 requires SCV Water, as the sole shareholder of Valencia Water Company (“VWC”), to take all steps necessary to dissolve VWC as a corporation no later than January 31, 2018, and transition the operations, assets, and liabilities of VWC to SCV Water (“Dissolution”); and

**WHEREAS**, the Dissolution required by SB 634 is not subject to the California Environmental Quality Act (Pub. Res. Code §§ 21000 et seq.) (“CEQA”) because it is not a “project,” because the state legislature did not intend for CEQA review to occur, because the Dissolution involves little or no discretion and thus is ministerial in nature, and/or because the Dissolution is otherwise exempt from CEQA; and

**WHEREAS**, in anticipation of the requirements of SB 634, the Board of Directors of VWC has taken action to prepare for the Dissolution and has adopted a plan of dissolution that it has recommended to SCV Water for approval as the sole shareholder of VWC;

**WHEREAS**, the Board of Directors of SCV Water has reviewed the plan of dissolution recommended by the Board of Directors of VWC and now desire to approve the Dissolution and the adoption of the plan;

**WHEREAS**, all other legal prerequisites to the adoption of this Resolution have occurred.

**NOW THEREFORE, THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY DOES RESOLVE AS FOLLOWS:**

**SECTION 1. RECITALS**

The recitals above are true and correct and are incorporated into this Resolution by reference as findings of fact.

**SECTION 2. COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

Based upon its review of the entire record, including the Staff Report, any public comments or testimony presented to the Board, the enactment of Senate Bill 634, and the facts outlined below, the Board hereby finds and determines that the actions required by SB 634 are not subject to CEQA for the following reasons:

1. The Dissolution is not a “project” under CEQA

The Dissolution demanded by SB 634 is a legislative act of the state legislature. The State CEQA Guidelines (14 Cal. Code Regs., § 15000 et seq.) expressly provide that CEQA does not apply to legislation adopted or proposed by the legislature. (State CEQA Guidelines, § 15378(b)(1).) As such, CEQA does not apply to the Dissolution because it is not a “project” under CEQA.

2. The legislature did not intend the Dissolution to undergo CEQA review

The legislature – through Assembly Bill 634 – required that SCV Water take action on the Dissolution no later than January 31st. Language in the bill expressly states that the new SCV Water board hold its first meeting “as soon as possible” and that SCV Water dissolve VWC “on or before January 31, 2018.” As a practical matter, then, the Legislature could not have intended the SCV Water to undertake substantive CEQA review, because such review will take longer than the 31-days available to comply with the statute. Thus, it is reasonable to conclude that the legislature did not intend for the Dissolution to be subject to CEQA. This situation is akin to the *Tuolumne Jobs & Small Business Alliance v. Superior Court* case, in which the Supreme Court found that because of the short deadlines set forth in the Elections Code’s procedures for cities to either adopt a qualified voter initiative or hold a special election, it would be impossible to complete CEQA review before a city adopted a voter initiative. ((2015) 59 Cal.4th 1029.) The “Legislature is presumed to be aware of all laws in existence when it passes or amends a statute” and that “[i]f the Legislature had intended to require CEQA review before direct adoption, despite the [short] deadlines, it could have easily said so. It did not.” (*Id.* at 1039.) Similarly, here, the legislature did not state that the Dissolution was subject to CEQA, and SB 634’s requirements to hold a SCV Water board meeting “as soon as possible” and dissolve VWC by January 31, 2018 indicate that the legislature did not intend CEQA review to occur prior to the Dissolution.

3. The Dissolution is a ministerial action not subject to CEQA

The Dissolution is a ministerial action because it involves little or no judgment or discretion by the public agency. (See State CEQA Guidelines, § 15369.) The Dissolution is commanded by the legislature in SB 634, and SCVWA exercises little to no discretion in undertaking the Dissolution mandated by SB 634. CEQA Guidelines section 15268 states that ministerial projects are not subject to the requirements of CEQA. As such, the Dissolution called for in SB 634 is not subject to CEQA.

4. The Dissolution is exempt from CEQA

Even if the Dissolution is a “project” and subject to CEQA, it is exempt under State CEQA Guidelines section 15061(b)(3)-Common Sense Exemption. The “common sense exemption” states that a lead agency may find a project exempt from CEQA is “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” The Dissolution is exempt under State CEQA Guidelines section 15061(b)(3) because it will have no significant effect on the environment—it is a change in legal organization that dissolves a private water company owned by SCV Water to transition its operations into SCV Water. No operational change is contemplated.

