



A Meeting of the  
**BOARD OF DIRECTORS  
 OF THE  
 CENTRAL COAST WATER AUTHORITY**

will be held at 9:00 a.m., on Thursday, March 25, 2021  
 via URL: <https://meetings.ringcentral.com/j/1481592089>  
 or via telephone by dialing 1(623) 404-9000 and entering code 148-159-2089#

CCWA's Board meetings are conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Orders (N-25-20, N-29-20 and N-35-20), temporarily suspending portions of the Brown Act in response to the COVID-19 pandemic. Members of the Board will participate in this meeting by video call or telephone.

- Eric Friedman  
Chairman
- Ed Andrisek  
Vice Chairman
- Ray A. Stokes  
Executive Director
- Brownstein Hyatt  
Farber Schreck  
General Counsel

Public Comment on agenda items may occur via video call or telephonically, or by submission to the Board Secretary via email at [lfw@ccwa.com](mailto:lfw@ccwa.com) no later than 8:00 a.m. on the day of the meeting. In your email, please specify (1) the meeting date and agenda item (number and title) on which you are providing a comment and (2) that you would like your comment read into the record during the meeting. If you would like your comment read into the record during the meeting (as either general public comment or on a specific agenda item), please limit your comments to no more than 250 words.

Every effort will be made to read comments into the record, but some comments may not be read due to time limitations. Please also note that if you submit a written comment and do not specify that you would like this comment read into the record during the meeting, your comment will be forwarded to Board members for their consideration.

- Member Agencies*
- City of Buellton
- Carpinteria Valley  
Water District
- City of Guadalupe
- City of Santa Barbara
- City of Santa Maria
- Goleta Water District
- Montecito Water District
- Santa Ynez River Water  
Conservation District,  
Improvement District #1
- Associate Member*
- La Cumbre Mutual  
Water Company

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available on the CCWA internet web site, accessible at <https://www.ccwa.com>.

**I. Call to Order and Roll Call**

**II. CLOSED SESSION**

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Initiation of litigation pursuant to Government Code section 54956.9(d) (4): 1 case  
*Agenda item 2, the Closed Session, is anticipated to take 45 minutes. The remainder of the Meeting will start no sooner than 9:45 am.*

**III. Return to Open Session – Estimated time 9:45 AM**

**IV. Public Comment – (Any member of the public may address the Board relating to any matter within the Board's jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**

**V. Consent Calendar – For Approval**

- \* A. Minutes of the January 28, 2021 Regular Meeting
- \* B. Minutes of the February 17, 2020 Special Meeting
- \* C. Bills
- \* D. Controller's Report
- \* E. Operations Report

**VI. Executive Director's Report**

- A. Water Supply Situation Report – *Update Only*
- \* B. Santa Barbara County Flood Control and Water Conservation District Approval of Amendment No. 20, the Contract Extension Amendment to the State Water Project Contract – *Update Only*

*Continued*

- \* Indicates attachment of document to original agenda packet.
- ★ The Continuing Disclosure Report and Preliminary Budget have been included for Board members only with this mailing. The Preliminary Budget and Continuing Disclosure Report documents are available on-line at [www.ccwa.com](http://www.ccwa.com), or by contacting Lisa Watkins at [lfw@ccwa.com](mailto:lfw@ccwa.com) to request a hard copy.

- \* C. Amendment No. 21: Water Management Amendment to the State Water Project Contract - *Request for Direction*
  - ★ \* D. CCWA FY 2021/22 Preliminary Budget – *For Information Only*
  - ★ \* E. FY 2019/20 Continuing Disclosure Annual Report – *Request for Ratification*
- VII. Reports from Board Members for Information Only**
- \* A. City of Santa Barbara Appointment of Eric Friedman as Board Member and Kristen Sneddon as Board Alternate
- VIII. Items for Next Regular Meeting Agenda**
- A. CCWA FY 21/22 Budget
- IX. Date of Next Regular Meeting: April 22, 2021**
- X. Adjournment**

**MINUTES OF THE  
CENTRAL COAST WATER AUTHORITY  
BOARD OF DIRECTORS**

**January 28, 2021**

The Board meeting was conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Orders, N-25-20, N-29-20 and N-35-20, temporarily suspending portions of the Brown Act to implement social distancing in response to the COVID-19 pandemic. Members of the Board participated in this meeting by video call or telephone. Public Comment on agenda items also occurred via e-mail, video call or telephonically.

Ms. Lisa Watkins, CCWA Board Secretary, confirmed that all Board members could hear each other, had received a copy of the meeting agenda, and could hear the proceedings.

**I. Call to Order and Roll Call**

Chairman Friedman called the Central Coast Water Authority (CCWA) Board of Directors meeting to order at 9:00 AM.

CCWA member agencies with voting privileges were represented by:

<u>Representative</u>	<u>Agency/City</u>	<u>Voting %</u>
Ed Andrisek	City of Buellton	2.21%
Farfalla Borah	Goleta Water District	17.20%
Jeff Clay	Santa Ynez River Water Conservation District, ID #1	7.64%
Eric Friedman	City of Santa Barbara	11.47%
Shirley Johnson	Carpinteria Valley Water District	7.64%
Ariston Julian	City of Guadalupe	1.15%
Etta Waterfield	City of Santa Maria	43.19%
Floyd Wicks	Montecito Water District	9.50%

**II. Public Comment**

Mr. Friedman welcomed the new Board member, Ariston Julian to the Board.

There was no public comment related to items not on the agenda.

**III. Consent Calendar**

- A. Approve Minutes of the October 22, 2020 Regular Meeting
- B. Approve Bills
- C. Controller's Report
- D. Operations Report

Director Julian requested Item A be considered separately from Items B, C and D.

A motion to approve Consent Calendar item B, C, and D was made by Director Andrisek, seconded by Director Wicks and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Julian, Waterfield and Wicks in favor, and none opposed.

A motion to approve Consent Calendar item A was made by Director Andrisek, seconded by Director Wicks and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Waterfield and Wicks in favor, director Julian abstaining, and none opposed.

#### IV. Executive Director's Report

##### A. Water Supply Situation Report

Ray Stokes, CCWA Executive Director, reviewed hydrology reports for the Northern Sierra and San Joaquin Precipitation indices, which indicate the current water year is well below average, and snowpack in the state is also well below average levels for all parts of the state. Reservoir storage conditions at state reservoirs are also at near historic lows. Based on the current conditions, DWR had been anticipating a decrease in the current allocation, but with the recent storm system the 10% allocation may be maintained or increased.

##### B. FY 2020/2021 Procurement of Replacement Vehicles for the Amount of \$90,441.48

John Brady, CCWA Deputy Director of Operations and Engineering, explained that critical service vehicles are replaced on a periodic basis. CCWA's vehicle replacement policy is to replace vehicles when they: (1) exceed 150,000 miles for sedans, (2) exceed 130,000 miles for service trucks or (3) exceed 10 years in age. Based on this replacement policy, CCWA staff included the replacement of three vehicles in the FY 2020/2021 Budget, with a project budget of \$92,400. The three vehicles can be replaced through the California Multiple Awards Schedule Program at a total cost of \$90,441.24, with an estimated salvage price of the three vehicles being replaced of \$18,000, for a net estimated cost of \$72,441.48.

Upon a motion by Director Waterfield, seconded by Director Julian and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Julian, Waterfield and Wicks in favor, and none opposed, the Board authorized the Executive Director to procure the vehicles described in the report in the amount of \$90,441.48 and authorized the Executive Director to sell the replaced vehicles as surplus equipment at public auction.

##### C. Santa Ynez Pumping Plant Surge Tank Pedestal Repair Project

Mr. Brady explained the purpose of the Surge Tank at the Santa Ynez Pumping Plant (SYPP) and that inspections identified damage to the concrete pedestal upon which the Surge Tank is mounted.

Mr. Brady explained that this project has been postponed since 2014 as shutdown of the Santa Ynez Pumping Plant will be necessary to complete the project. Due to the current low demand for lake deliveries, CCWA staff solicited competitive bids for repairing the Surge Tank Pedestal in accordance with the design prepared by AEC Engineering, and CCWA staff prepared a Request for Bids (RFB). Eight bids were received, ranging in price from \$113,400 to \$269,325.

DbA – LA Design Group WLA	\$113,400
Newton Construction & Management	\$139,000

Taylor Jane Construction	\$178,788
CCC Cushman Contraction Corp	\$182,700
Brough Construction, Inc.	\$214,200
Cedro Construction	\$214,118
CGS	\$248,542
Whitaker Construction Group	\$269,325

CCWA found that there was a wide range in Bid amounts and that there were Bids submitted by contractors that did not have the required specific experience that is comparable to the SYPP Surge Tank Pedestal Repair Project. The established budget for the Santa Ynez Pumping Plant Surge Tank Pedestal Repair Project is \$138,760. Due to the Bid costs of the likely lowest responsive and responsible bidder, CCWA staff believes that it is in the best interest of CCWA to reject all bids due to all qualified bids being substantially higher than the established budget.

Director Wicks asked that replacement of the tank, as well as refurbishment, be considered if the bid process is repeated.

Upon a motion by Director Waterfield, seconded by Director Wicks and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer, Julian and Wicks in favor, and none opposed, the Board authorized the Executive Director to reject all bids for the Santa Ynez Pumping Plant Surge Tank Pedestal Repair Project.

D. Amendment No. 20 to the State Water Project Contract (Contract Extension)

Mr. Stokes provided background on the intent of Amendment No. 20 to the contract, which will continue the State Water Contract for 50 years to 2085, providing an ability to provide capital expenditures with a longer term for repayment.

As a condition of executing Amendment No. 20 (the Contract Extension Amendment), the Santa Barbara County Flood Control and Water Conservation District (District) has proposed a first amendment of the 1991 Transfer of Financial Responsibility Agreement (TFRA). Since 1991, CCWA has been solely responsible for the delivery of State Water to the participants and the ratepayers (not the District) have invested more than \$ 1 billion in State Water. Pursuant to the 1991 TFRA, CCWA has approved, and the District has executed on behalf of CCWA, Amendment Nos. 14, 15, 16, 17, 18 and 19, without conditions.

Mr. Stokes reviewed the terms of the District's proposed First Amendment to the TFRA, which includes restating certain terms of the TFRA. The proposed First Amendment also would require that CCWA levy a property tax to satisfy its obligations under the TFRA. Mr. Stokes explained that CCWA has no power to levy a property tax, except as the contracting party to the State Water Contract, which it is not presently because the State Water Contract has not been assigned to it.

Members of the Board asked for clarification related to how taxes would be assessed under the proposed amendment in the event of a payment default. Questions and discussion followed regarding State Water Contract Article 34(a)

and the pre-Proposition 13 exemption. Members of the Board recommended changes to staff's proposed letter to the District responding to the District's proposed condition to include a request for continuance of the matter to allow time for CCWA staff to have the opportunity to understand District staff's concerns..

A member of the public provided comment on the matter, stating his objection to extension of the State Water Contract.

Upon a motion by Director Andrisek, seconded by Director Julian and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Julian, Waterfield and Wicks in favor, and none opposed, the Board opposed any conditions on the District's execution of Amendment No. 20; declined to amend the Transfer of Financial Responsibility Agreement as proposed as a condition of the District's execution of Amendment No. 20; and authorized the Chair of the Board to send a letter to the Santa Barbara County Board of Supervisors to request continuance of the matter to allow staff level discussion related to the matter.

E. Amendment No. 21 to the State Water Project Contract (Water Management)

Mr. Stokes provided information related to the provisions of Amendment No. 21 (the Water Management Amendment). The amendment would provide greater flexibility in water exchanges, provides clarification on certain existing practices, and allows for transfer (sale) of water between contractors which creates flexibility for non-permanent transfers. The amendment will also improve flexibility related to banked groundwater storage and allows for carryover water to be transferred or exchanged between contractors.

Staff anticipates that this Amendment will become effective on January 31, 2021 as currently 21 of the 29 State Water Contractors have executed the amendment. Non-signatory contractors will have 60 days to execute the Amendment and become party to its provisions, after that period DWR may not allow contractors the option to execute the amendment and they may lose its beneficial impacts.

As a condition of executing Amendment 21, District staff is proposing a requirement that CCWA negotiate a "revenue sharing and water sales agreement" with the District which would impose a fee on transfer of State Water out of the County. The fee would be passed directly on to CCWA's participants. District staff has cited no authority for its "revenue sharing" proposal and has provided no information about the use of the fee. Ms. Hastings noted that prior to 1986, the State Water Contract was financed by a property tax assessment levied on all County property owners.

Director Borah questioned whether the District had previously been reimbursed in any way for the county-wide property taxes used to finance the State Water Contract prior to 1986. She requested additional research be conducted to ensure that no payment had been made to the District for the property tax assessments that the County levied and collected.

Following a call for public comment, Robert McDonald, General Manager of Carpinteria Valley Water District, expressed concern about the District's condition that water transfers be approved by the District, which could be considered

regulatory control over actions taken by CCWA participants. Mr. Stokes noted that this condition could be problematic, as CCWA project participants could be constrained in taking actions that would benefit of an agency, if the District considered those actions to be not beneficial to the County as a whole.

The Directors provided comment, noting that the increased flexibility provided in Amendment 21 would assist agencies in dealing with the effects of climate change, the rules for exchanges and transfers should apply equally to all participants who receive State Water Project water throughout the state as provided in Amendment 21, concern over the intent of the District related to the new requirements, as well as apprehension over the District's apparent attempt to deprive CCWA member agencies the benefits of Amendment 21 that could be used to offset their water supply costs and expense.

As part of its recommended action, staff requested authorization to expend up to \$50,000 to hire a consulting firm for government relations services. Director Friedman requested this action be postponed until further discussion takes place between CCWA and County staff. Following discussion, upon a motion by Director Waterfield, seconded by Director Borah, and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer, Julian and Wicks in favor, and none opposed, the Board determined to postpone discussion on retention of the consulting firm until after a final decision by the Santa Barbara County Board of Supervisors.

Upon a motion by Director Waterfield, seconded by Director Julian and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Julian, Waterfield and Wicks in favor and none opposed, the Board declined to negotiate a "water revenue and water sharing" agreement as proposed as a condition of the District's execution of Amendment No. 21, authorized the Chair of the Board to send a letter to the Santa Barbara County Board of Supervisors requesting a continuance of the matter by the Board of Supervisors until no later than March 2, 2021 to allow staff level discussion related to the intentions of the proposed "revenue sharing and water sales agreement" while communicating the importance of executing Amendment 21 to the State Water Contract soon so that CCWA participants do not lose the opportunity to participate in the benefits of the Amendment.

F. Suspended Table A Reacquisition Update

CCWA staff is continuing to work on the EIR for the Suspended Table A Reacquisition with the consultant. There are currently five CCWA Participants who are pursuing the reacquisition of the 12,214 AF of suspended Table A. A draft version of the EIR is anticipated soon.

A member of the public had previously submitted a request to speak on the matter, but withdrew his request.

G. Water Management Strategies Update

The Board previously authorized the retention of Provost and Pritchard to investigate water management in collaboration with San Luis Obispo County.

Work on that project is continuing, with the input of the CCWA Operating Committee and San Luis Obispo County staff and stakeholders.

H. Finance Committee

1. FY 2020/21 Second Quarter Investment Report

As of December 31, 2020 the investment portfolio totaled \$52.3 million and had an effective rate of return of .54% on an average daily balance for the month of December 2020 of about \$53.6 million. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$43 million), and Montecito Bank & Trust money market accounts (\$9.3 million).

All investments during the quarter complied with the CCWA investment policy provisions and current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

Upon a motion by Director Andrisek, seconded by Director Johnson and carried following a roll call vote with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer, Julian and Wicks in favor and none opposed, the Board approved the FY 2020/21 Second Quarter Investment Report.

2. FY Ended June 30, 2020 and 2019 Comprehensive Annual Financial Report

The CCWA Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2020 and 2019 was included in the meeting materials. An overview and summary of the CAFR is provided in Management's Discussion and Analysis in the report.

Upon a motion by Director Borah, seconded by Director Andrisek and carried following a roll call vote with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer, Julian and Wicks in favor and none opposed, the Board approved the CCWA Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2020 and 2019.

The Board adjourned to closed session at 11:40 AM.

**V. Closed Session**

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Initiation of litigation pursuant to Government Code section 54956.9(d) (4): 2 cases

The Board reconvened from closed session at 12:13 PM.

Chairman Friedman stated there were no reportable actions as a result of closed session.

**VI. Reports from Board Members for Information Only**

- A. City of Buellton Appointment of Ed Andrisek as CCWA Board Member and John Sanchez as Board Alternate
- B. City of Guadalupe Appointment of Ariston Julian (Primary) and Tony Ramirez (Alternate) to the Central Coast Water Authority Board

There were no other reports from Board members.

**VII. Items for Next Regular Meeting Agenda**

Mr. Stokes reported there will be updates on many of the items discussed during this meeting.

**VIII. Date of Next Regular Meeting: February 25, 2021**

**IX. Adjournment**

The meeting was adjourned at 12:17 PM.

Respectfully submitted,

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Elizabeth Watkins  
Secretary to the Board

**MINUTES OF THE  
CENTRAL COAST WATER AUTHORITY  
BOARD OF DIRECTORS**

**February 17, 2021**

The Board meeting was conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Orders, N-25-20, N-29-20 and N-35-20, temporarily suspending portions of the Brown Act to implement social distancing in response to the COVID-19 pandemic. Members of the Board participated in this meeting by video call or telephone. Public Comment on agenda items also occurred via e-mail, video call or telephonically.

Ms. Lisa Watkins, CCWA Board Secretary, confirmed that all Board members could hear each other, had received a copy of the meeting agenda, and could hear the proceedings.

**I. Call to Order and Roll Call**

Chairman Friedman called the Central Coast Water Authority (CCWA) Board of Directors meeting to order at 8:35 AM.

CCWA member agencies with voting privileges were represented by:

<u>Representative</u>	<u>Agency/City</u>	<u>Voting %</u>
Ed Andrisek	City of Buellton	2.21%
Farfalla Borah	Goleta Water District	17.20%
Jeff Clay	Santa Ynez River Water Conservation District, ID #1	7.64%
Eric Friedman	City of Santa Barbara	11.47%
Shirley Johnson	Carpinteria Valley Water District	7.64%
Shad Springer	City of Santa Maria	43.19%
Floyd Wicks	Montecito Water District	9.50%

**II. Public Comment**

There was no public comment related to items not on the agenda.

