

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Response to Speaker No. 1 (Alan Ferdman)

Question/Concern 1: The Chloride Compliance Project cost is not and has never been accurate. In the EIR paperwork the project was quoted in 2012 dollars to be \$130M, even though the project was not planned to be started until 2015, at which time the project would cost \$142M.

Answer: For purposes of comparing the costs of the various alternatives presented in the EIR, it is important to show the total project cost in dollars using the same base year. This process, known as present value analysis, eliminates the confusion arising from the fact that different projects can have different time schedules for construction. Thus, the total project cost presented in the EIR for each alternative was based on the then (2012) present value of the construction costs. The EIR clearly noted this approach in various tables and related discussions. For purposes of developing a financing plan, staff has consistently considered inflation impacts on the cost of each component of the Chloride Compliance Project to the year in which the construction is actually scheduled; however, to avoid confusion, staff always refers back to the basic costs as identified in the EIR. In addition, the interest cost has been included for all portions of the project being financed.

Question/Concern 2: “Pay-as-you-go” is a misnomer. You say the District is collecting \$1.5M (\$16/SU) in FY 2014-15 for the Chloride Compliance Project, but are budgeting for \$5.3M in expenditures related to the project. Where does the extra (\$3.8M) come from?

Answer: In asking this question, the speaker has implicitly assumed that the capital expenses will increase by \$5.3 million, the amount budgeted for the Chloride Compliance Project, while revenues only increase by \$1.5 million. In reality, the budget shows that the total projected capital expenses will only increase by approximately \$2 million. This is

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

because some of the capital projects shown in the FY 2013-14 budget have been completed and are no longer incurring expenses. The portion of the service charge previously used to fund those projects can now be directed to the Chloride Compliance Project. Thus, revenues only need to increase by \$2 million to fund the budgeted expenses for the Chloride Compliance Project on a “pay-as-you-go” basis in FY2014-15. This is accomplished by the aforementioned \$1.5 million increase in the service charge revenue in combination with an increase in property tax revenues received by the District (based on actual receipts in FY 2013-14).

Question/Concern 3: Over the past two years the annual budget shows a reduction of 1,745 sewage units in the District. With city growth and annexations how is this possible?

Answer: The underlying premise of the service charge program is that all users of the sewerage system pay the same rate, with their total charge based on the amount of sewage being discharged. This is exactly analogous to a gas station where everyone pays the same price per gallon and the total cost depends on the number of gallons being purchased. As it relates to sewage, discharge is measured in terms of sewage units, with one sewage unit being equal to the quantity (amount) and quality (strength) of sewage discharged from an average single-family home. The number of sewage units attributable to any other discharger is simply the ratio of their discharge to that of the average single-family home.

In an ideal world, every discharger would be required to install a sewage meter, similar to the way water is metered. Unfortunately, sewage meters don't work very well for small discharges because the solid matter in the sewage will cause constant clogging, requiring the property owner to call out a plumber each and every time to fix the meter. Additionally, meters only measure flow, not strength (which is critical for high strength dischargers like

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

restaurants that have significant amounts of food waste). Not even accounting for the strength factor, the cost of maintaining a sewage meter would be over \$500 per year. When you consider that the projected cost for treating the wastewater six years from now is only \$370 per single-family home, the added cost for meters doesn't seem very practical.

For that reason, sewage discharge is based on standard loading factors for different types of land use categories (e.g. single-family home, restaurant, store, etc.). While the standard loading factors represent the average discharge for each land use category, it is recognized that some users will discharge at levels significantly below the average. To account for this fact and to more accurately charge these dischargers, District's staff (along with critical input from homeowners) developed the low-water rebate program. Under this program, dischargers submit copies of their water bills and, if their water use is significantly below the standard loading, the number of sewage units attributable to their parcel will be reduced accordingly. Details of this program can be found on the District's website, http://www.lacsd.org/wastewater/wastewater_services/proposition_218/scv_lowwaterprogram.asp.

The decrease of 1,745 sewage units in the past two years is largely due to the low-water rebate program and the number of parcels, both residential and commercial, that have qualified for a reduced charge. Additionally, in some cases there have been commercial properties for which the type of use was reclassified to a land use category with a lower standard loading factor, resulting in a lower charge and a reduction in the sewage units associated with that parcel. District's staff accounts for these reductions when preparing the budget to ensure the correct service charge revenue will be collected.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

In regard to annexations of unincorporated county territory to the City of Santa Clarita, it must be remembered that the District's boundaries are based on watersheds and not political boundaries. Thus, properties that annex to the City are usually already developed and in the District, but, while adding to the population of the City, do not add any new sewage to the District or result in any new sewage units.