### **SECTION 3. FINDINGS FOR DISSOLUTION**

The Board of Directors of the Santa Clarita Valley Water Agency, as successor in interest to Castaic Lake Water Agency, as the sole shareholder of Valencia Water Company, does hereby approve the dissolution of Valencia Water Company in accordance with the plan of dissolution recommended for approval by the Board of Directors of the Valencia Water Company and authorizes the General Manager to take the necessary steps on behalf of the Santa Clarita Valley Water Agency to implement the plan and carry out the Dissolution in accordance with SB 634.

### **SECTION 4. CUSTODIAN OF RECORDS**

The documents and materials that constitute the record of proceedings on which these findings are based are located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. The custodian of the records is April Jacobs, Board Secretary.

### **SECTION 5. EFFECTIVE DATE**

This Resolution shall be effective upon its adoption.

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**VALENCIA WATER COMPANY**  
**a California corporation**

**PLAN OF DISSOLUTION**

This Plan of Dissolution ("Plan") is for the purpose of effecting the complete dissolution of Valencia Water Company, a California corporation, ("Corporation"), in accordance with the applicable laws of the State of California.

RECITALS

- (a) The shares of the Corporation are wholly owned by Santa Clarita Valley Water Agency ("Agency");
- (b) California Senate Bill 634 ("SB634"), the implementing legislation for the formation of the Agency, provides that the Corporation be dissolved and that all of its assets, property, liabilities and indebtedness be transitioned to the Agency, which will thereafter provide water service to the customers of the Corporation; and
- (c) The purpose of this Plan is (i) to carry out the dissolution of the Corporation as required by SB634 in an orderly and efficient manner; and (ii) to provide a smooth and seamless transition of the operations of the Corporation to the Agency with minimal disruption to the service, customers and employees of the Corporation.

OPERATIVE PROVISIONS

1. Approval of Shareholders. This Plan has been approved by the Board of Directors of the Corporation and shall be submitted to the Agency for adoption at a meeting to be duly held for that purpose. The Plan shall become effective upon its adoption by the Agency.

2. Distribution of Assets and Liabilities. Following approval by the Agency, Corporation will take the following actions to transition the assets, property, liabilities and encumbrances of the Corporation to the Agency as soon as reasonably practicable and in any event prior to January 29, 2018:

(a) The Corporation will terminate all employees and pay to each employee their outstanding wages and accrued benefits in accordance with the requirements of California law. The effective date of such termination will be coordinated with Agency to allow for the immediate rehire of employees by the Agency on such employment terms and conditions as the Agency may offer and the employees may accept. The Corporation will further terminate all retirement and benefit plans that are currently in effect as of the termination date, it being understood that the Agency, as a public agency, will offer a retirement plan and benefits that are appropriate for public employees.

(b) The Corporation will give notice to all creditors and obligees of the Corporation that the Corporation will be dissolved and that the Agency will assume all of the liabilities and obligations of the Corporation as of the actual date of dissolution. The Corporation will enter into an assignment and assumption agreement with the Agency, pursuant to which the Corporation will assign and the Agency will assume all existing debts, liabilities and contractual obligations of the Corporation.

(c) Notwithstanding Section 2(b), it is the understanding of the Corporation that the Agency will provide for the repayment in full of the debt of the Corporation which is currently held by Modern Woodmen and that Corporation and Agency will work with Modern Woodmen to provide for the mechanics of such repayment upon the closing of a bond offering by the Agency for such purpose.

(d) All assets and property of the Corporation, whether owned or leased, will be transferred to the Agency pursuant to one or more bills of sale, assignments or quitclaim deeds, as reasonably determined by Agency counsel. Furthermore, all water rights, easements and rights of way that are utilized by the Corporation to deliver water service through the water distribution system owned and operated by the Corporation will be assigned and/or deeded to Agency.

(e) All accounts, cash receipts and accounts receivable of the Corporation will be transferred to Agency, provided, however, that Agency will agree to apply all payments and credits received prior to dissolution to the accounts of Corporation's customers.

(f) All books and records, software programs, data backups and other documentation of any kind which is in the possession of the Corporation will be transferred to Agency.

(g) The Corporation and Agency will jointly prepare a letter to the customers of the corporation informing them of the transition of service to the Agency and any changes in billing and customer service.

3. Dissolution of Corporation. After the Plan has become effective and the distribution of assets and liabilities of the Corporation has been completed pursuant to Section 2, the Board of Directors and officers shall take all steps which they may deem to be necessary or desirable to accomplish the final dissolution of the Company, including, but not limited to:

- (a) providing for tail insurance coverage for the Corporation and its Directors and Officers;
- (b) providing adequate reserves to pay all professional fees and expenses in connection with the dissolution, as well as any debts or liabilities that Corporation and Agency determine will be paid by the Corporation prior to dissolution;
- (c) the filing of final tax returns and any regulatory or securities filings that are necessary in connection with the dissolution, provided, however, that the Agency may agree to assume the obligation to prepare and file all final tax returns of the Corporation, as well as all liability for taxes of any kind that are due and payable by the Corporation (except to the extent that any such tax liability on dissolution has been allocated pursuant to a prior agreement between Castaic Lake Water Agency, the predecessor in interest to Agency, and any prior shareholder of the Corporation); and
- (d) all other steps necessary to wind up and dissolve the Corporation in accordance with the provisions of the corporate laws of the State of California.