**III. Executive Director's Report**

- A. Santa Barbara Flood Control and Water Conservation District Staff's Proposed Conditions of Approval of Amendment No. 20 (The Contract Extension Amendment) to the State Water Contract

Mr. Stokes provided background on the intent of Amendment No. 20 to the contract, which will continue the State Water Contract for 50 years to 2085, providing an ability to provide capital expenditures with a longer term for repayment. The Santa Barbara County Flood Control and Water Conservation District Board (District) considered the matter at their February 2, 2021 meeting, and had several comments related to the Contract Extension, including concern over ongoing financial responsibility for the State Water Contract. The District's Board voted to continue the matter until their meeting on March 2, 2021. Director Wicks asked how financing created by an individual project participant might impact the term of the TFRA. Mr. Stokes responded that the impact of

individual contractor debt financing relative to Amendment 20 was being investigated at the State level, so the matter was being considered.

Members of the public provided additional information related to financing of future capital projects, as well as the negative impacts of the District's non-execution of Amendment 20.

Upon a motion by Director Springer, seconded by Director Borah and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer and Wicks in favor, and none opposed, the Board affirmed the Board of Directors' action taken at its January 28, 2021 meeting declining to execute the District's proposed First Amendment to the TFRA; and authorized the Executive Director to execute and send a letter to Mr. Tom Fayram confirming CCWA's interpretation of the TFRA that the term of the TFRA is the same as the SWP Contract, as amended by Amendment No. 20.

B. Santa Barbara Flood Control and Water Conservation District Staff's Proposed Conditions of Approval of Amendment No. 21 (The Water Management Amendment)

The timeline related to Amendment No. 21 and discussions with the District related to District approval of the Amendment were reviewed, with the District's concerns related to certain provisions, including unbalanced exchanges and transfer of water outside of Santa Barbara County. The provision related to revenue sharing suggested by the District would be moot if out of county sales were prohibited. Staff included a Draft Resolution in the meeting materials for the Board's consideration which was intended to permit implementation of Amendment 21, once executed by the District, by establishing a Right of First Refusal Rule for any transfers and exchanges permitted by Amendment 21, consistent with each participant's Water Supply Agreement.

Director Wicks expressed concern that the District's proposed conditions on CCWA's implementation of Amendment 21 would place CCWA at a disadvantage with the other State Water Contractors.

Board members asked if the recommended actions by the CCWA Board will address the concerns raised by the District, Mr. Stokes responded District Staff had stated the previous week that it may not and that additional work needs to be done to address the concerns related to sale of water outside of the County. Mr. Stokes explained that the Draft Resolution was needed to permit CCWA's own implementation of Amendment 21.

Director Johnson requested that information related to how Amendment 21 is tied to adaptation for climate change be included in CCWA's letter response to the District, and reiterated that CCWA will not be an equal participant in the State Water Project if the District imposes the conditions they are proposing, as other water purveyors will have new abilities to manage their water portfolios and CCWA participants will be hampered in that regard.

The Board acknowledged the District's stated interest in ensuring that CCWA continue to prioritize meeting the water supply needs within Santa Barbara County. The Board also discussed coordinating with the District to provide its

assistance to improve local water supplies and storage as climate change increases the challenge to provide potable water within the County.

Upon a motion by Director Springer, seconded by Director Andrisek and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer and Wicks in favor and none opposed, the Board affirmed the Board of Directors' action taken at its January 28, 2021 meeting objecting to the District's proposed prohibition on all out-of-county transfers; and Adopted Resolution 21-01 Adopting a Right of First Refusal Rule For Any Transfer Of State Water Project Water Outside The County of Santa Barbara Pursuant To The State Water Supply Contract, As Amended By Amendment No. 21 (The Water Management Amendment).

- F. Request for Authorization to Retain the Services of Terrain Consulting in an Amount Not to Exceed \$50,000 for Governmental Relation and Communications Services

CCWA interviewed local Santa Barbara County governmental relation firms to assist in public relations and overall communications strategies, and determined that the firm of Terrain Consulting best met current needs based on their experience.

Director Borah expressed concern that hiring a public relations firm was premature and that the expenditure would not be well received by the public in the existing economic climate. Director Andrisek felt the expenditure was necessary to continue forward momentum on the current issues, and Director Springer stated that the negative impact of the conditions being considered by the District needed to be clearly addressed.

Upon a motion by Director Andrisek, seconded by Director Springer and carried following a roll call vote, with Directors Andrisek, Clay, Friedman, Johnson, Springer and Wicks in favor and Director Borah opposed, the Board authorized the Executive Director to retain the services of Terrain Consulting in an amount not to exceed \$50,000 for governmental relations and communications services.

The Board adjourned to closed session at 10:02 AM.

#### **IV. Closed Session**

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Initiation of litigation pursuant to Government Code section 54956.9(d) (4): 2 cases

The Board reconvened from closed session at 10:30 PM.

General Counsel Stephanie Hastings stated there were no reportable actions as a result of closed session.

#### **V. Items for Next Regular Meeting Agenda**

Updates on the discussions with the District related to Amendments 20 and 21, including outcome of the March 2, 2021 Santa Barbara County Board of Supervisors meeting, is expected at the next CCWA Board meeting.

**VI. Date of Next Regular Meeting: February 25, 2021**

Following discussion, the Board determined there was no need for a meeting on February 25, 2021 and upon a motion by Director Borah, seconded by Director Springer and carried following a roll call vote, with Directors Andrisek, Borah, Clay, Friedman, Johnson, Springer and Wicks in favor, and none opposed, the Board cancelled the February 25, 2021 meeting.

The next meeting of the Board of Directors will take place March 25, 2021.

**VII. Adjournment**

The meeting was adjourned at 10:35 AM.

Respectfully submitted,

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Elizabeth Watkins  
Secretary to the Board



## CENTRAL COAST WATER AUTHORITY

### Normal and Recurring Costs

Bills for Ratification - January and February 2021

VENDOR	INVOICE AMOUNT	DESCRIPTION
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
ACCO Brands USA LLC	60.79	Back covers for packets
ACWA	475.00	Advertising
Bank of America Business Card	31.79	Staff meetings
Bank of America Business Card	833.00	CISCO Instrumentation & Control Training
Bank of America Business Card	1,593.30	Advertising
California Chamber of Commerce	168.08	CA Labor Law Digest
Cal-OSHA Reporter	427.00	OSHA Newsletter
Federal Express	616.97	Express shipping
Quadient Finance USA, Inc.	400.00	Postage - postage machine
United Parcel Service	289.39	Shipping expenses
	<b>\$ 4,895.32</b>	<b>Total General &amp; Administrative</b>
<b>MONITORING EXPENSES</b>		
Aramark	575.28	Lab supplies
Bank of America Business Card	17.20	Lab supplies
Culligan Industries Water Systems	255.00	Carbon Tank Rentals, Tri-Bed Tank Rentals
Eurofins Eaton Analytical	410.00	Lab testing
Hach Company	1,916.82	Lab supplies
IDEXX Distribution Corp.	3,131.35	Lab supplies
Praxair Distribution, Inc.	264.96	Lab supplies
Shimadzu Scientific Instrument	300.30	Lab supplies
VWR International	4,633.64	Lab supplies
	<b>\$ 11,504.55</b>	<b>Total Monitoring Expenses</b>
<b>OFFICE EXPENSES</b>		
Brady, John	36.21	Reimbursable expenses - Office Supplies
Chase Card Services	242.63	Office supplies
Deluxe Business Checks & Solutions	250.23	Office supplies
Office Depot	578.69	Office, janitorial & kitchen supplies
Staples Inc.	671.20	Office, janitorial & kitchen supplies
Ultrax Business Products	212.27	Office supplies
US Bank	322.24	Office supplies
	<b>\$ 2,313.47</b>	<b>Total Office Expenses</b>
<b>OTHER EXPENSES</b>		
Afinity Inc.	487.50	Miscellaneous Software Updates
Airgas USA, LLC	117.44	Equipment Rental
Bank of America Business Card	58.12	Computer miscellaneous expenses
Bank of America Business Card	319.96	Website/domain renewal
Brady, John	209.97	Internet reimbursement
Brownstein Hyatt Farber	14,487.50	Legal Services: Reacquisition of Relinquished Entitlement
Comcast	389.56	Internet Service
CompuVision	525.00	Fiber Network Switches Support
CompuVision	1,990.00	Datto Cloud Backup
CompuVision	6,370.37	Switch Infrastructure Inventory
CompuVision	7,995.00	Cybersecurity and Network P&P Document
CompuVision	10,058.28	Managed Service Agreement
CompuVision	21,864.70	SmartNet Renewal
Dargatz, Darin	70.00	Internet reimbursement
De Lage Landen Financial Services	982.94	Copier Lease - BAO and WTP
Dell Business Credit	1,527.07	I&C Laptop
Environmental Science Association	7,508.70	Reacquisition of Relinquished Entitlement
Gonzalez, Cynthia	63.00	Internet reimbursement
Impulse Internet Services	4,250.30	T-1 System and Internet Service (Buellton and Shandon)





# CENTRAL COAST WATER AUTHORITY

## Normal and Recurring Costs

Bills for Ratification - January and February 2021

VENDOR	INVOICE AMOUNT	DESCRIPTION
Lowe's	171.98	Dishwasher/Reverse Osmosis Water BAO
Marborg Industries	632.00	Tank 5/Tank 7/Tank 2/ EDV Rental
Potable Divers Inc.	19,000.00	Tank Inspection for the WTP Clearwells and Tank 2
Praxair Company	85.71	Cylinder Rental
Provost & Pritchard Consulting	22,516.90	Water Management Strategies
Wilson Creek Communications	310.00	Internet Service
	<b>\$ 121,992.00</b>	<b>Total Other Expenses</b>
<b>OTHER MISCELLANEOUS EXPENSES</b>		
Comb-Warren Act Trust Fund	7,482.00	Trust Fund Quarterly payment
Department of Water Resources	14,400,806.00	Variable OMP&R, Delta Water & Transport Charge
	<b>\$ 14,408,288.00</b>	<b>Total Other Miscellaneous Expenses</b>
<b>PERSONNEL EXPENSES</b>		
ACWA/JPIA	19,454.02	Workman's Compensation Insurance
CADA-SAVE/EAP	752.50	SAVE Employee Assistance Program
CalPERS Health	69,181.76	Health Insurance
CalPERS Retirement	76,805.69	Pension Contributions
CCWA Payroll Wages/Taxes	474,394.43	Gross Payroll Wages/Taxes
Dental/Vision Payments	8,750.76	Dental/Vision Benefits
Industrial Medical Group	100.00	DMV Physical Class A License
MetLife SBC Insurance	2,069.20	Life Insurance
Other Misc Employee Benefits	9,147.06	Vehicle, Uniform and Cafeteria Plan Benefits
Standard Insurance Company	2,797.62	Disability Insurance
	<b>\$ 663,453.04</b>	<b>Total Personnel Expenses</b>
<b>PROFESSIONAL SERVICES</b>		
Aerial and Crane Experts, Inc.	1,265.00	Annual Inspection & Testing
Air Pollution Control District	459.31	Equipment permit renewals
Brownstein Hyatt Farber	95.00	Legal Services-Relations with DWR
Brownstein Hyatt Farber	324.00	Legal Services-General Meetings
Brownstein Hyatt Farber	475.00	Legal Services-SWC Amendment re Water Management
Brownstein Hyatt Farber	855.00	Legal Services-State Water Contract
Brownstein Hyatt Farber	1,282.50	Legal Services-Increase Delivery VAFB
Brownstein Hyatt Farber	2,958.50	Legal Services- SWC vs. DFW/DWR
CADA-SAVE/EAP	537.50	Annual Employee Assistance Program
Deep Blue Integration	1,380.00	Equipment Inspection
Ernst & Young LLP	2,921.00	Accounting Services
Glenn Burdette	24,000.00	Audit Services FYE 19/20
HDR Engineering Inc	8,601.88	Engineering Services
Mid-Coast Fire Protection Inc.	985.65	Safety, Annual fire extinguisher service
Quinn Company	1,400.00	Fuel sampling kits
Samba Holdings, Inc.	216.10	DMV driver reports
Santa Barbara County	1,895.00	Annual Business Plan Renewal
State Water Resources Control	3,500.00	Environmental Lab Accreditation Fees
Stradling Yocca Carlson Rauth	2,566.00	Legal - Employee Matters
Underground Service Alert	328.23	New USA tickets
	<b>\$ 56,045.67</b>	<b>Total Professional Services</b>
<b>CIP PROJECTS - MATERIALS &amp; OVERHEAD</b>		
Bank of America Business Card	332.50	WTP Modular Office Building - Phase 2
Bank of America Business Card	345.00	SYPP Surge Tank Pedestal Repair - Phase 2
Battery Systems Inc	388.28	Remote PLC Panel (RPP) Electrical Upgrade
Cannon Corporation	35,073.62	PLC Upgrade WTP - Phase 2 of 3
Consolidated Electrical Dist	358.81	Remote PLC Panel (RPP) Electrical Upgrade
Cushman Contracting Corp	121,183.51	Air Vacuum Air Release (AVAR) Valve Riser Repair - Phase 2 of 3





# CENTRAL COAST WATER AUTHORITY

## Normal and Recurring Costs

Bills for Ratification - January and February 2021

VENDOR	INVOICE AMOUNT	DESCRIPTION
Grainger Inc.	291.71	Remote PLC Panel (RPP) Electrical Upgrade
Hach Company	216.64	Water Quality Instrumentation
HDR Engineering Inc	9,839.75	WTP Modular Office Building - Phase 2
HDR Engineering Inc	23,274.87	Air Vacuum Air Release (AVAR) Valve Riser Repair-Phase 2 of 3
Home Depot	2,315.00	Santa Ynez Pumping Plant Surge Tank Pedestal Repair
Integrity Municipal Systems LLC	6,140.06	Chlorine Scrubber
Pacific Gas & Electric	7,612.88	SYPP Electrical Upgrade (Switchboard)
San Luis Powerhouse	1,130.30	Remote PLC Panel (RPP) Electrical Upgrade
SLO County Newspapers	365.42	SYPP Surge Tank Pedestal Repair - Phase 2
Tri County Office Furniture	8,127.63	Boardroom Furnishing and Carpet
	<b>\$ 216,995.98</b>	<b>Total CIP Project - Materials and Overhead</b>

### REPAIRS & MAINTENANCE

Airgas USA, LLC	153.69	Equipment repairs and maintenance
Alameda Electric Supply	188.13	Parts, repair and maintenance
Allied Electronics and Automation	1,660.98	Equipment repairs and maintenance
Aramark	978.04	Building maintenance supplies
Automationdirect.com Inc	233.28	Parts, repair and maintenance
Bank of America Business Card	1,000.00	Vehicles repairs and maintenance
Bank of America Business Card	2,100.00	Equipment repairs and maintenance
City of Buellton	193.78	Landscape maintenance - water
Consolidated Electrical Distributors	512.87	Parts, repair and maintenance
Coverall North America, Inc	1,958.00	Janitorial service - BAO/SYPS
D&H Water Systems Inc.	12,727.93	Equipment repairs and maintenance
GFG Instrumentation Inc.	662.99	Equipment repairs and maintenance
Grainger Inc.	670.37	Parts, repair and maintenance
Hach Company	7,566.40	Parts, repair and maintenance
Harrington Industrial Plastics	146.19	Parts, repair and maintenance
Harrison Hardware	55.54	Parts, repair and maintenance
Home Depot	364.66	Parts, repair and maintenance
Jan's Gardening Service	1,625.00	Landscape maintenance - BAO/SYPS
Jiffy Lube	103.94	Vehicle Maintenance
Mainline Autobody	1,898.14	Vehicle maintenance
Office Depot	80.88	Janitorial supplies
Powder Coating USA	90.00	Equipment repairs and maintenance
Procare Janitorial Supply	149.02	Janitorial supplies - WTP
Progressive Greenery	660.00	Landscape maintenance - WTP
Quinn Company	303.59	Equipment repairs and maintenance
RingCentral Inc.	196.66	Equipment repairs and maintenance
Rio Vista Chevrolet	160.10	Vehicle maintenance
Staples	40.98	Janitorial Supplies
Steve's Wheel & Tire	27.16	Equipment repairs and maintenance
Transcat	1,899.47	Equipment repairs and maintenance
Ultrax Business Products	468.78	Copier maintenance
US Bank	98.51	Vehicle repairs and maintenance
Western Exterminator Co	413.00	Pest control spraying - BAO and SYPS
	<b>\$ 39,388.08</b>	<b>Total Repairs &amp; Maintenance</b>

### SUPPLIES & EQUIPMENT

Alameda Electric Supply	1,007.46	Maintenance supplies
Aramark	2,043.63	Safety supplies
Bank of America Business Card	49.64	Fuel - Autos
Bank of America Business Card	129.29	Safety supplies
Bank of America Business Card	672.77	Equipment & maintenance supplies
Battery Systems Inc.	140.51	Battery





# CENTRAL COAST WATER AUTHORITY

## Normal and Recurring Costs

Bills for Ratification - January and February 2021

<b>VENDOR</b>	<b>INVOICE AMOUNT</b>	<b>DESCRIPTION</b>
Chemtrade Chemicals US, LLC	22,115.58	Chemicals - WTP
Eagle Energy	1,498.57	Equipment service
Grainger Inc.	590.21	Minor tools, equipment & maintenance supplies, safety supplies
Hill Brothers Chemical Company	4,642.86	Chemicals - WTP
Home Depot	407.38	Minor tools, equipment & maintenance supplies
JB Dewar	1,939.58	Fuel - equipment
JCI Jones Chemical	9,180.00	Chemicals - WTP
Lowe's	213.81	Maintenance supplies and hardware
Protective Equipment Testing Lab	144.69	Safety supplies
Renelle, David	175.00	Reimbursable expenses - Uniform reimbursement
Sterling Water Technologies, LLC	15,636.00	Chemicals - WTP
Transcat	7,160.52	Minor tools and equipment
Univar Solutions USA, Inc.	22,348.94	Chemicals - WTP
US Bank	191.64	Maintenance supplies
WEX Bank - Wright Express	4,632.16	Fuel - Autos
	<b>\$ 94,920.24</b>	<b>Total Supplies &amp; Equipment</b>
<b>UTILITIES</b>		
Bank of America Business Card	17.15	Cell Phone accessories
Brady, John	73.06	Cell Phone accessories
City of Buellton	368.70	Water - BAO
Delta Liquid Energy	5,318.74	Propane gas
First Choice Technology	28.04	Phone - Long distance carrier, 800#
Frontier	597.50	Telephone charges
Health Sanitation Services	520.98	Waste Disposal - SYPS
Marborg Industries	909.09	Waste Disposal - BAO
Pacific Gas & Electric	16,407.97	Utilities - BAO/SYPS/WTP
Safety Kleen Systems Inc.	482.74	Waste Oil removal
San Miguel Garbage Company	450.04	Waste Disposal - WTP
Santa Ynez River Water Conservation	530.88	Water - SYPS
Stokes, Ray	129.28	Reimbursable Expenses - Cell Phone charges
Surfnet Communications, Inc.	300.00	Wireless Internet - Chorro
The Gas Company	789.00	Natural Gas - BAO
Verizon Wireless	1,390.77	Cell phone charges
	<b>\$ 28,313.94</b>	<b>Total Utilities</b>
<b>Subtotal - Bills for Ratification</b>	<b>\$15,648,110.29</b>	