Question/Concern 4: The SCV Sanitation District operation and maintenance (O&M) costs have increased an average of 11% per year over the past 10 years. How are we to have confidence that the District will be able to function with a budgeted 1.6% inflation rate over the next 6 years?

Answer: Without more specificity as to how the speaker calculated his numbers, it is difficult to provide a detailed response. However, it appears that the speaker is really referencing increases in the service charge rate and not just O&M. Assuming that to be the case, the actual increase in the service charge rate for the 10-year period from FY 2003-04 (\$115) through FY 2013-14 (\$247) averages only 7.9% per year. While this figure is over 28% less than the number cited by the speaker, it is still greater than the rate of inflation and an explanation is required.

The speaker picked a limited 10-year window for his analysis. If that window is expanded to 20 years, the average annual rate of increase is reduced to 4% per year, significantly closer to the rate of inflation during that time frame of approximately 3%. Furthermore, during that 10-year period, the District faced another State mandate related to nitrogen (both ammonia and nitrate) – compounds that can have human health effects. Consequently, the District was obligated to comply with that State mandate and implemented a process known as nitrification/denitrification (NDN) to reduce the levels of nitrogen in the treated sewage. This process has both capital and operational components,

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

resulting in higher costs and the need for an increased service charge. If an adjustment is made to the service charge to account for this mandate and the costs it imposed, the real rate of increase over the twenty-year period was only 3.2% annually.

As to the increase of 1.6% over the next six years, it is assumed that the speaker is in reference to a baseline projection of rates assuming that no Chloride Compliance Project is undertaken. All of the District's rate projections for this six-year period assume an annual inflation rate of 3%. However, that inflation rate is not applied to fixed costs such as debt service. This is analogous to a homeowner with a fixed rate mortgage; they do not see a change in their monthly mortgage payment regardless of the inflation rate. Thus, the 1.6% annual increase in the baseline service charge rate represents the average rate of increase between O&M (3%) and debt service (0%).

Question/Concern 5: The Santa Clarita Valley Sanitation District currently spends more money than they take in. Using data from the last three budget items, 21 million dollars have been transferred from the capital improvement program to pay for operations of existing facilities and chloride compliance. When will these funds have to be repaid and how much --- how will this be accomplished?

Answer: One of the key tenets of the District's revenue program is that existing user should not subsidize growth. As new users connect to the sewerage system or as existing users increase their estimated discharge, they are required to pay a connection fee equal to the cost of constructing the additional capacity required by their discharge. The connection fees are deposited into the Capital Improvement Fund (CIF), which is a restricted fund to be used only for paying for expansion-related capital projects. Whenever an expense is incurred for an expansion-related capital project, whether it be a direct expense or the debt

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

service related to a previously constructed project, funds are transferred from the CIF to cover that expense. Without this transfer, existing users would be required to subsidize growth. These funds are used only to pay for capital expenditures, including debt service, but are not used to pay for the operation of existing facilities, as opposed to the assertion made by the speaker.

The Board of Directors has adopted a resolution authorizing the borrowing of funds from the CIF under very specific conditions. That resolution was subsequently incorporated into the Master Connection Fee Ordinance, which includes provisions for the repayment of any funds borrowed at an interest rate that keeps the CIF whole. The only time that authority has been utilized was in October 2008 when \$5 million was borrowed to address a cash flow issue. This loan is being repaid at an annual rate of \$736,000, which has been included in the budget, and will be fully retired by 2022-23. The FY 2011-12 budget anticipated a subsequent borrowing from the CIF; however, the District was able to manage its cash flow and overall finances such that the borrowing never occurred.

Question/Concern 6: Director Weste suggested borrowing another \$20M from the Capital Improvement Fund (CIF). Please explain how the interest rate suddenly dropped from what was quoted before at 6 percent to now below 2.9 percent?