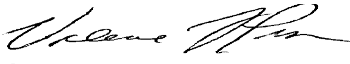
4. Authorization of Necessary Acts. The Directors of the Company, acting by and through the General Manager of the Corporation, Kenneth J. Petersen, and as necessary, the three person committee of the Board appointed to oversee the implementation of this Plan, shall carry out and consummate the Plan and shall have power to adopt all resolutions, execute all documents, incur and pay all expenses, file all papers (including without limitation a certificate of dissolution with the Secretary of State of the State of California) and take all other actions that they may deem necessary or desirable for the purpose of effecting the dissolution of the Company and the complete liquidation of its business, assets, and affairs.



## BOARD MEMORANDUM

**DATE:** December 29, 2017

**TO:** SCV Water Board of Directors

**FROM:** Valerie L. Pryor   
Assistant General Manager

**SUBJECT:** Authorize Various Actions to Dissolve the Valencia Water Company and Transfer Operations to the Santa Clarita Valley Water Agency Including the Issuance of Revenue Refunding Bonds and the Establishment of Two Interfund Loans

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### SUMMARY

Pursuant to SB 634, the Santa Clarita Valley Water Agency (SCVWA) has until January 1, 2018 to finalize a plan of dissolution for the Valencia Water Company (Company). In order to dissolve the company and transfer operations to SCVWA, the following actions are required:

1. Refinancing existing Company loans through the issuance of revenue refunding bonds through the Upper Santa Clara Valley Joint Powers Authority (JPA), with the debt service fully paid by the Valencia Water Division.
2. Establishment of an Interfund Loan of the Valencia Water Division to pay the debt service associated with the revenue refunding bonds.
3. Establishment of an Interfund Loan of the Valencia Water Division to reimburse the wholesale system for the purchase of the stock of the Company.

### DISCUSSION

#### 2018A Revenue Refunding Bonds

Agency staff and its financing team reviewed the need to refinance the Valencia Water Company loans, and recommended the most cost-efficient way to refinance the loans would be through the issuance of bonds by SCVWA through the Upper Santa Clara Valley Joint Powers Authority (JPA), with the debt service fully paid by the Valencia Water Division. On October 25, 2017, the Castaic Lake Water Agency Board of Directors approved Resolution No. 3205 which approved various legal documents associated with the refunding transaction. Since that time, the financing team has prepared a Preliminary Official Statement (POS) and has prepared for the issuance of bonds during the month of January. The estimated principal amount of the proposed bonds is \$26,595,000, of which approximately \$26,280,811 will be available to refinance the VWC loans. The true interest cost of the bonds is estimated at 4.26% and the cost of issuance including underwriter's discount and all other fees and charges paid to third parties is estimated at \$314,189. The total payment amount including all debt service payments and projected fees and charges paid to third parties to the final maturity of the bonds in 2048 is estimated at \$49,601,139. The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above. The bonds will be sold on January 16, 2018 with the closing and refunding of the existing loans on January 31, 2018. Note that the existing loans in the amount of \$24 million have been

interest only loans. The proposed transaction will include principal and interest payments with full repayment of principal in 30 years.

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

The JPA Board must also approve a resolution approving the POS and authorizing the sale of revenue refunding bonds. The bonds will be sold on January 16, 2018 with the closing and refunding of the existing loans on January 31, 2018.

#### **Interfund Loan – 2018A Revenue Refunding Bonds**

The attached resolution establishes an Interfund Loan between the Valencia Water Division (VWD) and the wholesale system for the payment of the annual debt service associated with the 2018A Revenue Refunding Bonds. A draft payment schedule is attached based on market conditions of the week of December 18, 2017. The exact payment schedule will be the actual debt service based on the sale of the bonds. All payments will be funded by the VWD. Projected VWD revenues are sufficient to pay the debt service, the amount of which is projected to be equivalent to the amounts currently being paid on the existing loans.

#### **Interfund Loan – Reimbursement of the Acquisition Costs of the Stock of the Valencia Water Company**

The attached resolution establishes an Interfund Loan between the Valencia Water Division (VWD) and the wholesale system to reimburse the Agency for the purchase of the stock of the Valencia Water Company. The Agency purchased the stock in 2012 at a price of \$58.6 million. The Agency used a combination of 2006A and 2011A bond proceeds for this purchase. The Agency's financial advisor calculates the combined cost of the bond issues at 4.5 percent, and prepared the Interfund Loan payment schedule (attached to the resolution) based on that rate of return. The payments will be credited to one percent property tax revenues (60%) and Facility Capacity Fees (40%), and will be used to fund capital improvement projects and debt service associated with capital improvement projects.