# CENTRAL COAST WATER AUTHORITY

## Bills for Approval

<b>VENDOR</b>	<b>INVOICE AMOUNT</b>	<b>DESCRIPTION</b>
State of California DWR	\$ 1,972,396.00	Capital Cost and Minimum OMP&R Charges - Mar'21
<b>Subtotal - Bills for Approval</b>	<b>\$ 1,972,396.00</b>	
<b>Total Ratification and Approval Bills</b>	<b><u>\$ 17,620,506.29</u></b>	





## Statements of Net Position

### ASSETS

	<u>February 28, 2021</u>	<u>January 31, 2021</u>
<b><u>Current Assets</u></b>		
Cash and investments	\$ 8,732,953	\$ 9,849,869
Accounts Receivable (Note 1)	15,674	15,674
Accrued interest receivable	24,550	15,793
Other assets	1,624,407	1,646,207
<b>Total Current Assets</b>	<b><u>10,397,584</u></b>	<b><u>11,527,544</u></b>
<b><u>Restricted Assets</u></b>		
<u>Investment Accounts</u>		
Operations and Maintenance Reserve Fund (Note 2)	2,131,894	2,131,792
DWR Reserve Fund (Note 3)	2,003,687	2,003,591
Rate Coverage Reserve Fund (Note 4)	9,530,608	9,530,152
Debt Service Payments (Note 5)	337,825	337,808
Department of Water Resources (Note 6a)	13,165,898	14,327,366
Credits Payable (Note 7)	931,617	397,067
Escrow Deposits (Note 8)	514,903	514,879
<b>Total Restricted Assets</b>	<b><u>28,616,432</u></b>	<b><u>29,242,657</u></b>
<b><u>Property, Plant and Equipment</u></b>		
Construction in progress (Note 9)	900,642	851,000
Fixed assets (net of accumulated depreciation)	89,676,362	89,886,227
<b>Total Property, Plant and Equipment</b>	<b><u>90,577,004</u></b>	<b><u>90,737,228</u></b>
<b><u>Other Assets</u></b>		
Unamortized bond issuance costs (Note 10)	98,331	113,640
Long term receivable (Note 11)	1,270,283	1,270,283
<b>Total Other Assets</b>	<b><u>1,368,614</u></b>	<b><u>1,383,923</u></b>
<b>Total Assets</b>	<b><u>\$ 130,959,634</u></b>	<b><u>\$ 132,891,351</u></b>



## Statements of Net Position

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### LIABILITIES AND FUND EQUITY

	<u>February 28, 2021</u>	<u>January 31, 2021</u>
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 90,024	\$ 121,335
DWR and Warren Act Charge Deposits (Note 6a)	13,165,899	14,327,368
CCWA Variable Charge Deposits (Note 6b)	292,583	292,583
Accrued interest payable	210,314	168,251
Other liabilities	853,730	854,930
DWR Reserve Fund	2,003,687	2,003,591
Rate Coverage Reserve Fund	9,495,379	9,495,379
Unearned Revenue	88,058	88,058
Credits Payable to Project Participants	1,198,893	1,197,859
<b>Total Current Liabilities</b>	<b><u>27,398,566</u></b>	<b><u>28,549,355</u></b>
<b><u>Non-Current Liabilities</u></b>		
Bonds payable (Note 12)	10,095,000	10,095,000
Bond Original Issue Premium, net	263,605	304,646
OPEB Liability	874,907	874,907
Escrow Deposits	514,903	514,879
Net Pension Liability	3,745,005	3,745,005
<b>Total Non-Current Liabilities</b>	<b><u>15,493,420</u></b>	<b><u>15,534,436</u></b>
<b><u>Commitments and Uncertainties</u></b>		
<b><u>Net Assets</u></b>		
Contributed capital, net (Note 13)	22,562,433	22,562,433
Retained earnings	65,505,214	66,245,127
<b>Total Net Assets</b>	<b><u>88,067,647</u></b>	<b><u>88,807,560</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 130,959,634</u></b>	<b><u>\$ 132,891,351</u></b>



# Statements of Revenues, Expenses and Changes in Net Position

	<b>February 28, 2021</b>	<b>January 31, 2021</b>
<b><u>Operating Revenues</u></b>		
Operating reimbursements from project participants	\$ 22,398,170	\$ 22,398,170
Other revenues	5,622	3,133
<b>Total Operating Revenues</b>	<b>22,403,791</b>	<b>22,401,303</b>
<b><u>Operating Expenses</u></b>		
Personnel expenses	3,238,223	2,887,104
Office expenses	12,097	11,115
General and administrative	103,385	91,017
Professional services	290,114	268,087
Supplies and equipment	516,978	479,861
Monitoring expenses	70,136	64,542
Repairs and maintenance	134,325	115,313
Utilities	308,089	286,123
Depreciation and amortization	1,411,357	1,234,740
Other expenses	470,517	408,223
<b>Total Operating Expenses</b>	<b>6,555,221</b>	<b>5,846,126</b>
<b>Operating Income</b>	<b>15,848,570</b>	<b>16,555,177</b>
<b><u>Non-Operating Revenues</u></b>		
Investment income	222,967	212,086
<b>Total Non-Operating Revenues</b>	<b>222,967</b>	<b>212,086</b>
<b><u>Non-Operating Expenses</u></b>		
Interest	456,688	414,625
Current year credits payable	198,417	196,293
<b>Total Non-Operating Expenses</b>	<b>655,104</b>	<b>610,918</b>
<b>Net Income</b>	<b>15,416,432</b>	<b>16,156,345</b>
<b><u>Retained Earnings</u></b>		
Retained earnings at beginning of period	50,088,782	50,088,782
Retained earnings at end of period	\$ 65,505,214	\$ 66,245,127

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 1: Accounts Receivable**

Accounts receivable consists of amounts payable by the State Water Project contractors and other miscellaneous receivables.

**Note 2: O&M Reserve Fund**

The O&M reserve fund represents cash reserves for emergency uses. The funding requirement is \$2,000,000 allocated on an entitlement basis for the Santa Barbara County project participants. Investment earnings on O&M reserve fund balances are credited against CCWA O&M assessments.

<u>Project Participant</u>	<u>Amount</u>
City of Guadalupe	\$ 28,253
City of Santa Maria	832,187
Golden State Water Company	25,685
Vandenberg AFB	401,204
City of Buellton	29,692
Santa Ynez ID #1 (Solvang)	77,054
Santa Ynez ID #1	25,685
Goleta Water District	233,915
Morehart Land Co.	10,274
La Cumbre Mutual Water Company	51,364
Raytheon Systems Company	2,568
City of Santa Barbara	154,109
Montecito Water District	155,943
Carpinteria Valley Water District	103,962
TOTAL:	<u>\$ 2,131,894</u>

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 3: DWR Reserve Fund**

The DWR Reserve Fund was established to provide a funding source for payments to the State of California Department of Water Resources (DWR) when there is a difference between estimates used to prepare the DWR portion of the annual CCWA budget and the actual amounts billed to the Authority by DWR. Contributions to the DWR Reserve Fund are voluntary. Funding of each participating Project Participant's share of the DWR Reserve Fund will come from a combination of (1) CCWA Operating Expense budget surpluses, if any (2) Interest earnings on funds held in all other accounts on behalf of the participating Project Participant and (3) excess amounts, if any, from any of the DWR Statement of Charges cost components until the funding Target Amount is reached. The Target Amount will be equal to the participating Project Participant's proportional share of a \$10 million allocation of DWR Transportation Minimum OMP&R charges. The following schedule shows the current fund balance of the participating Project Participant's.

Project Participant	Amount
City of Guadalupe	\$ 38,650
City of Santa Maria	1,174,464
Golden State Water Company	45,145
City of Buellton	63,546
Santa Ynez ID #1 (Solvang)	147,323
Santa Ynez ID #1	144,796
Morehart Land Co.	34,780
La Cumbre Mutual Water Company	98,943
Raytheon Systems Co.	9,177
City of Santa Barbara	246,864
TOTAL:	\$ 2,003,687

**Note 4: Rate Coverage Reserve Fund Cash Deposits**

The rate coverage reserve fund was established to provide CCWA project participants a mechanism to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments. The following schedule shows the current balances plus accrued interest receivable in the rate coverage reserve fund.

Project Participant	Amount
City of Guadalupe	\$ 191,722
City of Santa Maria	5,185,809
City of Buellton	275,881
Santa Ynez ID #1 (Solvang)	634,446
Santa Ynez ID #1	462,653
La Cumbre Mutual Water Company	401,839
Montecito Water District	1,499,509
Carpinteria Valley Water District	862,981
Shandon	15,767
TOTAL:	\$ 9,530,608

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 5: Debt Service Payments**

The following table shows the financing participant cash balances available to pay CCWA Series 2016-A revenue bond principal and interest payments.

<b>Participant</b>	<b>Amount</b>
Avila Beach	\$ 398
California Men's Colony	3,486
County of SLO	3,713
Cuesta College	1,743
Morro Bay	22,489
Oceano	2,914
Pismo Beach	4,815
Shandon	395
Guadalupe	4,931
Buellton	8,933
Santa Ynez (Solvang)	25,931
Santa Ynez	9,739
Goleta	82,043
Morehart Land	3,852
La Cumbre	18,045
Raytheon	815
Santa Barbara	50,284
Montecito	59,378
Carpinteria	33,922
TOTAL:	\$ 337,825

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 6a: Cash and Investments Payment to DWR and Warren Act and Trust Fund Charges**

Cash deposits for payments to DWR and Warren Act and Trust Fund payments.

<u>Project Participant</u>	<u>Amount</u>
City of Guadalupe	\$ 213,668
City of Santa Maria	4,264,691
Golden State Water Company	124,133
Vandenberg AFB	3,361,239
City of Buellton	153,983
Santa Ynez ID #1 (Solvang)	130,397
Santa Ynez ID #1	640,447
Goleta Water District	995,211
Morehart Land Co.	20,501
La Cumbre Mutual Water Company	190,928
Raytheon Systems Co.	14,845
City of Santa Barbara	1,239,506
Montecito Water District	1,159,876
Carpinteria Valley Water District	656,475
TOTAL:	<u>\$ 13,165,898</u>

**Note 6b: Cash Payments for CCWA Variable Charges**

Cash deposits for payments to CCWA for Variable Assessments.

<u>Project Participant</u>	<u>Amount</u>
City of Guadalupe	\$ -
City of Santa Maria	-
Golden State Water Company	-
Vandenberg AFB	-
City of Buellton	3,148
Santa Ynez ID #1 (Solvang)	-
Santa Ynez ID #1	-
Goleta Water District	265,412
Morehart Land Co.	284
La Cumbre Mutual Water Company	-
Raytheon Systems Co.	3,279
City of Santa Barbara	3,299
Montecito Water District	3,299
Carpinteria Valley Water District	2,746
Shandon	4,620
Lopez Turnout	6,495
Chorro Turnout	-
TOTAL:	<u>\$ 292,583</u>

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 7: Credits Payable**

Credits payable to, or (due from) CCWA project participants for investment earnings and O&M assessment credits.

Project Participant	Amount
City of Guadalupe	\$ 8,126
City of Santa Maria	319,418
Golden State Water Company	5,310
Vandenberg AFB	537,105
City of Buellton	15,086
Santa Ynez ID #1 (Solvang)	44,904
Santa Ynez ID #1	(152,481)
Goleta Water District	37,327
Morehart Land Co.	880
La Cumbre Mutual Water Company	5,512
Raytheon Systems Co.	254
City of Santa Barbara	23,792
Montecito Water District	24,844
Carpinteria Valley Water District	16,612
Shandon	(516)
Lopez Turnout	31,011
Chorro Turnout	14,432
TOTAL:	<u>\$ 931,617</u>

**Note 8: Escrow Deposits**

Cash deposits from certain project participants as required under the Water Supply Agreements.

Project Participant	Amount
Morehart Land Company	\$ 406,503
Raytheon Systems Company	108,401
TOTAL:	<u>\$ 514,903</u>

**Note 9: Construction in Progress**

Amounts in construction in progress represent expenditures incurred during FY 2020/21 and amounts retained in construction in progress at June 30, 2020. The following schedule shows the CIP expenditures for CCWA projects.

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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Financial Reach	Amount
Labor	\$ 97,002
Materials	165,298
Overhead	638,343
Project CIP Total:	\$ 900,642

**Note 10: Unamortized Bond Issuance Costs**

Unamortized bond issuance costs for the 2016 revenue bonds include bond insurance and the 1992, 1996 and 2006 revenue bond deferred costs.

**Note 11: Long-Term Receivable**

The long-term receivable represents CCWA revenue bond expenditures for project participant local facilities which are owned by the individual project participants. The costs associated with the construction of these local facilities are financed with proceeds from the CCWA revenue bonds. Project participant revenue bond principal payments are proportionally divided between the long-term receivable and the CCWA owned facilities over the term of the bond issue.

Financing Participant	Long-Term Receivable
Avila Beach	\$ 2,905
California Men's Colony	64,873
County of SLO	69,185
Cuesta College	32,439
Morro Bay	496,260
Oceano	19,787
Pismo Beach	32,669
Shandon	2,387
Guadalupe	84,373
Buellton	13,733
Santa Ynez (Solvang)	36,632
Santa Ynez	16,233
Goleta	208,558
Morehart Land	960
La Cumbre	4,801
Raytheon	1,267
Santa Barbara	45,531
Montecito	72,432
Carpinteria	65,259
TOTAL:	\$ 1,270,283

**Note 12: Bonds Payable**

Bonds payable represents Series 2016-A revenue bonds outstanding. The last Series 2016-A principal payment is due on October 1, 2021 in the amount of \$10,095,000.

Central Coast Water Authority  
**Notes to Financial Statements**  
February 28, 2021

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**Note 13: Contributed Capital**

Certain project participants elected to pay their share of CCWA project construction costs in cash. The amounts listed below show the capital contributions by project participant less the cost of local facilities and refunds to the project participants.

<b>Project Participant</b>	<b>Amount</b>
Avila Valley Water Company	\$ 15,979
City of Guadalupe	81,119
San Luis Schools	5,608
San Miguelito Water Company	233,605
Golden State Water Company	866,277
City of Santa Maria	13,498,802
Vandenberg AFB	7,861,043
TOTAL:	<u>\$ 22,562,433</u>



# Budget and Actual All Reaches

	<b>February 28, 2021</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Percent Expended <sup>(1)</sup></b>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 10,773,148	10,773,148	100.00%
Variable operating assessments	2,618,077	2,560,090	97.79%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>13,391,225</b>	<b>13,333,238</b>	<b>99.57%</b>
<b><u>Operating Expenses <sup>(2)</sup></u></b>			
Personnel expenses	5,221,432	3,238,223	62.02%
Office expenses	21,300	12,097	56.79%
General and administrative	322,412	103,385	32.07%
Professional services	493,223	290,114	58.82%
Supplies and equipment	1,845,711	516,978	28.01%
Monitoring expenses	106,215	70,136	66.03%
Repairs and maintenance	293,760	134,325	45.73%
Utilities	1,143,895	308,089	26.93%
Depreciation and amortization	-	-	N/A
Other expenses	1,986,667	470,517	23.68%
<b>Total Operating Expenses</b>	<b>11,434,616</b>	<b>5,143,864</b>	<b>44.99%</b>
<b>Operating Income</b>	<b>1,956,609</b>	<b>8,189,374</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 1,956,609</b>	<b>8,189,374</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Administration

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b>Operating Revenues</b>			
Fixed operating assessments <sup>(2)</sup>	\$ 1,978,585	\$ 1,978,585	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>1,978,585</b>	<b>1,978,585</b>	<b>100.00%</b>
<b>Operating Expenses <sup>(2)</sup></b>			
Personnel expenses	954,884	578,075	60.54%
Office expenses	10,800	6,518	60.35%
General and administrative	212,162	83,455	39.34%
Professional services	306,051	182,038	59.48%
Supplies and equipment	-	-	N/A
Monitoring expenses	-	-	N/A
Repairs and maintenance	29,960	17,292	57.72%
Utilities	17,738	9,462	53.34%
Depreciation and amortization	-	-	N/A
Other expenses	151,652	233,053	153.68%
<b>Total Operating Expenses</b>	<b>1,683,248</b>	<b>1,109,893</b>	<b>65.94%</b>
<b>Operating Income</b>	<b>295,337</b>	<b>868,692</b>	
<b>Non-Operating Revenues</b>			
Investment Income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b>Non-Operating Expenses</b>			
Current Year credits payable	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 295,337</b>	<b>868,692</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Water Treatment Plant

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 5,106,036	5,106,037	100.00%
Variable operating assessments	1,806,650	1,768,030	97.86%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>6,912,686</b>	<b>6,874,066</b>	<b>99.44%</b>
<b><u>Operating Expenses <sup>(2)</sup></u></b>			
Personnel expenses	2,482,041	1,524,706	61.43%
Office expenses	6,500	3,500	53.85%
General and administrative	76,000	14,430	18.99%
Professional services	83,439	53,317	63.90%
Supplies and equipment	1,742,800	474,103	27.20%
Monitoring expenses	106,215	70,136	66.03%
Repairs and maintenance	172,100	84,146	48.89%
Utilities	245,317	123,881	50.50%
Depreciation and amortization	-	-	N/A
Other expenses	861,572	141,356	16.41%
<b>Total Operating Expenses</b>	<b>5,775,984</b>	<b>2,489,576</b>	<b>43.10%</b>
<b>Operating Income</b>	<b>1,136,702</b>	<b>4,384,490</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 1,136,702</b>	<b>4,384,490</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21

Central Coast Water Authority  
**Polonio Pass Water Treatment Plant**  
**Fixed and Variable Cost per Acre-Foot**  
February 28, 2021

<b>WTP Fixed O&amp;M Costs</b>	<b>July 2020</b>	<b>Aug. 2020</b>	<b>Sept. 2020</b>	<b>Oct. 2020</b>	<b>Nov. 2020</b>	<b>Dec. 2020</b>	<b>Jan. 2021</b>	<b>Feb. 2021</b>	<b>Total for Year</b>
Fixed O&M Expenses	\$ 343,627	\$ 216,513	\$ 229,684	\$ 300,299	\$ 207,298	\$ 233,220	\$ 234,487	\$ 234,251	\$ 1,999,379
Annual Table A Amount <sup>(1)</sup>	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908
Fixed WTP Cost per AF	\$ 7.83	\$ 4.93	\$ 5.23	\$ 6.84	\$ 4.72	\$ 5.31	\$ 5.34	\$ 5.34	\$ 45.54
<b>WTP Variable O&amp;M Costs</b>									
Variable O&M Expenses	\$ 100,015	\$ 64,357	\$ 88,741	\$ 66,497	\$ 50,391	\$ 36,692	\$ 47,384	\$ 36,121	\$ 490,197
Actual Water Treated	2,006	1,849	1,607	1,172	315	591	808	737	9,085
Variable WTP Cost per AF	\$ 49.86	\$ 34.81	\$ 55.22	\$ 56.74	\$ 159.97	\$ 62.08	\$ 58.64	\$ 49.01	\$ 53.96

(1) Includes Santa Barbara County and San Luis Obispo County Table A amounts and excludes Goleta 2,500 AF drought buffer and Santa Barbara County 3,908 AF drought buffer.