Answer: Any loan requires repayment of the principal plus interest at a specified interest rate. Although staff never discussed a 6% interest rate, it is assumed that the speaker is referring to an anticipated interest rate if bonds were utilized to fund the Chloride Compliance Project. Because of that high interest rate, the use of State Revolving Fund (SRF) loans has been recommended for funding the majority of the project. The interest rate on SRF loans is projected to be 2.9%.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

As discussed in Question 6 above, loans from the CIF must be repaid with sufficient interest to keep the fund whole. The CIF's current rate of return on invested funds is approximately 1%. However, to be conservative, all budgetary and rate projections assumed that the repayment of any CIF loan would be at 1.5%. This interest rate is significantly below that of the SRF loans; hence the recommendation from Director Weste to borrow funds from the CIF to make the Chloride Compliance Project more affordable. Borrowing from the CIF is limited to \$20 million because that is the amount not already committed to other uses in the near term.

Question/Concern 7: None of this proposal can be considered until we know the effect on connection fees. If connection fees are supposed to be established by the cost of a sewage unit in today's dollars, how can we not charge any connection fees until 2019? For current users, this project adds \$2,000 in retroactive and financed connection fees on every sewage unit.

Answer: The service charge and connection fee programs are two separate revenue programs designed to meet different needs. The service charge program ensures that existing users pay for ongoing O&M and capital associated with upgrades to the sewerage facilities. Existing users do not pay for expansion of sewerage facilities to accommodate increased flows. The Chloride Compliance Project is a capital project that will upgrade the treatment level at the treatment facilities from tertiary only to an advanced level (i.e. microfiltration and reverse osmosis) to remove chloride. For this reason, existing users will pay for the construction and operation of the new facilities through the annual service charges.

The connection fee program is a one-time fee charged to new users of the sewerage system at the time they connect to the sewer system, and those increasing their discharge by virtue

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

of a more intensive use e.g., expansion of existing facility and/or user classification change to a higher usage. This fee is placed in the Capital Improvement Fund, and will be used to pay for any expansion-related portions of the existing capital facilities. The connection fee rate per Capacity Unit (CU) represents the cost of capital facilities needed to provide sewer and treatment capacity for the average discharge from a single-family home. Until the chloride compliance facilities are fully constructed and operational, the connection fee rate per CU will remain at \$5,500, which is the cost of incremental expansion of the existing tertiary treatment facilities (i.e. not the chloride project). This is why there is no connection fee increase anticipated before FY 2019-20 when the Chloride Compliance Project will be completed.

Once the Chloride Compliance Project facilities are built, it would be appropriate to charge new users a connection fee at a rate that supports the incremental expansion of both the existing tertiary treatment facilities and the Chloride Compliance Project. However, it would be unfair to require new users to pay a connection fee that incorporated the full cost of the Chloride Compliance Project and then expect them to pay a service charge that includes the remaining debt service associated with the Chloride Compliance Project financing; hence, the recommendation to phase the cost of the Chloride Compliance Project into the connection fee rate over time as the associated debt service is paid off.

The Board was advised that no increase in connection fees would be proposed until after the Chloride Compliance Project was complete, i.e., fiscal year 2019-20. In addition, the Board was advised that staff would then recommend that costs attributable to the Chloride Compliance Project be phased in over a 30 year period. The phase-in would be tied to the initial capital investment and the pay-off of the SRF loan. Finally, the Board has not been

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

asked to approve any future connection fee rates at this time and no proposal for a rate increase will be presented to the Board until fiscal year 2019-20.

There is no retroactive or financed connection fee being paid by any of the users, new or existing.

Question/Concern 8: The most insulting part of this proposal is the suggestion that an additional reduction can be achieved by eliminating the effluent (i.e. interplant permeate conveyance) pipeline to reduce project costs by \$11M dollars. This suggestion was made and rejected countless times during the EIR informational meetings.

Answer: Staff has always agreed with the public that the averaging of the chloride levels between the two treatment plants and the elimination of the interplant pipeline has always made sense, as clearly documented in the alternative analysis associated with both the draft and final EIR (link to <http://www.lacsd.org/civica/filebank/blobload.asp?BlobID=8668>). The real issue has always been one of timing and the fact that the existing State mandate doesn't provide for averaging between plants, meaning that concessions would have to be granted by the Regional Water Board. While District's staff believes those concessions are warranted, the Regional Water Board will not grant them without demonstrated data and water quality modeling that shows compliance will still be achievable. To avoid additional State fines, the EIR had to be certified by October 31, 2013, before the studies could be completed. It would be imprudent to make assumptions for which a great amount of uncertainty exists. Accordingly, the recommended project that was ultimately approved continued to include the interplant pipeline. This does not mean staff has given up; in fact, since the adoption of the EIR District staff has collected the data to demonstrate plant averaging can produce the same compliance results, and has requested this concession.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Unfortunately, the Regional Water Board has not yet approved the request; however, we believe they will ultimately agree with the data and the ensuing cost savings can be passed back to the Santa Clarita Valley ratepayers.