Projected VWD revenues are sufficient to pay the Interfund Loan payments. In general, the payments will be funded from funds that were previously used to pay taxes and franchise fees, consistent with SB 634's provisions on indebtedness.

#### **FINANCIAL CONSIDERATIONS**

All costs associated with these transactions will be assigned to and fully funded by the Valencia Water Division.

## RECOMMENDATION

That the Board of Directors approve:

1. The attached resolution approving certain portions of an official statement in connection with bonds to be issued by the Upper Santa Clara Valley Joint Powers Authority and confirming certain policies and procedures applicable to the Santa Clarita Valley Water Agency; and
2. The attached resolution authorizing an Interfund loan of the Valencia Water Division in connection with the issuance of the Upper Santa Clara Valley Joint Powers Authority 2018A Revenue Bonds; and
3. The attached resolution authorizing an Interfund Loan of the Valencia Water Division to reimburse the wholesale system for moneys advanced to acquire the common stock of the Valencia Water Company.

VLP

Attachments

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**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SANTA CLARITA VALLEY WATER AGENCY  
APPROVING CERTAIN PORTIONS OF AN OFFICIAL STATEMENT  
IN CONNECTION WITH BONDS TO BE ISSUED  
BY THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
AND CONFIRMING CERTAIN POLICIES AND PROCEDURES APPLICABLE  
TO THE SANTA CLARITA VALLEY WATER AGENCY**

**WHEREAS**, pursuant to Senate Bill 634 (“SB634”) the Castaic Lake Water Agency (the “CLWA”) and Newhall County Water District, were reorganized effective January 1, 2018 as the newly created Santa Clarita Valley Water Agency (the “Agency”); and

**WHEREAS**, pursuant to SB634, Agency is the successor to CLWA and NCWD for, among other matters, all duties, obligations and responsibilities of CLWA and NCWD; and

**WHEREAS**, pursuant to Section 4(j) of SB634, SCVWA has until January 31, 2018 to finalize a plan of dissolution for the Valencia Water Company (“VWC”), 100% of the common stock of which was owned by the former CLWA and is now owned by the Agency, as the successor to CLWA and NCWD; and

**WHEREAS**, on December 28, 2017, the Board of Directors of VWC approved a plan of dissolution of VWC and in connection with such dissolution, certain notes previously issued by VWC (the “VWC Notes”) will be required to be refinanced; and

**WHEREAS**, in order to meet the statutory time frame set forth in SB634, the Board of Directors of the former CLWA previously approved documents to refinance the VWC Notes in advance of the effective date of SB634; and

**WHEREAS**, the Agency, as the successor to CLWA and NCWD, has determined to proceed with such refinancing and to approve information to be included in an official statement to be used in connection therewith;

**WHEREAS**, to comply with applicable laws of the State of California (the “State”) and federal securities laws, the Agency desires to confirm that certain policies and procedures of the former CLWA as described herein, shall be the policies and procedures of the Agency; and

**NOW, THEREFORE**, the Board of Directors of the Santa Clarita Valley Water Agency hereby finds, determines, declares and resolves as follows:

**SECTION 1.** The preparation and distribution of Appendices A through E of the Preliminary Official Statement (the “Agency Portion”), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel (“Bond Counsel”). The General Manager is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Agency Portion of the Preliminary Official Statement; provided however that the General Manager shall sign such certificate only if VWC has delivered to the Agency, a certificate to the effect that

Appendix B to the Preliminary Official Statement, as of its date, does not contain any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

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

**SECTION 2.** To comply with laws of the State applicable to public agencies such as the Agency and federal securities laws, the Agency hereby confirms that certain policies and procedures of the former CLWA with respect to the CLWA wholesale water system shall be the policies and procedures of the Agency for purposes of the issuance of the Bonds, which include, but are not limited to, the former CLWA wholesale water system's Investment Policy, Debt Management Policy, Reserve Fund Policy, Derivatives Policy, Disclosure Procedures Policy and Wire Transfer Policy. Notwithstanding the foregoing, the Agency may amend or supplement such policies from time-to-time as necessary or desirable.

The General Manager and Assistant General Managers of the Agency and their designees, in consultation with General Counsel and Bond Counsel, are each hereby authorized to take all necessary actions and to revise the policies and procedures set forth in the preceding paragraph to comply with this resolution, including changing all references to "Castaic Lake Water Agency" to "Santa Clarita Valley Water Agency" and to otherwise comply with applicable law.

**SECTION 3.** This resolution shall take effect immediately.