# Budget and Actual Mission Hills II

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 338,437	338,437	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>338,437</b>	<b>338,437</b>	<b>100.00%</b>
<b><u>Operating Expenses <sup>(2)</sup></u></b>			
Personnel expenses	228,853	168,281	73.53%
Office expenses	513	256	49.88%
General and administrative	4,392	675	15.37%
Professional services	13,303	2,276	17.11%
Supplies and equipment	13,198	5,691	43.12%
Monitoring expenses	-	-	N/A
Repairs and maintenance	11,760	5,579	47.44%
Utilities	8,902	1,891	21.24%
Depreciation and amortization	-	-	N/A
Other expenses	26,995	13,594	50.36%
<b>Total Operating Expenses</b>	<b>307,916</b>	<b>198,243</b>	<b>64.38%</b>
<b>Operating Income</b>	<b>30,521</b>	<b>140,194</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 30,521</b>	<b>140,194</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Santa Ynez I

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b>Operating Revenues</b>			
Fixed operating assessments <sup>(2)</sup>	\$ 517,152	517,152	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>517,152</b>	<b>517,152</b>	<b>100.00%</b>
<b>Operating Expenses <sup>(2)</sup></b>			
Personnel expenses	322,130	197,098	61.19%
Office expenses	722	329	45.63%
General and administrative	6,183	883	14.28%
Professional services	18,725	2,798	14.94%
Supplies and equipment	18,577	6,721	36.18%
Monitoring expenses	-	-	N/A
Repairs and maintenance	16,553	7,074	42.73%
Utilities	12,530	4,028	32.14%
Depreciation and amortization	-	-	N/A
Other expenses	77,688	13,643	17.56%
<b>Total Operating Expenses</b>	<b>473,107</b>	<b>232,574</b>	<b>49.16%</b>
<b>Operating Income</b>	<b>44,044</b>	<b>284,578</b>	
<b>Non-Operating Revenues</b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b>Non-Operating Expenses</b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 44,044</b>	<b>284,578</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Santa Ynez II

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b>Operating Revenues</b>			
Fixed operating assessments <sup>(2)</sup>	\$ 1,398,742	1,398,742	100.00%
Variable operating assessments	811,427	792,141	97.62%
Other revenues	-		N/A
<b>Total Operating Revenues</b>	<b>2,210,169</b>	<b>2,190,884</b>	<b>99.13%</b>
<b>Operating Expenses <sup>(2)</sup></b>			
Personnel expenses	462,614	329,859	71.30%
Office expenses	1,037	645	62.24%
General and administrative	8,879	1,703	19.19%
Professional services	26,892	30,725	114.25%
Supplies and equipment	26,679	13,216	49.54%
Monitoring expenses	-	-	N/A
Repairs and maintenance	23,772	11,538	48.53%
Utilities	829,421	152,311	18.36%
Depreciation and amortization	-	-	N/A
Other expenses	471,082	25,248	5.36%
<b>Total Operating Expenses</b>	<b>1,850,376</b>	<b>565,244</b>	<b>30.55%</b>
<b>Operating Income</b>	<b>359,794</b>	<b>1,625,639</b>	
<b>Non-Operating Revenues</b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b>Non-Operating Expenses</b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 359,794</b>	<b>1,625,639</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Reach 33B

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 743,550	743,550	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>743,550</b>	<b>743,550</b>	<b>100.00%</b>
<b><u>Operating Expenses <sup>(2)</sup></u></b>			
Personnel expenses	356,428	219,883	61.69%
Office expenses	799	436	54.52%
General and administrative	6,841	1,150	16.81%
Professional services	20,719	5,229	25.24%
Supplies and equipment	20,555	8,795	42.79%
Monitoring expenses	-	-	N/A
Repairs and maintenance	18,316	4,080	22.28%
Utilities	13,864	6,498	46.87%
Depreciation and amortization	-	-	N/A
Other expenses	188,866	26,940	14.26%
<b>Total Operating Expenses</b>	<b>626,387</b>	<b>273,010</b>	<b>43.58%</b>
<b>Operating Income</b>	<b>117,163</b>	<b>470,541</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 117,163</b>	<b>470,541</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Reach 34

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 256,191	256,191	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>256,191</b>	<b>256,191</b>	<b>100.00%</b>
<b><u>Operating Expenses</u> <sup>(2)</sup></b>			
Personnel expenses	172,442	104,586	60.65%
Office expenses	387	213	55.01%
General and administrative	3,310	561	16.96%
Professional services	10,024	1,913	19.08%
Supplies and equipment	9,945	4,293	43.16%
Monitoring expenses	-	-	N/A
Repairs and maintenance	8,861	2,173	24.52%
Utilities	6,708	4,190	62.47%
Depreciation and amortization	-	-	N/A
Other expenses	20,341	8,826	43.39%
<b>Total Operating Expenses</b>	<b>232,017</b>	<b>126,754</b>	<b>54.63%</b>
<b>Operating Income</b>	<b>24,174</b>	<b>129,436</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 24,174</b>	<b>129,436</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Reach 35

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b><u>Operating Revenues</u></b>			
Fixed operating assessments <sup>(2)</sup>	\$ 166,466	166,466	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>166,466</b>	<b>166,466</b>	<b>100.00%</b>
<b><u>Operating Expenses</u> <sup>(2)</sup></b>			
Personnel expenses	113,552	29,723	26.18%
Office expenses	255	62	24.17%
General and administrative	2,179	162	7.45%
Professional services	6,601	436	6.60%
Supplies and equipment	6,548	1,242	18.97%
Monitoring expenses	-	-	N/A
Repairs and maintenance	5,835	554	9.50%
Utilities	4,417	771	17.46%
Depreciation and amortization	-	-	N/A
Other expenses	13,394	2,523	18.84%
<b>Total Operating Expenses</b>	<b>152,782</b>	<b>35,474</b>	<b>23.22%</b>
<b>Operating Income</b>	<b>13,684</b>	<b>130,992</b>	
<b><u>Non-Operating Revenues</u></b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b><u>Non-Operating Expenses</u></b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 13,684</b>	<b>130,992</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Reach 37

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b>Operating Revenues</b>			
Fixed operating assessments <sup>(2)</sup>	\$ 72,105	72,106	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>72,105</b>	<b>72,106</b>	<b>100.00%</b>
<b>Operating Expenses <sup>(2)</sup></b>			
Personnel expenses	48,684	31,269	64.23%
Office expenses	109	59	54.29%
General and administrative	934	156	16.74%
Professional services	2,830	420	14.83%
Supplies and equipment	2,808	1,319	46.98%
Monitoring expenses	-	-	N/A
Repairs and maintenance	2,502	534	21.33%
Utilities	1,894	401	21.19%
Depreciation and amortization	-	-	N/A
Other expenses	5,743	2,290	39.88%
<b>Total Operating Expenses</b>	<b>65,503</b>	<b>36,449</b>	<b>55.64%</b>
<b>Operating Income</b>	<b>6,603</b>	<b>35,657</b>	
<b>Non-Operating Revenues</b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b>Non-Operating Expenses</b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 6,603</b>	<b>35,657</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21



# Budget and Actual Reach 38

	February 28, 2021		
	Budget	Actual	Percent Expended <sup>(1)</sup>
<b>Operating Revenues</b>			
Fixed operating assessments <sup>(2)</sup>	\$ 118,158	118,158	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
<b>Total Operating Revenues</b>	<b>118,158</b>	<b>118,158</b>	<b>100.00%</b>
<b>Operating Expenses <sup>(2)</sup></b>			
Personnel expenses	79,804	38,347	48.05%
Office expenses	179	79	44.04%
General and administrative	1,532	208	13.57%
Professional services	4,639	558	12.03%
Supplies and equipment	4,602	1,590	34.56%
Monitoring expenses	-	-	N/A
Repairs and maintenance	4,101	710	17.30%
Utilities	3,104	534	17.19%
Depreciation and amortization	-	-	N/A
Other expenses	9,413	3,045	32.35%
<b>Total Operating Expenses</b>	<b>107,374</b>	<b>45,070</b>	<b>41.98%</b>
<b>Operating Income</b>	<b>10,784</b>	<b>73,088</b>	
<b>Non-Operating Revenues</b>			
Interest income	-	-	
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	
<b>Non-Operating Expenses</b>			
Interest	-	-	
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	
<b>Net Income (Loss)</b>	<b>\$ 10,784</b>	<b>73,088</b>	

(1) Percent of year expended: 66.7%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues from FY 2019/20 to FY 2020/21

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS  
RAW WATER (RW) AND SETTLED WATER (SW)**

Agenda Item V.E.  
Board of Directors  
March 25, 2021

System Name: Central Coast Water Authority

System Number: 4210030

Treatment Plant Name: Polonio Pass Water Treatment Plant

**February** **2021**

Date:	RW pH (SU)	RW Turbidity (NTU)	SW Turbidity (NTU)	RW Odor (TON)	RW Total Coliform (MPN)	RW E. Coli (MPN)	RW Cl- (mg/L)	RW Alkalinity (mg/L)		RW Hardness (mg/L)		RW E.C. (uS/cm)	RW TOC (mg/L)
								Total	Phenol	Total	Ca		
1	8.93	0.82	0.38	1.0	16	1	120	86	6	124	61	626	
2	9.03	1.01	0.41	1.0			115	86	6	124	59		
3	9.05	1.10	0.37	1.0			117	86	10	126	59		2.7
4	9.17	1.16	0.45	1.0			115	86	13	125	59		
5	9.19	1.05	0.46	1.0			117	84	13	126	58		
6	9.23	0.81	0.45	1.0			117	86	16	130	59		
7	9.20	0.76	0.43	1.0			119	84	15	130	59		
8	9.20	0.74	0.42	1.0	14	1	116	86	17	123	57	642	
9	9.20	0.55	0.47	1.0			121	86	12	127	60		
10	9.25	0.67	0.42	1.0			122	87	13	127	62		
11	9.28	0.74	0.43	1.0			124	85	13	129	57		
12	9.23	0.72	0.44	1.0			123	87	12	130	62		
13	9.19	0.56	0.36	1.0			123	87	12	128	62		
14	9.10	0.62	0.39	1.0			123	87	10	123	61		
15	9.08	0.58	0.38	1.0	58	1	123	88	10	131	64		
16	9.00	0.53	0.39	1.0			124	87	11	131	59	668	
17	8.99	0.54	0.37	1.0			119	88	12	128	61		
18	8.98	0.62	0.41	1.0			123	90	13	133	62		
19	8.98	0.58	0.38	1.0			125	91	11	135	63		
20	8.97	0.78	0.40	1.0			124	91	13	133	63		
21	8.90	0.72	0.36	1.0			127	90	10	135	66		
22	8.89	0.73	0.37	1.0	52	1	126	91	11	138	59	677	
23	8.95	0.71	0.37	1.0			129	91	9	142	67		
24	9.02	0.49	0.33	1.0			129	91	12	145	69		
25	9.07	0.44	0.34	1.0			129	91	13	142	67		
26	9.10	0.42	0.34	1.0			131	92	12	147	70		
27	9.10	0.41	0.34	1.0			133	92	11	147	69		
28	9.08	0.42	0.34	1.0			131	90	16	147	69		
<b>Avg</b>	<b>9.08</b>	<b>0.69</b>	<b>0.39</b>	<b>1.0</b>	<b>35</b>	<b>1</b>	<b>123</b>	<b>88</b>	<b>12</b>	<b>132</b>	<b>62</b>	<b>653</b>	<b>2.7</b>

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS  
TREATED WATER (TW) & CLEARWELL (CW)**

System Name: Central Coast Water Authority

System Number: 4210030

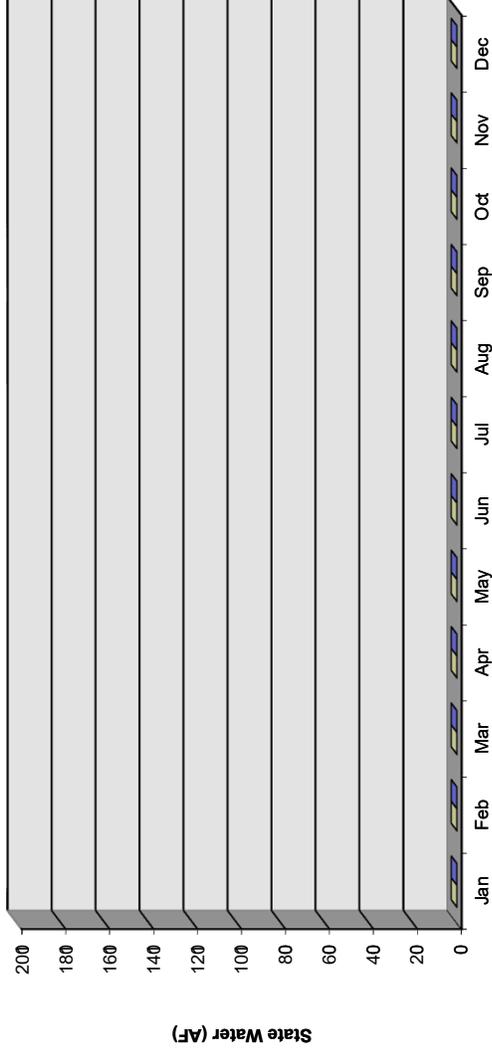
Treatment Plant Name: Polonio Pass Water Treatment Plant

**February** **2021**

Date:	TW pH (SU)	TW Turbidity (NTU)	Filter Rate (gpm/ft <sup>2</sup> )	CW Odor (TON)	TW Total Coliform	CW Cl- (mg/L)	CW Total Alk (mg/L)	CW Hardness (mg/L)		TW Chlorine (mg/L)		CCB3 Chlorine Free (mg/L)	TW NH3-N (mg/L)		(CCB3 Cl2 Free) / (TW NH3-N Total)	CW E.C. (uS/cm)	TW TOC (mg/L)
								Total	Ca	Total	Free		Total	Free			
1	8.42	0.05	2.91	0.0	ABSENT	124	75	125	62	3.68	0.00	3.67	0.71	0.00	5.2	658	
2	8.39	0.05	2.91	0.0	ABSENT	120	77	127	59	3.58	0.00	3.54	0.67	0.00	5.3		
3	8.38	0.05	2.91	0.0	ABSENT	122	77	128	58	3.51	0.00	3.47	0.67	0.00	5.2		2.2
4	8.42	0.05	2.76	0.0	ABSENT	120	78	131	59	3.52	0.00	3.38	0.68	0.00	5.0		
5	8.33	0.05	2.59	0.0	ABSENT	121	75	122	59	3.63	0.00	3.58	0.70	0.00	5.1		
6	8.40	0.05	2.70	0.0	ABSENT	121	77	122	57	3.64	0.00	3.60	0.70	0.00	5.1		
7	8.39	0.05	2.87	0.0	ABSENT	123	76	123	57	3.62	0.00	3.61	0.69	0.00	5.2		
8	8.42	0.05	2.91	0.0	ABSENT	123	80	122	55	3.56	0.00	3.65	0.68	0.00	5.4	667	
9	8.42	0.05	2.91	0.0	ABSENT	124	73	126	60	3.70	0.00	3.69	0.71	0.00	5.2		
10	8.48	0.05	2.91	0.0	ABSENT	126	78	125	62	3.68	0.00	3.64	0.72	0.00	5.1		
11	8.35	0.06	2.91	0.0	ABSENT	128	78	129	61	3.63	0.00	3.62	0.73	0.00	5.0		
12	8.43	0.05	2.91	0.0	ABSENT	126	76	128	60	3.74	0.00	3.83	0.73	0.00	5.2		
13	8.39	0.06	2.91	0.0	ABSENT	126	78	126	60	3.66	0.00	3.66	0.71	0.00	5.2		
14	8.50	0.06	2.75	0.0	ABSENT	125	78	127	62	3.58	0.00	3.49	0.72	0.00	4.8		
15	8.32	0.06	2.59	0.0	ABSENT	125	80	132	64	3.68	0.00	3.64	0.72	0.00	5.1		
16	8.30	0.05	2.75	0.0	ABSENT	125	79	130	61	3.74	0.00	3.66	0.73	0.00	5.0	684	
17	8.33	0.06	2.75	0.0	ABSENT	123	79	130	60	3.55	0.00	3.43	0.72	0.00	4.8		
18	8.29	0.06	2.75	0.0	ABSENT	125	80	135	61	3.61	0.00	3.58	0.72	0.00	5.0		
19	8.24	0.06	2.91	0.0	ABSENT	125	79	136	64	3.58	0.00	3.48	0.70	0.00	5.0		
20	8.44	0.05	2.91	0.0	ABSENT	124	81	135	64	3.55	0.00	3.54	0.71	0.00	5.0		
21	8.42	0.06	2.59	0.0	ABSENT	128	74	135	65	3.58	0.00	3.64	0.73	0.00	5.0		
22	8.41	0.05	2.59	0.0	ABSENT	133	76	135	63	3.43	0.00	3.28	0.72	0.00	4.6	734	
23	8.24	0.05	2.85	0.0	ABSENT	130	76	143	69	3.50	0.00	3.48	0.69	0.00	5.0		
24	8.37	0.05	2.91	0.0	ABSENT	131	76	150	68	3.65	0.00	3.64	0.69	0.00	5.3		
25	8.43	0.06	2.91	0.0	ABSENT	131	77	146	67	3.62	0.00	3.59	0.70	0.00	5.1		
26	8.33	0.05	2.91	0.0	ABSENT	132	76	145	67	3.68	0.00	3.67	0.72	0.00	5.1		
27	8.37	0.05	3.08	0.0	ABSENT	134	76	146	70	3.70	0.00	3.68	0.72	0.00	5.1		
28	8.43	0.05	3.24	0.0	ABSENT	133	77	149	71	3.65	0.00	3.61	0.70	0.00	5.2		
<b>Avg</b>	<b>8.38</b>	<b>0.05</b>	<b>2.84</b>	<b>0.00</b>		<b>126</b>	<b>77</b>	<b>132</b>	<b>62</b>	<b>3.62</b>	<b>0.00</b>	<b>3.58</b>	<b>0.71</b>	<b>0.00</b>	<b>5.1</b>	<b>686</b>	<b>2.20</b>