Question/Concern 9: I find it most curious that to avoid the cost of annual mailings the District wants to set six years of fee increases at this time. That translates to a cost of approximately 50 cents per year per ratepayer to get information about our plans to collect an additional 1.5 million dollars each year.

Answer: The proposal for a six-year rate increase has nothing to do with the cost to the ratepayer of sending out a mailer. The Regional Water Board is willing to work with an agency (e.g. grant certain concessions) if the agency shows good faith efforts. The Regional Water Board staff has stated that, for the District to show that it truly intends to move forward with a Chloride Compliance Project, it needs to have implemented a financial plan to fully fund the construction of the project. Failure to implement such a plan would show a lack of good faith on the part of the District and the Regional Water Board would not move forward with the necessary Basin Plan Amendment. The Basin Plan Amendment is vital in order to avoid further State and Federal fines and to lower the project costs to the lowest achievable level.

As previously discussed, the lowest cost method for funding the Chloride Compliance Project is to use State Revolving Fund (SRF) loans. However, before the State issues a loan, the borrower must demonstrate that it has the financial resources to repay the loan. This is done by showing that the adopted service charge rates are sufficient to pay the annual debt service on the loan. This dictates the rate that must be adopted; the only remaining question being when it has to be effective. Repayment of SRF loans begin one year after

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

construction is complete. In the case of the Chloride Compliance Project, that would be in FY 2019-20, six years from now. While the maximum rate could be effective sooner, it imposes less of a financial impact on an annual basis if the increase is spread out over all six years; hence, the recommended six-year rate plan.

Response to Speaker No. 2 (Cam Noltemeyer)

Question/Concern 1: This speaker's main contention was that Proposition 218 requires an affirmative vote, by ballot, of the people prior to raising the wastewater rates. She further stated that the Howard Jarvis Association confirmed that the rates could only be raised by voter approval and that a ballot was required.

Answer: Article XIII(D) of the California Constitution (Proposition 218) specifically exempts fees or charges assessed for sewer, water, and refuse collection services from the requirement for voter approval of new or increased fees and charges for property related services. These services are considered to be essential public services for the protection of public health and safety and therefore do not require an affirmative approval vote.

The Proposition 218 process was fully and correctly explained in the notice that was sent to all property owners pursuant to the requirements of Article XIII(D). In addition, the notice referred property owners to the District's website for additional information on the Chloride Compliance Project, the Proposition 218 process, and the requirements that each property owner must meet in order to file a protest. Although a specific protest form is not required, the website (<http://www.lacsd.org/civica/filebank/blobdload.asp?BlobID=9023>) does provide a form to make it easier for property owners to submit their protest.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Response to Speaker No. 3 (Allan Cameron)

Question/Concern 1: This speaker brought up the initiative process and the need for a real vote of the people, 50 percent of the people who vote plus one additional vote, to stop the Chloride Compliance Project.

Answer: Before the adoption of Proposition 218, the California Constitution prevented the use of the initiative process to repeal a local tax, assessment, fee, or charge. However, Article XIII© now provides that the “power of initiative to affect local taxes, assessments, fees, and charges shall be applicable to all local governments.” At this point in time, the SCV Sanitation District has not approved the proposed rates and there is nothing to subject to the initiative process. Therefore, a detailed discussion of this issue would, at best, be premature at this time.

Question/Concern 2: This speaker also stated that no specificity was provided with respect to future connection fees and as such the Board was being asked to authorize an increase in those fees without being told what they would be.

Answer: With respect to future connection fees, the Board was advised of several factors concerning the Connection Fee Program. The Board was advised that no increase in connection fees would be proposed until after the Chloride Compliance Project was complete, i.e., fiscal year 2019-20. In addition, the Board was advised that staff would then recommend that costs attributable to the Chloride Compliance Project be phased in over a 30 year period. The phase-in would be tied to the initial capital investment and the pay-off of the SRF loan. Finally, the Board has not been asked to approve any future connection fee rates at this time and no proposal for a rate increase will be presented to the Board until fiscal year 2019-20. Please refer to Speaker No. 1, Question/Answer 7 for additional details.

**Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting**

Response to Speaker No. 4 (Hunt Braly)

Question/Concern 1: The business community is concerned with the significant increases in connection fees that have occurred in recent years along with future increases related to the Chloride Compliance Project.

Answer: The responses to Speaker No. 1 (Question/Answer 7), and Speaker No. 3 (Question/Answer 2) both explain the goal and objectives associated with the connection fee program and provide the basic framework by which future connection fees will be developed. These responses also indicated that no rate increases would be proposed for the Chloride Compliance Project until FY 2019-20.

As stated in the other responses, the connection fee program is designed to ensure that new users of the sewerage system pay a one-time fee into a Capital Improvement Fund that can only be used to pay for expansion-related portions of the existing capital facilities. The recent increases to the fee were a direct result of the Districts constructing new capacity at two of our facilities and recognizing that the cost was substantially higher than anticipated. Significant factors causing the increased costs were the worldwide demand for steel, cement, and other resources that are essential to the construction of wastewater reclamation facilities. As such, the District's staff recommended that the new rates be phased-in over a 3-year period beginning with FY 2009-10 to reflect the updated capital costs associated with constructing new capacity. District's staff is aware of the impact on the business community, especially new high intensity users such as restaurants, and has agreed to evaluate alternatives to mitigate the immediate impact of the fee to help facilitate economic development in the Santa Clarita Valley.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Response to Speaker No. 5 (Yuriy Londarenko)

Question/Concern 1: The speaker commented on the lack of specific details about the compliance project scope.

Answer: The specific project was described in detail in Section 7.2.4 of the Santa Clarita Valley Sanitation District (SCVSD) Chloride Compliance Facilities Plan and EIR (Facilities Plan and EIR) that the SCVSD Board of Directors approved in October 2013. The sections can be viewed at the following link:

[http://www.lacsd.org/wastewater/scvchloridecompliance/the approved chloride compliance plan and environmental impact report/final santa clarita valley sanitation district chloride compliance facilities plan and eir.asp](http://www.lacsd.org/wastewater/scvchloridecompliance/the%20approved%20chloride%20compliance%20plan%20and%20environmental%20impact%20report/final%20santa%20clarita%20valley%20sanitation%20district%20chloride%20compliance%20facilities%20plan%20and%20eir.asp).

The project includes a switch from chlorination to disinfection with ultraviolet light and advanced treatment with microfiltration and reverse osmosis. The brine produced by reverse osmosis will be disposed of by deep well injection up to two miles below the earth's surface into formations containing water too salty to drink and isolated from drinkable groundwater.

Question/Concern 2: The speaker asked about current chloride levels and how much reduction was necessary.

Answer: Chloride levels vary over time as described in Section 4.5.1 and shown on Figure 4-2 of the Facilities Plan and EIR (see Section 4 at the link above). Over the past five years, chloride levels in treated wastewater have ranged between approximately 110 and 150 mg/L. Castaic Lake Water Agency completed a study to project the worst-case chloride level in the water supply. The proposed compliance facilities will be sized to reduce chloride levels during this worst case to the regulatory limit of 100 mg/L. However, when

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

chloride levels are below worst case, the advanced treatment facilities will only be operated enough to meet the chloride limit as a way to save electricity and operational costs.

Question/Concern 3: The speaker asked about the ability of the facilities to handle population growth.

Answer: The Sanitation District's two treatment plants have the capacity to treat 28.1 million gallons per day (mgd) of wastewater and the proposed compliance facilities would be sized to match that capacity. The Sanitation District currently treats about 20 mgd and, as described in Section 4.6.3 and shown on Figure 4-3 of the Facilities Plan and EIR (see Section 4 at the link above), this capacity is expected to be sufficient until the year 2036.

Question/Concern 4: The speaker questioned the equity of the District's service charge structure and suggested that charges should be based on amount of water used.