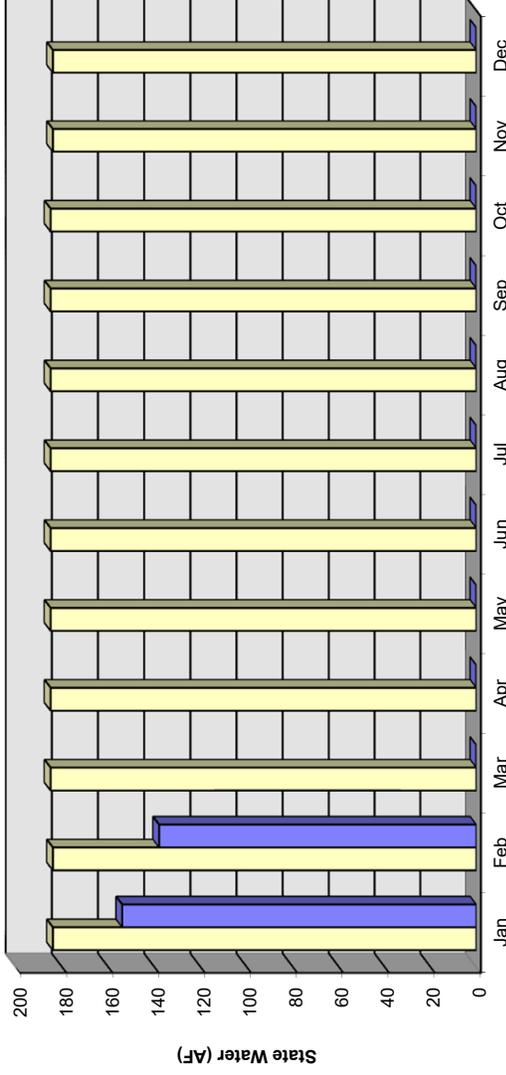
### Shandon T.O - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	0	0	
Mar	0	0	
Apr	0	0	
May	0	0	
Jun	0	0	
Jul	0	0	
Aug	0	0	
Sep	0	0	
Oct	0	0	
Nov	0	0	
Dec	0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	



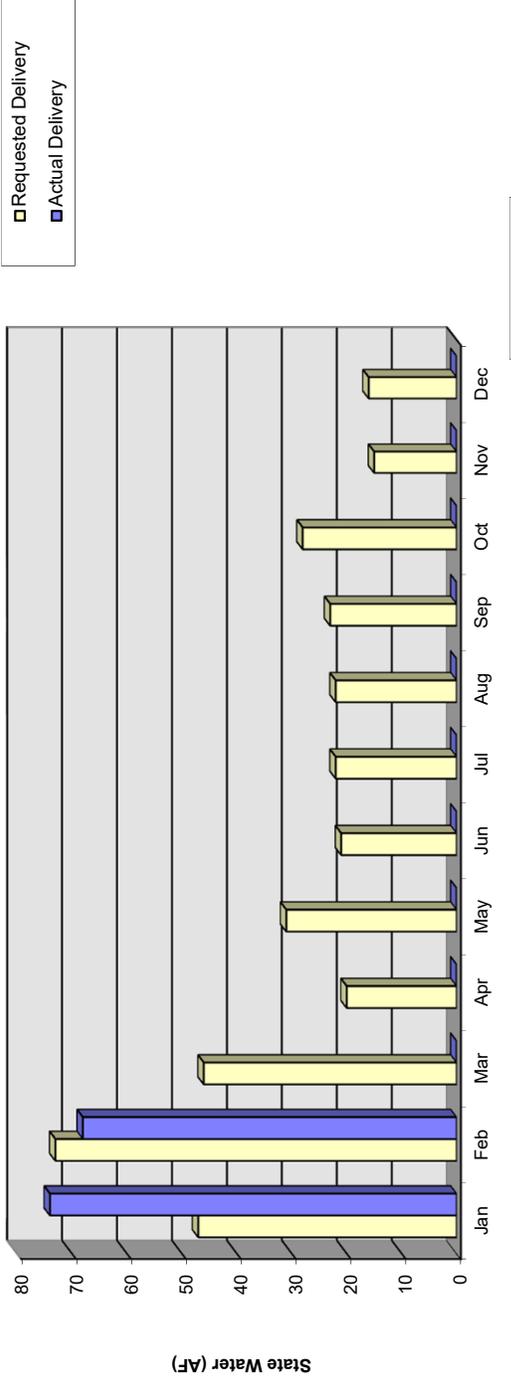
### Chorro Valley T.O. - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	184	154	
Feb	184	138	
Mar	185	0	
Apr	185	0	
May	185	0	
Jun	185	0	
Jul	185	0	
Aug	185	0	
Sep	185	0	
Oct	185	0	
Nov	184	0	
Dec	184	0	
<b>Total</b>	<b>2216</b>	<b>292</b>	



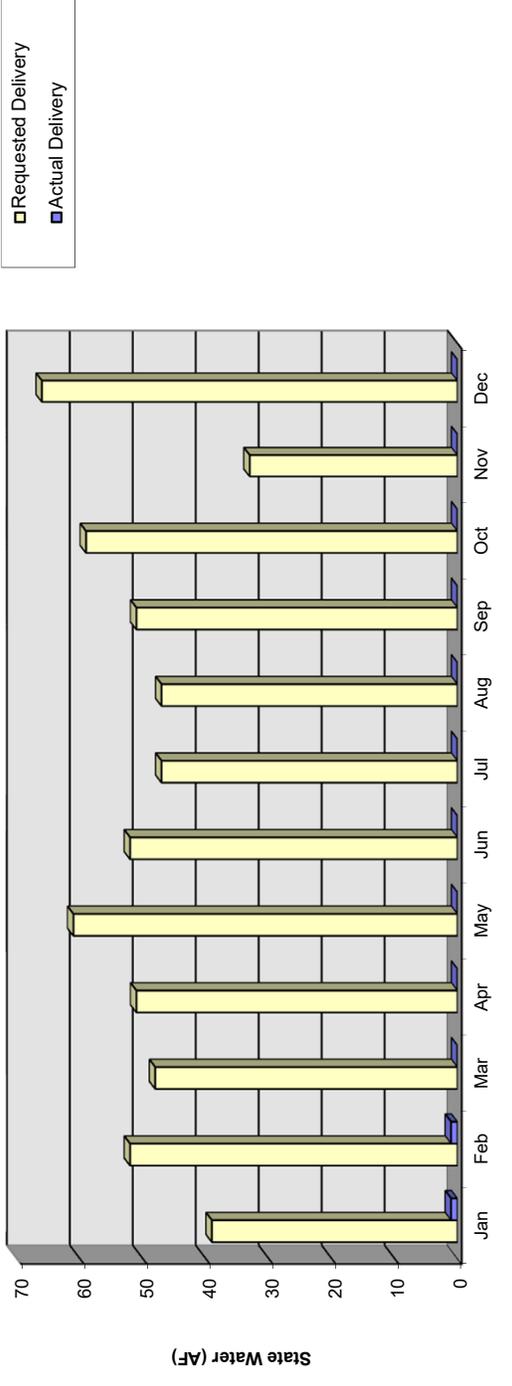
### Lopez T.O. - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	47	74	
Feb	73	68	
Mar	46		
Apr	20		
May	31		
Jun	21		
Jul	22		
Aug	22		
Sep	23		
Oct	28		
Nov	15		
Dec	16		
<b>Total</b>	<b>364</b>	<b>142</b>	



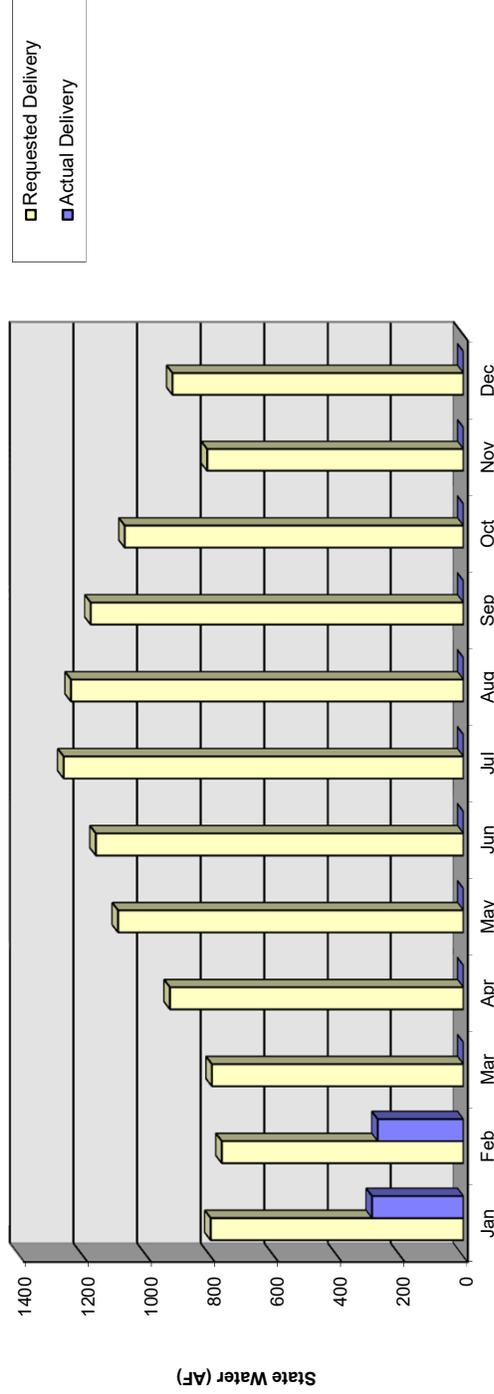
### Guadalupe - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	39	1	
Feb	52	1	
Mar	48		
Apr	51		
May	61		
Jun	52		
Jul	47		
Aug	47		
Sep	51		
Oct	59		
Nov	33		
Dec	66		
<b>Total</b>	<b>606</b>	<b>2</b>	



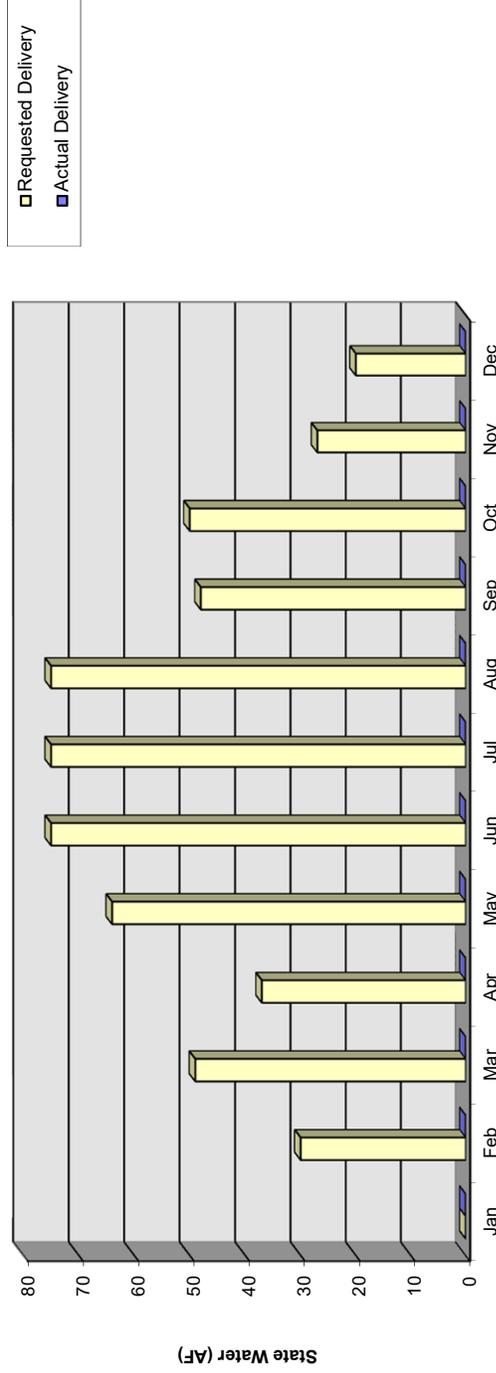
### Santa Maria - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	800	291	
Feb	765	273	
Mar	796		
Apr	928		
May	1091		
Jun	1161		
Jul	1262		
Aug	1239		
Sep	1177		
Oct	1070		
Nov	811		
Dec	920		
<b>Total</b>	<b>12020</b>	<b>564</b>	



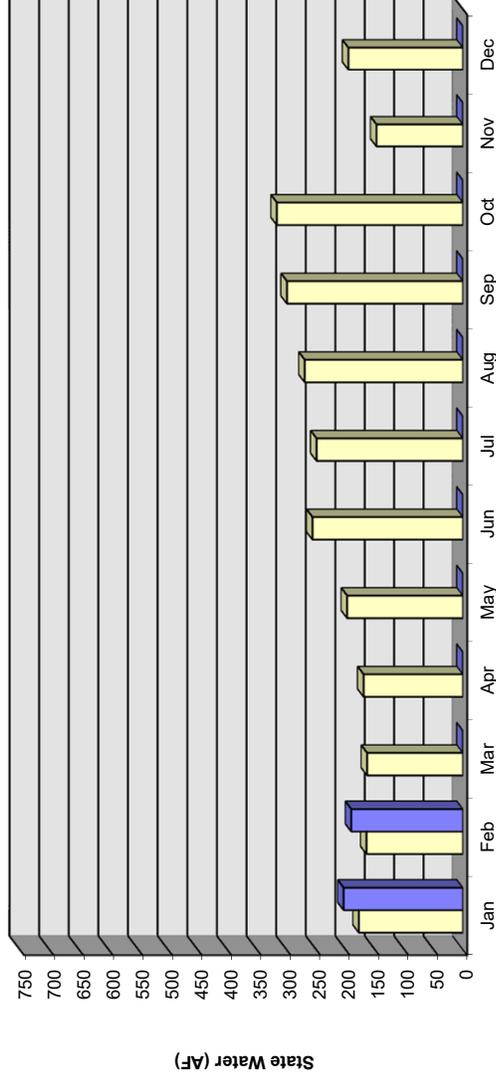
### Golden State - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	30	0	
Mar	49		
Apr	37		
May	64		
Jun	75		
Jul	75		
Aug	75		
Sep	48		
Oct	50		
Nov	27		
Dec	20		
<b>Total</b>	<b>550</b>	<b>0</b>	



### VAFB - SWP Deliveries in Year 2021

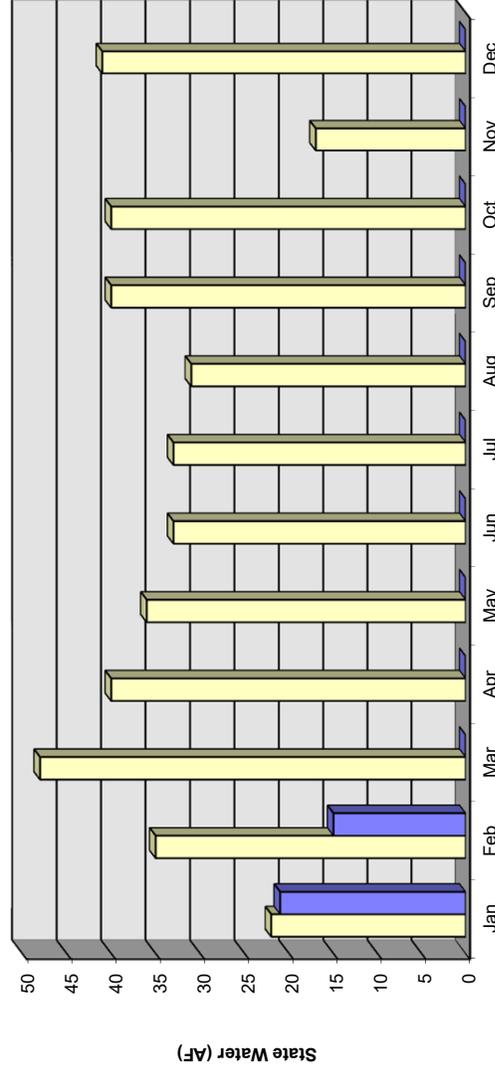
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	177	203	
Feb	164	190	
Mar	163		
Apr	169		
May	197		
Jun	256		
Jul	249		
Aug	269		
Sep	299		
Oct	316		
Nov	147		
Dec	195		
<b>Total</b>	<b>2601</b>	<b>393</b>	



Requested Delivery  
Actual Delivery

### Buellton - SWP Deliveries in Year 2021

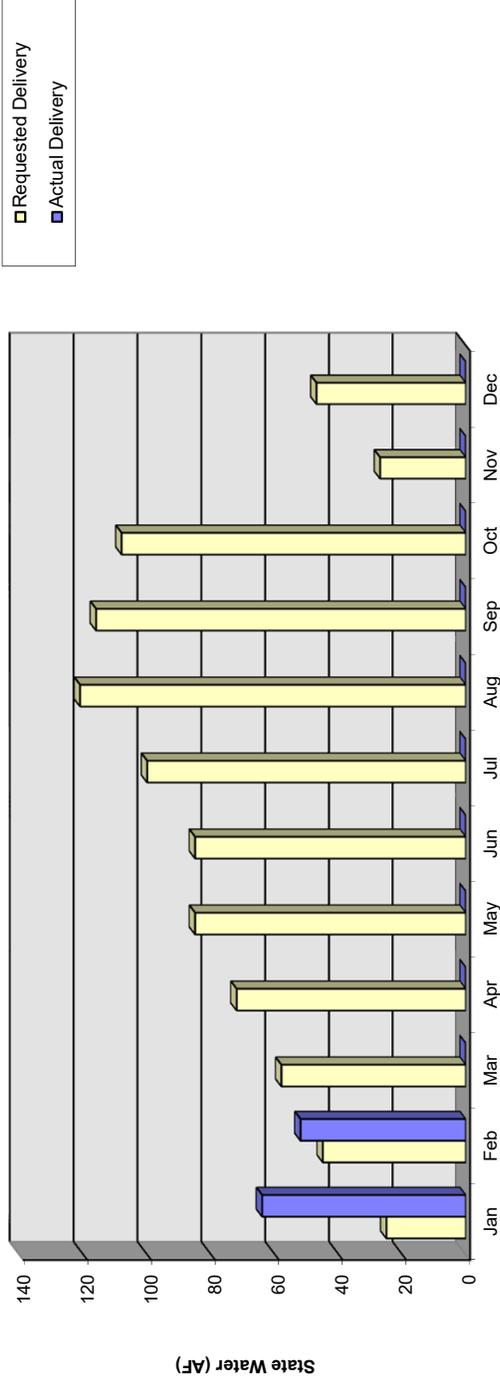
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	22	21	
Feb	35	15	
Mar	48		
Apr	40		
May	36		
Jun	33		
Jul	33		
Aug	31		
Sep	40		
Oct	40		
Nov	17		
Dec	41		
<b>Total</b>	<b>416</b>	<b>36</b>	



Requested Delivery  
Actual Delivery

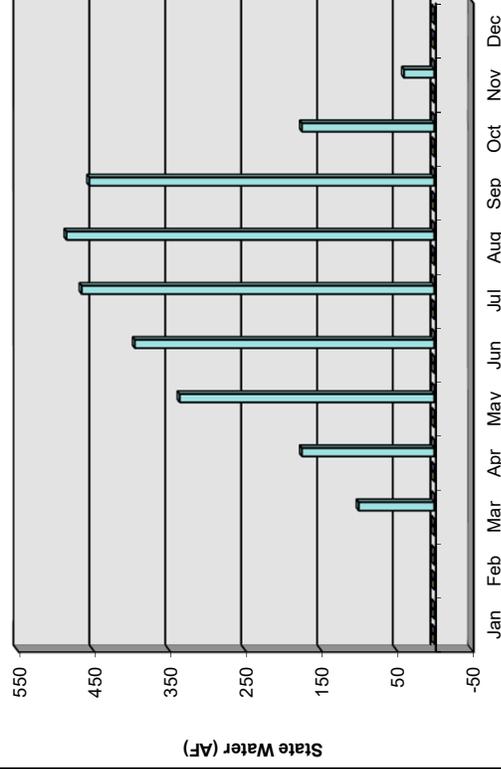
### Santa Ynez - Solvang Only - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	25	64	
Feb	45	52	
Mar	58		
Apr	72		
May	85		
Jun	85		
Jul	100		
Aug	121		
Sep	116		
Oct	108		
Nov	27		
Dec	47		
<b>Total</b>	<b>889</b>	<b>116</b>	



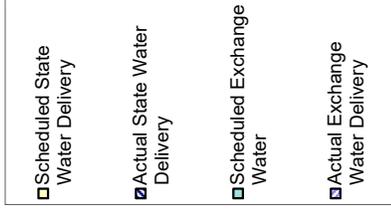
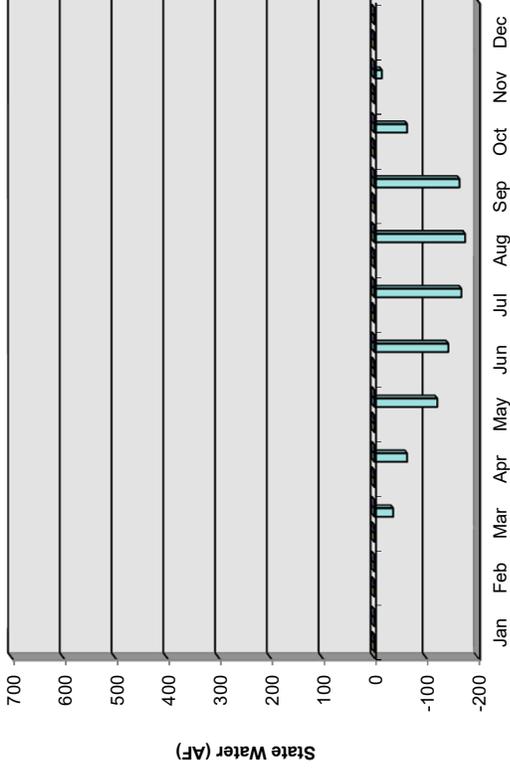
### Santa Ynez (Without Solvang) - SWP Deliveries in Year 2021

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	0	0	0	0	0	0	
Feb	0	0	0	0	0	0	
Mar	0	100	100	0	0	0	
Apr	0	175	175	0	0	0	
May	0	336	336	0	0	0	
Jun	0	395	395	0	0	0	
Jul	0	465	465	0	0	0	
Aug	0	485	485	0	0	0	
Sep	0	455	455	0	0	0	
Oct	0	175	175	0	0	0	
Nov	0	40	40	0	0	0	
Dec	0	0	0	0	0	0	
<b>Total</b>	<b>0</b>	<b>2626</b>	<b>2626</b>	<b>0</b>	<b>0</b>	<b>0</b>	



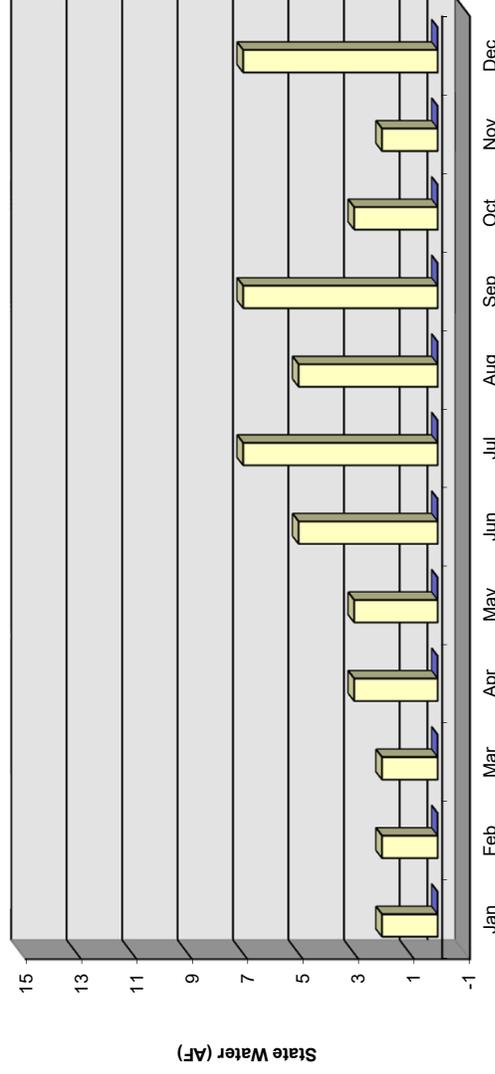
### Goleta - SWP Deliveries in Year 2021

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	0	0	0	0	0	0	
Feb	0	0	0	0	0	0	
Mar	0	-36	-36				
Apr	0	-63	-63				
May	0	-121	-120.96				
Jun	0	-142	-142.2				
Jul	0	-167	-167.4				
Aug	0	-175	-174.6				
Sep	0	-164	-163.8				
Oct	0	-63	-63				
Nov	0	-14	-14.4				
Dec	0	0	0				
<b>Total</b>	<b>0</b>	<b>-945</b>	<b>-945</b>	<b>0</b>	<b>0</b>	<b>0</b>	



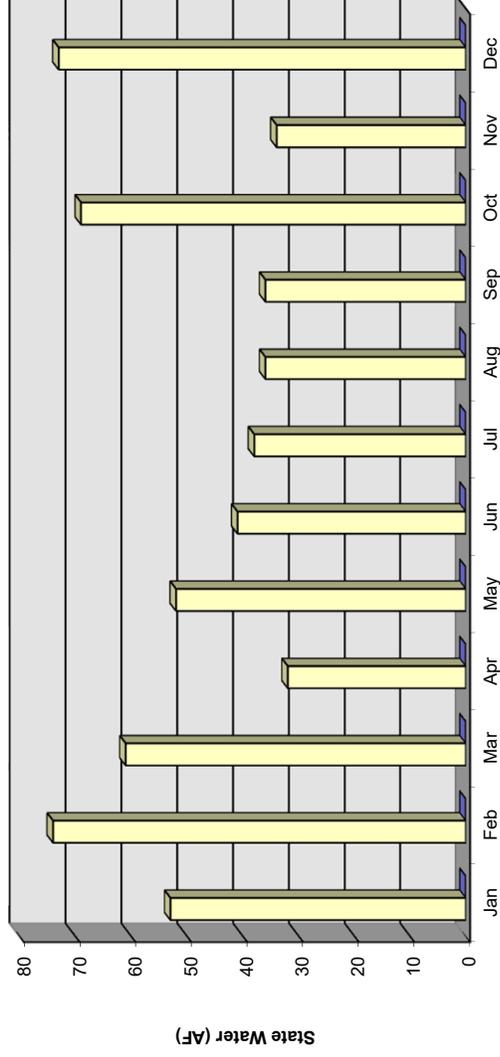
### Morehart Land - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	2	0	
Feb	2	0	
Mar	2	0	
Apr	3	0	
May	3	0	
Jun	5	0	
Jul	7	0	
Aug	5	0	
Sep	7	0	
Oct	3	0	
Nov	2	0	
Dec	7	0	
<b>Total</b>	<b>48</b>	<b>0</b>	



### La Cumbre - SWP Deliveries in Year 2021

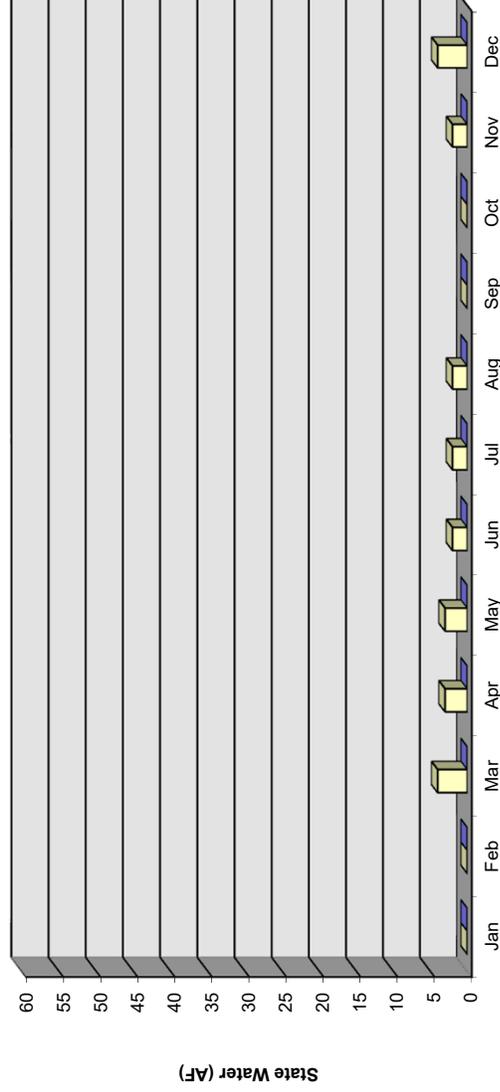
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	53	0	
Feb	74	0	
Mar	61		
Apr	32		
May	52		
Jun	41		
Jul	38		
Aug	36		
Sep	36		
Oct	69		
Nov	34		
Dec	73		
<b>Total</b>	<b>599</b>	<b>0</b>	



Requested Delivery  
Actual Delivery

### Raytheon (SBRC) - SWP Deliveries in Year 2021

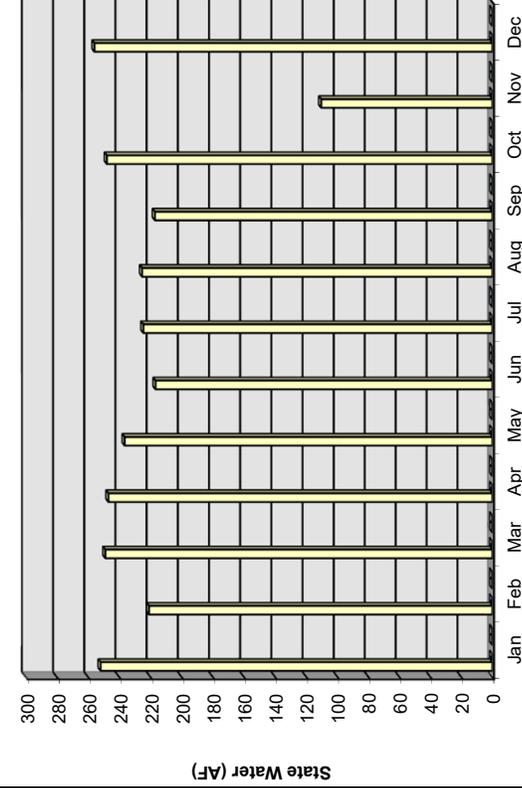
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	0	0	
Mar	4		
Apr	3		
May	3		
Jun	2		
Jul	2		
Aug	2		
Sep	0		
Oct	0		
Nov	2		
Dec	4		
<b>Total</b>	<b>22</b>	<b>0</b>	



Requested Delivery  
Actual Delivery

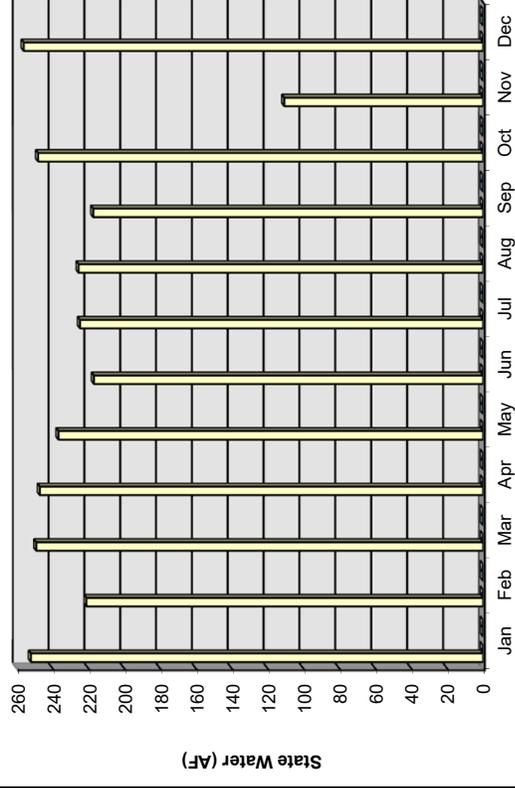
### Santa Barbara - SWP Deliveries in Year 2021

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	252	0	252	0	0	0	
Feb	221	0	221	0	0	0	
Mar	249	-24	225				
Apr	247	-42	205				
May	237	-81	156				
Jun	217	-95	122				
Jul	225	-112	113				
Aug	225	-116	109				
Sep	217	-109	108				
Oct	248	-42	206				
Nov	111	-10	101				
Dec	256	0	256				
<b>Total</b>	<b>2704</b>	<b>-630</b>	<b>2074</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



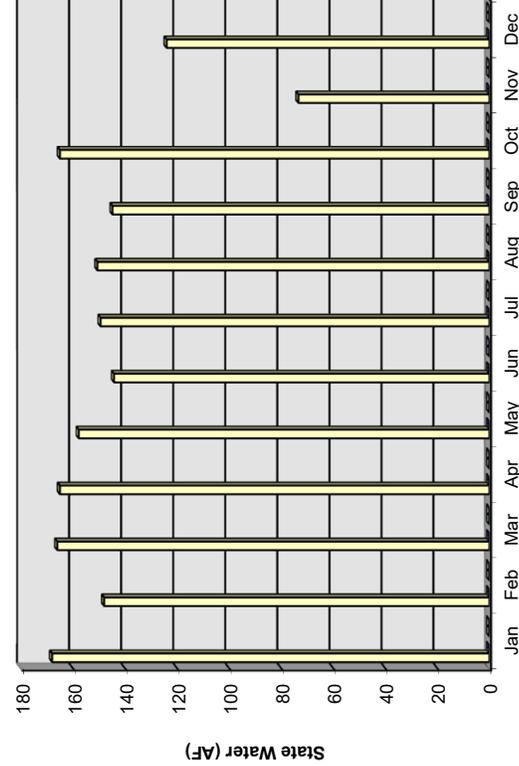
### Montecito - SWP Deliveries in Year 2021

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	252	0	252	0	0	0	
Feb	221	0	221	0	0	0	
Mar	249	-24	225				
Apr	247	-42	205				
May	237	-81	156				
Jun	217	-95	122				
Jul	225	-112	113				
Aug	225	-116	109				
Sep	217	-109	108				
Oct	248	-42	206				
Nov	111	-10	101				
Dec	256	0	256				
<b>Total</b>	<b>2704</b>	<b>-630</b>	<b>2074</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



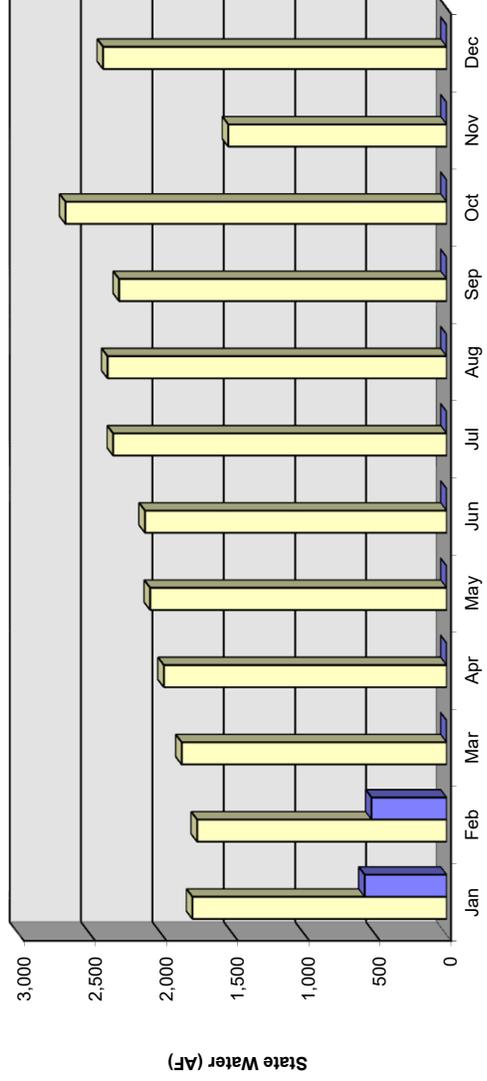
### Carpinteria - SWP Deliveries in Year 2021

Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sch'd State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	168	0	168	0	0	0	
Feb	148	0	148	0	0	0	
Mar	166	-16	150				
Apr	165	-28	137				
May	158	-54	104				
Jun	144	-63	81				
Jul	149	-74	75				
Aug	151	-78	73				
Sep	145	-73	72				
Oct	165	-28	137				
Nov	73	-6	67				
Dec	124	0	124				
<b>Total</b>	<b>1756</b>	<b>-420</b>	<b>1336</b>	<b>0</b>	<b>0</b>	<b>0</b>	



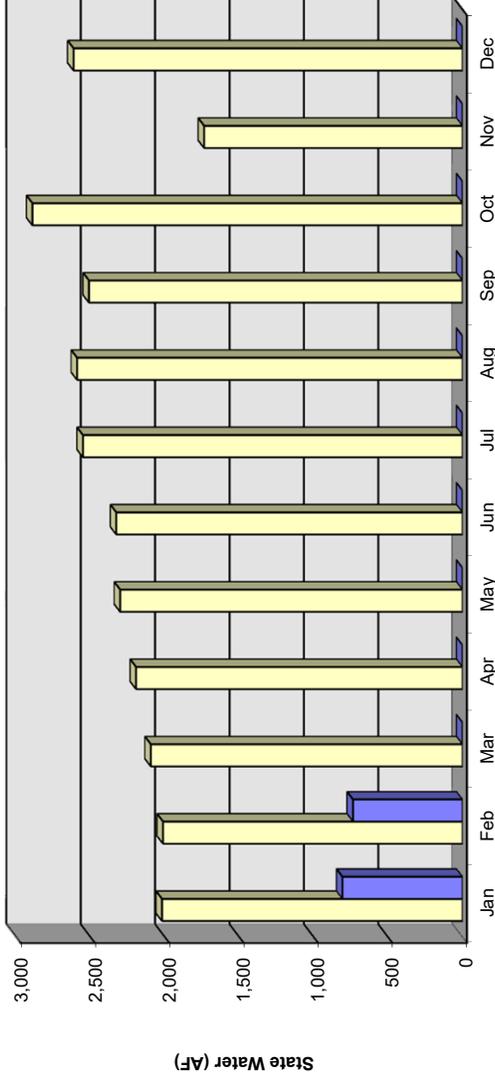
### Total SB County - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery
Jan	1,790	580
Feb	1,757	531
Mar	1,865	
Apr	1,990	
May	2,086	
Jun	2,122	
Jul	2,345	
Aug	2,384	
Sep	2,304	
Oct	2,679	
Nov	1,539	
Dec	2,415	
<b>Total</b>	<b>25,276</b>	<b>1,111</b>



# Total SB and SLO County - SWP Deliveries in Year 2021

Month	Requested Delivery	Actual Delivery
Jan	2,021	808
Feb	2,014	737
Mar	2,096	
Apr	2,195	
May	2,302	
Jun	2,328	
Jul	2,552	
Aug	2,591	
Sep	2,512	
Oct	2,892	
Nov	1,738	
Dec	2,615	
<b>Total</b>	<b>27,856</b>	<b>1,545</b>



Requested Delivery  
Actual Delivery



## CENTRAL COAST WATER AUTHORITY

### MEMORANDUM

March 16, 2021

**TO:** CCWA Board of Directors

**FROM:** Ray A. Stokes  
Executive Director 

**SUBJECT:** Santa Barbara Flood Control and Water Conservation District's Approval of Amendment No. 20 (the Contract Extension Amendment) to the State Water Contract

---

#### REQUESTED ACTION

None. Update only.