Answer: On the surface, this appears to be a very reasonable suggestion. However, when the Districts developed the service charge program an extensive public information program was conducted that identified charge structure and method of collection as the two basic issues that needed to be carefully evaluated before making a final decision on the best approach. Ultimately, significant deficiencies were identified with a program tied to water use including non-sewer uses of water, strength of the sewage was not being considered, billing systems, potential delinquency rates, and overall administrative costs. For these reasons a system was developed to estimate sewage discharge based on standard loading factors for different types of land use categories (e.g. single-family home, restaurant, store, etc.) with the collection on the property tax roll as being the most cost effective, efficient,

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

and equitable program for all users of the sewerage system. More information concerning the development of the user charge program and the District's Revenue Program can be found on the District's website by using the following link:

<http://www.lacsd.org/civica/filebank/blobdload.asp?BlobID=9049>.

While the standard loading factors represent the average discharge for each land use category it is recognized that some users will discharge at levels significantly below the average. To account for this fact and to more accurately charge these dischargers, the District (along with critical input from the community) developed the low-water rebate program. Under this program, dischargers submit copies of their water bills and, if their water use is significantly below the standard loading, they will qualify for a reduced charge. Additional information and detail concerning the low-water use program can be found on the Districts website at the following link.

http://www.lacsd.org/wastewater/wastewater_services/proposition_218/scv_lowwaterprogram.asp

Question/Concern 5: The speaker asks about how much water supply benefit will result from the project and suggests that support or opposition to a compliance project should be based on the amount of water supply benefit.

Answer: The purpose of this project is to provide compliance with state law. Non-compliance will result in increasingly costly fines that could escalate into the millions of dollars and the District would still be forced to implement a costly compliance project, however, there is the possibility for a future water supply benefit.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Currently, the Saugus and Valencia Water Reclamation Plants (WRP) manage a total flow of approximately 20 mgd. The minimum flows required from the Saugus WRP and Valencia WRP to maintain the current river habitat are 4.5 and 8.5 MGD respectively. This leaves approximately 7.0 MGD for water recycling; however, the Chloride Compliance Project will produce a higher quality effluent that may be used for recycling or water supply use, but there will be a 0.5 MGD maximum brine loss resulting in a total effluent available of 6.5 MGD.or water supply use. Eventually future growth in the Valley would use the remaining additional capacity at the two WRPs and increase the total amount of available recycled water to approximately 14.5 MGD.

Question/Concern 6: The speaker states that unsuccessful lawsuits challenging water quality standards should not be a reason to not pursue a lawsuit now since the Sanitation District's outcome might be different.

Answer: The Santa Clarita Valley Sanitation District (SCV Sanitation District) has addressed several common misconceptions raised repeatedly by the public about the State's chloride (salt) limit for the Santa Clarita Valley and the District's efforts to comply with that limit (at the following link: <http://www.lacsd.org/civica/filebank/blobdload.asp?BlobID=8680>).

One of these common misconceptions was that litigation can simply eliminate the chloride (salt) limit for the Valley. This is incorrect. The SCV Sanitation District has, to date, elected not to sue the State over the chloride limit because, based on the court record:

- such an action would be very risky;
- significant changes to the limit would be unlikely to occur, and;
- the legal action would be very costly for Valley property owners.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Based on the court record, the vast majority of legal challenges to water quality standards set by the State's water regulatory agencies have not been successful, and, where successful, typically result in the courts sending the standard back to the regulators to correct whatever error they may have made, with the State regulators making technical changes and re-adopting the challenged water quality standard.

In the last ten years, of the approximately two dozen cases challenging water quality standards that were decided by the courts, all but two of these legal challenges failed. Santa Clarita Valley property owners would have to pay the high costs of litigation - in addition to the costs of compliance and all State fines that could be issued for every day and every gallon that the Valley's chloride (salt) levels are above the State's strict limit.

Response to Speaker No. 6 (Jeanne Duarte)

Question/Concern 1: The speaker acknowledged the importance of remaining in compliance with the state-mandated chloride (salt) regulatory requirements and the need to start the Proposition 218 process.

Answer: The District understands and agrees with the speaker's concern.

Question/Concern 2: The speaker recognized the critical nature of the schedule and the need to adopt rates to fund the Chloride Compliance Project or face higher project costs.

Answer: The District concurs with the speaker.

Question/Concern 3: The speaker wanted to encourage the Board and staff to continue to pursue all alternative funding sources for the Chloride Compliance Project.

Responses to Questions/Concerns
May 7, 2014
Santa Clarita Valley Sanitation Districts Board Meeting

Answer: The District agrees with this speaker and has committed to make every effort possible to obtain additional funding.