#### DISCUSSION

At its meeting on March 2, 2021, the Santa Barbara County Flood Control and Water Conservation District (District) approved execution of Amendment No. 20 to the State Water Contract (the Contract Extension Amendment), **without conditions**. However, the amendment will not be executed until the Department of Water Resources (DWR) provides an execution copy. DWR is not allowing additional State Water Project Contractors to execute the amendment during the pendency of the validation proceedings.

The District had proposed a First Amendment to the Transfer of Financial Responsibility Agreement (TFRA) between the District and CCWA as a condition of the District's execution of Amendment No. 20, but CCWA objected and declined to amend the TFRA. The District's proposed First Amendment to the TFRA would have required CCWA to levy a property tax in the event of payment default by CCWA, if allowed by law, before the District would be required to levy a property tax. CCWA does not have the ability to levy a property tax unless it is the contracting agency with DWR. To date, the District has refused to consider CCWA's request to assign the SWP Contract to CCWA and therefore CCWA does not have property taxing authority.

Since execution of the TFRA in 1991, the District has approved amendments 14-20 to the SWP Contract, all without conditions.

A copy of Amendment No. 20 (The Contract Extension Amendment) "Preliminary Execution Draft #4" is attached to this report for the CCWA Board's information.

RAS

#### ATTACHMENT

1. State Water Project Water Supply Contract Extension Agreement, Preliminary Execution Version #4

STATE OF CALIFORNIA  
CALIFORNIA NATURAL RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

---

AMENDMENT NO. 20 (THE CONTRACT EXTENSION AMENDMENT)  
TO WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES AND SANTA BARBARA COUNTY FLOOD  
CONTROL AND WATER CONSERVATION DISTRICT FOR CONTINUED SERVICE  
AND THE TERMS AND CONDITIONS THEREOF

THIS AMENDMENT to the Water Supply Contract is made this \_\_\_\_\_ day  
of \_\_\_\_\_, 20\_\_ , pursuant to the provisions of the California Water  
Resources Development Bond Act, the Central Valley Project Act, and other applicable  
laws of the State of California, between the State of California, acting by and through its  
Department of Water Resources, herein referred to as the "State," and Santa Barbara  
County Flood Control and Water Conservation District, herein referred to as the  
"Agency."

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## RECITALS

- A. The State and the Agency entered into and subsequently amended a water supply contract (the “contract”), dated February 26, 1963, providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
- B. Article 2 of the contract provides that the contract shall remain in effect for the longest of the following: (1) the project repayment period, which, as defined in the contract, is to end on December 31, 2035; (2) 75 years from the original date of the contract; and (3) the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities; and
- C. The longest of the above referenced periods in Article 2 would have ended in this contract on February 26, 2038; and
- D. Article 4 of the contract provides that the Agency, by written notice to the State at least six (6) months prior to the expiration of the term of the contract (as specified in Article 2), may elect to receive continued service under the contract under certain conditions specified therein and under other terms and conditions that are reasonable and mutually agreed upon by the State and the Agency; and
- E. The State and representatives of certain State Water Project Contractors have negotiated and executed a document (Execution Version dated June 18, 2014), the subject of which is “Agreement in Principle Concerning Extension of the State Water Project Water Supply Contracts” (the “Agreement in Principle”); and
- F. The Agreement in Principle describes the terms and conditions of the continued service upon which the State and certain State Water Project Contractors mutually proposed to develop contractual amendments consistent with the Agreement In Principle; and
- G. The State and Contractors subsequently prepared an amendment to their respective contracts to implement the provisions of the Agreement in Principle, and such amendment was named the “Amendment for Continued Service and the Terms and Conditions Thereof”; and

- H. The State and the Agency desire to implement continued service under the contract under the terms and conditions of this Amendment for Continued Service and the Terms and Conditions Thereof to the water supply contract; and
- I. The Agency's execution of this Amendment for Continued Service and the Terms and Conditions Thereof is the equivalent of the Agency's election under Article 4 to receive continued service under the contract under the conditions provided in Article 4, and the mutually agreed terms and conditions herein are the other reasonable and equitable terms and conditions of continued service referred to in Article 4.

NOT FOR EXECUTION

**NOW, THEREFORE, IT IS MUTUALLY AGREED** that the following changes and additions are hereby made to the Agency's water supply contract with the State:

### AMENDED CONTRACT TEXT

**I. ARTICLES 1, 2, 22 THROUGH 29, 50 AND 51 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:**

**1. DEFINITIONS.**

When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) **"Additional Project Conservation Facilities"** shall mean the following facilities and programs, which will serve the purpose of preventing any reduction in the Minimum Project Yield as hereinafter defined:

(1) Those Project Facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State's determination, are engineeringly feasible and capable of producing Project Water which is economically competitive with alternative new water supply sources, *provided* that in the State's determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of Annual Table A Amount to any Contractor other than the sponsoring Contractor, and will not result in any greater annual charges to any Contractor other than the sponsoring Contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct.

The following facilities and programs shall hereinafter be referred to as "Local Projects":

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(B) Groundwater storage facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(C) Waste water reclamation facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring Contractor; *provided* that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring Contractor for Project Water from the System for a period of time agreed to by the sponsoring Contractor and will thereby have the effect of increasing Project Water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring Contractor signs a written agreement with the State which:

(i) Contains the sponsoring Contractor's approval of such facility or program;

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute Project Water; and

(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time.

(B) All Contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring Contractors for such Local Project give their written approval of such Local Project.

(5) “Sponsoring Contractor” as used in this Article 1(a) shall mean the Contractor or Contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for Project Water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among Contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water from such facilities and whether the sponsoring Contractor has access to Project Water from the Delta as an alternate to such facilities.

(b) “**Agricultural Use**” shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(c) “**Annual Table A Amount**” shall mean the amount of Project Water set forth in Table A of this Contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the Agency at the delivery structures provided for the Agency. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that quantity of Project Water available to the Agency. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain conditions only a lesser amount, allocated in accordance with this contract, may be made available to the Agency. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the Project Facilities, to perfect and protect water rights, and to allocate among Contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term “annual entitlement” appears elsewhere in this contract, it shall mean “Annual Table A Amount.” The State agrees that in future amendments to this and other Contractor’s contracts, in lieu of the term “annual entitlement,” the term “Annual Table A

Amount” will be used and will have the same meaning as “annual entitlement” wherever that term is used.

(d) **“Area of Origin Statutes”** shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

(e) **“Article 51(e) Amounts”** shall mean the annual amounts determined pursuant to Article 51(e)(1).

(f) **“Billing Transition Date”** shall mean January 1 of the first calendar year starting at least six (6) months after the Contract Extension Amendment Effective Date.

(g) **“Burns-Porter Bond Act”** shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(h) **“Capital Costs”** shall mean all costs Incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Burns-Porter Bond Act, including those so Incurred prior to the beginning of the Project Repayment Period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(i) **“Carry-over Table A Water”** shall mean water from a Contractor’s Annual Table A Amount for a respective year, which is made available for delivery by the State in the next year pursuant to Article 12(e).

(j) **“Central Valley Project Act”** shall mean the Central Valley Act comprising Part 3, commencing at Section 11100, of Division 6 of the Water Code.

(k) **“Contract Extension Amendment”** shall mean the substantially similar amendments to the Contractors’ Water Supply Contracts that include, among other things, an extension of the term of the contract to December 31, 2085.

(l) **“Contract Extension Amendment Effective Date”** shall mean the date on which the Contract Extension Amendment becomes effective with regard to this contract. The State shall provide a written notice to the Agency specifying the Contract Extension Amendment Effective Date once the applicable conditions set out in the Contract Extension Amendment have been met.

(m) **“Contractor”** shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141,

dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code, as such contracts have been amended from time to time.

(n) “**Delta**” shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Burns-Porter Bond Act by the voters of the State of California.

(o) “**East Branch Aqueduct**” shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(p) “**Economic Useful Life**” shall mean the period during which the State expects to derive economic benefit from using an asset, as determined by the State.

(q) “**Financial Information System**” shall mean the system of record designated by the State as the authoritative source for the recording of all financial data values relating to the System.

(r) “**Financing Costs**” shall mean the following:

- (1) principal of and interest on Revenue Bonds,
- (2) debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,
- (3) deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and
- (4) premiums for insurance or other security obtained in relation to such Revenue Bonds.

(s) “**Incurred**” shall mean the following with respect to the timing of a cost:

- (1) Capital Costs and operation, maintenance, and power costs allocated irrespective of the amount of Project Water delivered to the Contractors are “Incurred” when the expenditure for the good, service or other consideration is recorded in the State’s financial information system, regardless of the date the good, service or other consideration is provided; and
- (2) operation, maintenance, and power costs allocated in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors are “Incurred” when the good, service or other consideration is provided, regardless of when the expenditure for the good, service or other

consideration is recorded in the financial information system.

(t) **“Initial Project Conservation Facilities”** shall mean the following Project Facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in such reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(u) **“Interruptible Water”** shall mean Project Water available as determined by the State that is not needed for fulfilling Contractors’ Annual Table A Amount deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

(v) **“Manufacturing Use”** shall mean any use of water primarily in the production of finished goods for market.

(w) **“Maximum Annual Table A Amount”** shall mean the maximum annual amount set forth in Table A of this contract, and where the term “maximum annual entitlement” appears elsewhere in this contract it shall mean “Maximum Annual Table A Amount.”

(x) **“Minimum Project Yield”** shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project’s capability of providing the Minimum Project Yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors

including but not limited to:

(1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all Contractors and the characteristic distributions of demands for these two uses throughout the year; and

(2) agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the division of utilization of waters of the Delta or streams tributary thereto.

(y) **“Monterey Amendment”** shall mean the substantially similar amendments to Contractors’ Water Supply Contracts that included, among other provisions, the addition of Articles 51 through 56.

(z) **“Municipal Use”** shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) **“Nonproject Water”** shall mean water made available for delivery to Contractors that is not Project Water as defined in Article 1(ah).

(ab) **“Project Facilities”** shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(a)(2), and by conveying water to the Agency. Such Project Facilities shall consist specifically of “Project Conservation Facilities” and “Project Transportation Facilities”, as hereinafter defined.

(ac) **“Project Conservation Facilities”** shall mean such Project Facilities as are presently included, or as may be added in the future, under 1(a) and 1(t).

(ad) **“Project Interest Rate”** shall mean the following:

(1) Prior to the Billing Transition Date, the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; water system facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities). The Project Interest Rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total

of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

(A) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,

(B) Revenue Bonds issued after May 1, 1969,

(C) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(D) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(E) Funds advanced by any Contractor without the actual incurring of bonded debt therefore, for which the net interest cost and terms shall be those which would have resulted if the Contractor had sold bonds for the purpose of funding the advance, as determined by the State,

(F) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and

(G) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

(2) On and after the Billing Transition Date, the Project Interest Rate shall be four and six hundred and ten thousandths percent (4.610%) per annum.

(ae) **“Project Repayment Period”** shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035.

(af) **“Project Revenues”** shall mean revenues derived from the service of Project Water to Contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of Project Facilities.

(ag) **“Project Transportation Facilities”** shall mean the following Project Facilities:

(1) All those facilities specified in subparagraph (2) of Section 12934(d) of the Water Code except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of Project Water, or on releases to channels downstream of Project Facilities defined under (1) above. Such facilities shall be called “project aqueduct power recovery plants”, and

(B) All other generating and associated transmission facilities, except those dependent on water from Project Conservation Facilities, for the generation of power. These facilities shall be called “off-aqueduct power facilities” and shall consist of the State’s interest in the Reid-Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

(3) Those facilities specified in subparagraph (7) of Section 12934(d) of the Water Code which are necessary and appurtenant to the facilities included under (1) and (2) above.

(ah) **“Project Water”** shall mean water made available for delivery to the Contractors by the Project Conservation Facilities and the Project Transportation Facilities included in the System.

(ai) **“Revenue Bonds”** shall mean the following types of instruments payable from the sources provided in the Central Valley Project Act: revenue bonds, notes, refunding bonds, refunding notes, bond anticipation notes, certificates of indebtedness,

and other evidences of indebtedness.

(aj) **“Subject to Approval by the State”** shall mean subject to the determination and judgment of the State as to acceptability.

(ak) **“Supplemental Conservation Facilities”** shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the Minimum Project Yield and for meeting local needs.

(al) **“Supplemental Water”** shall mean water made available by Supplemental Conservation Facilities, in excess of the Minimum Project Yield.

(am) **“System”** shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(an) **“System Revenue Account”** shall mean the special account created pursuant to Water Code Section 12937(b) into which are deposited all revenues derived from the sale, delivery or use of water or power and all other income or revenue, derived by the State, from the System, with the exception of revenue attributable to facilities financed with revenue bonds issued pursuant to the Central Valley Project Act (Water Code Section 11100 et seq.).

(ao) **“Water Supply Contract”** shall mean one of the contracts described in the definition of Contractor in Article 1(m).

(ap) **“Water System Facilities”** shall mean the following facilities to the extent that they are financed with Revenue Bonds or to the extent that other financing of such facilities is reimbursed with proceeds from Water System Facility Revenue Bonds:

(1) The North Bay Aqueduct,

(2) The Coastal Branch Aqueduct,

(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of Project Facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(a)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition prior to December 31, 1995, for the Kern Fan Element of the Kern Water Bank,

- (6) Additional pumps at the Banks Delta Pumping Plant,
- (7) The transmission line from Midway to Wheeler Ridge Pumping Plant,
- (8) Repairs, additions, and betterments to Project Facilities,
- (9) A Project Facilities corporation yard,
- (10) A Project Facilities operation center, and

(11) Capital projects which are approved in writing by the State and eighty (80) percent of the affected Contractors as “Water System Facilities”, *provided* that the approving Contractors’ Table A amounts exceed eighty (80) percent of the Table A amounts representing all affected Contractors and *provided further* that “affected Contractors” for purposes of this subdivision (11) shall mean those Contractors which would be obligated to pay a share of the debt service on Revenue Bonds issued to finance such project.

(aq) **“Water System Facility Revenue Bonds”** shall mean Revenue Bonds issued after January 1, 1987 for Water System Facilities identified in Article 1(ap).

(ar) **“West Branch Aqueduct”** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(as) **“Year”** shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(at) **“Year of Initial Water Delivery”** shall mean the year when Project Water will first be available for delivery to a Contractor pursuant to its contract with the State.

(au) **“Treatment Plant”** shall mean the water treatment plant and appurtenant facilities constructed by the Authority located, at Tank 1-Polonio Pass of the Coastal Branch between the State’s valves 7 and 8.

(av) **“Treatment Facilities”** shall mean the treatment plant defined in Article 1(au) and those facilities on the Coastal Branch relating to water treatment and water quality monitoring.

**2. TERM OF CONTRACT.**

This contract shall become effective on the date first above written and shall remain in effect for the longer of the following:

1. December 31, 2085, or
2. The period ending with the latest maturity date of any bond issue used to finance the construction costs of Project Facilities.

NOT FOR EXECUTION

## 22. DELTA WATER CHARGE

The payments to be made by each Contractor shall include an annual charge designated as the Delta Water Charge, which shall be separately calculated and stated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Delta Water Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Conservation Facilities.* The Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with the total revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities, shall return to the State during the Project Repayment Period all costs of the Project Conservation Facilities Incurred prior to the Billing Transition Date, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article.

(2) *Components of Charge.* For each Contractor receiving Project Water in any year through December 31, 1969, the Delta Water Charge shall be the product of \$3.50 and the Contractor's Annual Table A Amount for the respective year. For each Contractor receiving Project Water in the year 1970, the Delta Water Charge shall be the product of \$6.65 and the Contractor's Annual Table A Amount for that year. The \$6.65 rate for the year 1970 shall consist of a capital component of \$5.04 and a minimum operation, maintenance, power and replacement component of \$1.61. For each Contractor receiving Project Water in the year 1971, the Delta Water Charge shall be the product of \$7.24 and the Contractor's Annual Table A Amount for that year. The \$7.24 rate for the year 1971 shall consist of a capital component of \$5.44 and a minimum operation, maintenance, power and replacement component of \$1.80.

After December 31, 1971, the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall consist and be the sum of the following components as these are computed in accordance with subdivisions (a)(3) and (a)(4) of this article: a capital component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

(3) *Charge Components Expressed as Rates.* The Capital Cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water

Charge for costs Incurred prior to the Billing Transition Date, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the Project Repayment Period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article:

(A) Capital Costs;

(B) operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractors;  
and

(C) operation, maintenance, power, and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

*provided* that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities. Each component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be computed on the basis of a rate which, when charged during the Project Repayment Period for each acre-foot of the sum of the yearly totals of Annual Table A Amounts of all Contractors, will be sufficient, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the Project Repayment Period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1)(1 + i)^{-1} + (c_2 - r_2)(1 + i)^{-2} + \dots + (c_n - r_n)(1 + i)^{-n}}{e_1(1 + i)^{-1} + e_2(1 + i)^{-2} + \dots + e_n(1 + i)^{-n}}$$

Where:

$i$  = The Project Interest Rate.

- $c$  = The total costs included in the respective category of costs and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).
- $r$  = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

1, 2, and  $n$   
appearing  
below

$c$  and  $r$  = The respective year of the Project Repayment Period during which the costs included in the respective category are Incurred,  $n$  being the last year of the Project Repayment Period.

$e$  = With respect to the Capital Cost and minimum operation, maintenance, power, and replacement components, the total of Annual Table A Amounts of all Contractors for the respective year of the Project Repayment Period.

$e$  = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of Project Water delivered to all Contractors for the respective year of the expired portion of the Project Repayment Period, together with the total of Annual Table A Amounts of all Contractors for the respective year of the unexpired portion of the Project Repayment Period.

1, 2, and  $n$   
appearing  
below

$e$  = The respective year of the Project Repayment Period in which the Annual Table A Amounts or Project Water deliveries occur,  $n$  being the last year of the Project Repayment Period.

$n$  used  
as an  
exponent

= The number of years in the Project Repayment Period.

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(4) *Determination of Charge Components.* The Capital Cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the Contractor's Annual Table A Amount for the respective year. The

variable operation, maintenance, and power component of the charge shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the number of acre-feet of Project Water delivered to the Contractor during the respective year; *provided*, that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be the product of such rate per acre-foot and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(5) *Redetermination of Rates.* The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (a)(4) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (a)(3) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (a)(3) and (4) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct the Project Conservation Facilities described in subdivisions (c)(1) through (c)(3) of this article, Annual Table A Amounts, deliveries of Project Water, Project Interest Rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining such rates for all preceding years, and actual costs Incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(6) *Water System Facility Revenue Bond Charges.* Notwithstanding provisions of Article 22(a)(1) through (5), the capital and the minimum operation, maintenance, power and replacement component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the Agency's share of the portion of the Water System Facility Revenue Bond Financing Costs allocable to Project Conservation Facilities for Capital Costs Incurred prior to the Billing Transition Date. Charges to the Agency for these costs shall be calculated in accordance with Article 50(a).

(b) **Delta Water Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) of this article shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Components of the Delta Water Charge for Costs Incurred On or After the Billing Transition Date.* The Delta Water Charge for costs Incurred on or after the Billing Transition Date shall consist of the following components as these are computed in accordance with subdivisions (b)(2) through (b)(4) of this article:

(A) Capital component,

(B) Minimum operation, maintenance, power, and replacement component, and

(C) Variable operation, maintenance, and power component.

(2) *Determination of Charge Components.* These three components of the Delta Water Charge for each calendar year, together with that portion of the revenues derived during such calendar year from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during such calendar year the following categories, respectively, of the costs allocated pursuant to subdivisions (c)(1) through (c)(3) of this article to the purpose of water conservation in, above, and below the Delta.

(A) the capital component consisting of Capital Costs of Project Conservation Facilities to be recovered during such calendar year as and to the extent provided in subdivision (b)(3) of this article,

(B) the minimum operation, maintenance, power, and replacement component consisting of operation, maintenance, power, replacement costs of Project Conservation Facilities Incurred during such calendar year irrespective of the amount of Project Water delivered to the Contractors, and

(C) the variable operation, maintenance, and power component consisting of operation, maintenance, and power costs of Project Conservation Facilities Incurred during such calendar year in an amount

which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

*provided* that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities; and *provided further* that revenues generated in connection with the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities shall not reduce or be credited against charges pursuant to subdivision (b)(3)(D)(i) of this article (charges for Water System Facility Revenue Bond Financing Costs).

(3) *Categories of Capital Costs.*

(A) The amount of the capital component of the Delta Water Charge shall be determined in three steps as follows:

(i) first, an allocation to the Agency of Capital Costs of Project Conservation Facilities as provided in subdivisions (c)(1) through (c)(3) of this article,

(ii) second, a determination of the type and source of payment of each Capital Cost in accordance with subdivision (b)(3)(B) of this article, and

(iii) third, a computation of the annual payment to be made by the Agency as provided in subdivision (b)(3)(C) and (b)(3)(D) of this article.

(B) Annual Capital Costs of Project Conservation Facilities shall be divided into five categories of type and source of payment:

(i) Project Conservation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(ii) Project Conservation Facility Capital Costs to be paid with the proceeds of Bonds issued under the Burns-Porter Bond Act,

(iii) Project Conservation Facility Capital Costs to be paid with amounts in the SWRDS Reinvestment Account,

(iv) Project Conservation Facility Capital Costs to be paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(v) Project Conservation Facility Capital Costs prepaid by the Agency.

(C) The projected amounts of Project Conservation Facility Capital Costs in each such category to be allocated annually to the Agency shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (c)(1) through (c)(3) and (b)(6) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table B by the State.

**TABLE B  
PROJECTED ALLOCATIONS TO  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT  
OF PROJECT CONSERVATION FACILITY CAPITAL COSTS INCURRED ON OR  
AFTER THE BILLING TRANSITION DATE**

Year	Projected Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the Agency
1*					
2					
3					

\* Year commencing with the Billing Transition Date.

(D) The annual amount to be paid by the Agency under the capital component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following categories:

(i) Water System Facility Revenue Bonds: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Project Conservation Facilities,

(ii) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Conservation Facility Capital Costs,

(iii) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Conservation Facility Capital Costs Incurred during prior calendar years (but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account, and

(iv) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Conservation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years.

(E) The projected amounts of each category of charges to be paid annually by the Agency under this capital component shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (b), which principles and procedures shall be controlling as to allocations of types of capital component charges to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table C by the State.

**TABLE C  
PROJECTED CHARGES TO  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT  
UNDER THE CAPITAL COMPONENT OF THE DELTA WATER CHARGE FOR  
COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE**

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1				
2				
3				

\* Year commencing with the Billing Transition Date.

(4) *Minimum Operation, Maintenance, Power and Replacement Charge – Determination; Repayment Table.*

The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(A) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table D by the State.

**TABLE D**  
**DELTA WATER CHARGE -- ESTIMATED MINIMUM OPERATION, MAINTENANCE,**  
**POWER AND REPLACEMENT COMPONENT FOR COSTS INCURRED ON OR**  
**AFTER THE BILLING TRANSITION DATE**  
**SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION**  
**DISTRICT**

<b>Year</b>	<b>Total Annual Payment by Agency</b>
1*	
2	
3	
4	

\* Year commencing with the Billing Transition Date.

(5) *Variable Operation, Maintenance and Power Charge–  
Determination; Repayment Table.*

The amount to be paid each year by the Agency under the variable operation, maintenance and power component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(B) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table E by the State.

**TABLE E**  
**DELTA WATER CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE**  
**AND POWER COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING**  
**TRANSITION DATE**  
**SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION**  
**DISTRICT**

Year	Total Annual Payment by Agency
1*	
2	
3	
4	

\* Year commencing with the Billing Transition Date.

(6) *Allocation of Charges to the Agency.*

(A) The capital and minimum operation, maintenance, and power components of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the Agency in proportion to the ratio of the Agency's Annual Table A Amount for such calendar year to the total of the Annual Table A Amounts for all Contractors for such calendar year.

(B) The variable operation, maintenance, and power component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the Agency in proportion to the ratio of the number of acre-feet of Project Water delivered to the Agency during such calendar year to the number of acre-feet of Project Water delivered to all Contractors during such calendar year; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be calculated as if the number of acre-feet wasted had been delivered.

(7) *Delta Water Charge -- Repayment Schedule.*

The amounts to be paid by the Agency for each year on or after the Billing Transition Date under the Capital Cost component, minimum operation, maintenance, power and replacement component and the variable operation, maintenance, and power component of the Delta Water Charge shall be set forth by the State in Table F, which Table F shall constitute a summation of Tables C, D, and E; *provided* that each of the amounts set forth in Table F shall be subject

to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this Article 22 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

**TABLE F  
REPAYMENT SCHEDULE -- DELTA WATER CHARGE FOR COSTS INCURRED ON  
OR AFTER THE BILLING TRANSITION DATE  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT**

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
4				

\* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Delta Water Charge for Costs Incurred Both Before and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Allocation of Costs to Project Purposes.*

(A) Prior to the time that Additional Project Conservation Facilities or Supplemental Conservation Facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those Initial Project Conservation Facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following Project Facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Harvey O. Banks Delta Pumping Plant), the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir: *provided*, that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities shall be allocated to the purpose of water conservation in, above, and below the Delta; *provided further*, that allocations to purposes the cost of which are to be paid by the

United States shall be as determined by the United States.

(B) Wherever reference is made, in connection with the computation, determination, or payment of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities that are reimbursable by the Contractors as determined by the State.

(C) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

(2) *Additional Conservation Facilities.* Commencing in the year in which the State first awards a major construction contract for construction of a major feature of Additional Project Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Additional Project Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the Additional Project Conservation Facilities; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State; *provided, further*, that all costs of Additional Project Conservation Facilities Incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are Incurred.

(3) *Supplemental Conservation Facilities.* Upon the construction of the Supplemental Conservation Facilities, the Delta Water Charge shall be paid by all Contractors for Supplemental Water, as well as by Contractors for Project Water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities and Supplemental Conservation Facilities, shall return to the State, in addition to those costs of the Project Conservation Facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (c)(1) of this article, all costs of such Supplemental Conservation Facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any Supplemental Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Supplemental Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (c)(1) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in such subdivision (c)(1), of all projected costs of such feature of the Supplemental Conservation Facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the Annual Table A Amounts under all contracts for Supplemental Water. If the repayment period of any bonds sold to construct Supplemental Conservation Facilities or the repayment period under any agreement with a federal agency for repayment of the costs of Supplemental Conservation Facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate; *provided*, that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

(4) *Local Projects.* The determination of the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (a) and (b) above, for all Additional Project Conservation Facilities as defined in Article 1(a). In the event a Local Project as defined in Article 1(a)(2) will, pursuant to written agreement between the State and the sponsoring Contractor, be considered and treated as an Additional Project Conservation Facility for less than the estimated life of the facility, the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an Additional Project

Conservation Facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(a) has been entered into.

(5) *Water Purchased By the State.* In calculating the Delta Water Charge under subdivisions (a) and (b) of this article, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State Incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as Project Water.

(6) *Replacement Cost Treatment.* Replacement costs of Project Conservation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power, and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

## 23. TRANSPORTATION CHARGE.

The payments to be made by each Contractor shall include an annual charge designated as the Transportation Charge, which shall be separately stated and calculated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Transportation Charge for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) and Articles 24(a) and (c), 25 and 26 shall apply to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred prior to the Billing Transition Date shall return to the State during the Project Repayment Period such costs of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Transportation Charge for costs Incurred Prior to the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance and power component, as these components are defined in and determined under Articles 24(a) and (c), 25, and 26, respectively.

(b) **Transportation Charge for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) and Articles 24(b) and (c), 25 and 26 shall apply to costs Incurred on or after the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall return to the State during each such calendar year all costs which are Incurred on or after the Billing Transition Date of all Project Transportation Facilities necessary to deliver Project Water to the Agency and which are allocated to the Agency in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, and power component; and a variable operation, maintenance, and power component, as these components are defined in and determined under Articles 24(b) and (c), 25, and 26, respectively.

(c) **Segregation of Aqueduct Reaches for All Transportation Charge Purposes.** For the purpose of allocations of costs among Contractors pursuant to

subdivisions (a) and (b) of this article, and Articles 24, 25 and 26, the Project Transportation Facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the Agency to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other Contractors, the aqueduct reaches of the Project Transportation Facilities, a portion of the costs of which may be allocated to the Agency, are established as provided in Table G; *provided* that those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

NOT FOR EXECUTION

**TABLE G**  
**PROJECT TRANSPORTATION FACILITIES NECESSARY TO DELIVER WATER TO**  
**SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION**  
**DISTRICT**

<u>Aqueduct Reach</u>	<u>Major Features of Reach</u>
<b>CALIFORNIA AQUEDUCT</b>	
Delta through Bethany Reservoir	Intake Channel Clifton Court Forebay Fish Protective Facilities Delta Pumping Plant Bethany Reservoir
Bethany Reservoir to Orestimba Creek	Aqueduct
Orestimba Creek to O'Neill Forebay	Aqueduct
O'Neill Forebay to Dos Amigos Pumping	O'Neill Forebay and Dam Aqueduct
Dos Amigos Pumping Plant to Panoche Creek	Dos Amigos Pumping Plant Aqueduct
Panoche Creek to Five Points	Aqueduct
Five Points to Arroyo Pasajero	Aqueduct
Arroyo Pasajero to Kettleman City	Aqueduct
Kettleman City through Milham Avenue	Aqueduct
Milham Avenue through Avenal Gap	Aqueduct
<b>COASTAL BRANCH – PHASE I</b>	
Avenal Gap to Devil's Den Pumping Plant	Aqueduct Las Perillas Pumping Plant Badger Hill Pumping Plant
<b>COASTAL BRANCH – PHASE II</b>	
Devil's Den Pumping Plant through Tank 1	Devil's Den Pumping Plant Bluestone Pumping Plant Polonio Pass Pumping Plant Aqueduct Tank 1
Tank 1 through Chorro Valley Turnout	Aqueduct Tank 2 Cuesta Tunnel

Aqueduct Reach

Major Features of Reach

Chorro Valley Turnout through Lopez Turnout

Aqueduct  
West Corral De Piedra Tunnel

Lopez Turnout through Guadalupe Turnout

Aqueduct

**COASTAL BRANCH EXTENSION**

Guadalupe Turnout to Southern Pacific  
Railroad Crossing near Casmalia

Aqueduct

Southern Pacific Railroad crossing near  
Casmalia through Tank 5

Aqueduct  
Tank 5

(This table was labeled Table I in original contract provisions)

NOT FOR EXECUTION

**(d) Provisions Applicable to the Transportation Charge for Costs Incurred Both Before and On or After the Billing Transition Date.**

(1) Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the allocation or payment of costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Contractors as determined by the State.

(2) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

**24. TRANSPORTATION CHARGE -- CAPITAL COMPONENTS.**

(a) **Transportation Charge Capital Component for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to Capital Costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The amount of the capital component of the Transportation Charge for Capital Costs Incurred prior to the Billing Transition Date shall be determined in two steps as follows:

(A) first, an allocation of such costs to the Contractor in accordance with subdivision (a)(2) of this article, and

(B) second, a computation of annual payments to be made by the Contractor of such allocated costs and interest thereon, computed at the Project Interest Rate in accordance with subdivision (a)(3) of this article.

(2) *Allocation of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The total amount of Capital Costs Incurred prior to the Billing Transition Date of each aqueduct reach to be returned to the State shall be allocated among all Contractors entitled to delivery of Project Water from or through such reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

The projected amounts of Capital Costs to be allocated annually to the Agency under the capital component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (a) and subdivision (c)(1) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the Agency. Such amounts will be set forth in Table H by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a), *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28.

**TABLE H  
PROJECTED ALLOCATIONS OF CAPITAL COSTS INCURRED PRIOR TO THE  
BILLING TRANSITION DATE OF  
PROJECT TRANSPORTATION FACILITIES TO  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT**

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	

\* Year in which State commences construction of Project Transportation Facilities.  
(This table was labeled Table C in original contract provisions)

(3) *Determination of Capital Component of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Agency’s annual payment of its allocated Capital Costs Incurred prior to the Billing Transition Date and interest thereon, computed at the Project Interest Rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (A), (B), and (C) below, which principles shall be controlling as to the Agency’s payment of its allocated Capital Costs. The Agency’s repayment schedule will be set forth in Table I by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table I shall be subject to redetermination by the State, pursuant to Article 28.

(A) The Agency’s annual payment shall be the sum of the amounts due from the Agency on the Agency’s allocated Capital Costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the Agency’s allocated Capital Costs for the respective year and interest thereon, computed at the Project Interest Rate and compounded annually.

(B) The Agency may make payments at a more rapid rate if approved by the State.

(C) Such annual Transportation Charge payments shall cease when all allocated Capital Costs and interest thereon, computed at the Project Interest Rate and compounded annually, are repaid.

**TABLE I**  
**TRANSPORTATION CHARGE FOR COSTS INCURRED PRIOR TO THE BILLING**  
**TRANSITION DATE -- CAPITAL COST COMPONENT**  
**SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION**  
**DISTRICT**  
(In Thousands of Dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by Agency
1*			
2**			
3			
4			

\* Year in which State commences construction of Project Transportation Facilities.

\*\* Year of first payment.

(This table was labeled Table D in original contract provisions)

(4) Notwithstanding provisions of subdivisions 24(a)(1) through (a)(3) of this article, the capital component of the Transportation Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the Agency's share of the portion of Water System Facility Revenue Bond Financing Costs allocable to Project Transportation Facilities. Charges to the Agency for these costs shall be calculated in accordance with Article 50(a).

**(b) Transportation Charge Capital Component for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply only to Capital Costs Incurred on or after the Billing Transition Date.

(1) The amount of the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined in three steps as follows:

(A) first, an allocation of Capital Costs to the Contractor as provided in subdivision (b)(2) of this article,

(B) second, a determination of the type and source of payment of each Capital Cost as provided in subdivision (b)(3) of this article, and

(C) third, a computation of the annual payment to be made by the Contractor as provided in subdivision (b)(4) and (b)(5) of this article.

(2) The total amount of Capital Costs of each aqueduct reach to be returned to the State under the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

(3) Annual Capital Costs of Project Transportation Facilities shall be divided into five categories of type and source of payment:

(A) Project Transportation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(B) Project Transportation Facility Capital Costs paid with the proceeds of bonds issued under the Burns-Porter Bond Act,

(C) Project Transportation Facility Capital Costs paid with amounts in the SWRDS Reinvestment Account,

(D) Project Transportation Facility Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(E) Project Transportation Facility Capital Costs prepaid by the Agency.

The projected amounts of Project Transportation Facility Capital Costs of each type to be allocated annually to the Agency shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 23(c)(1) through (c)(3) and this subdivision (b)(3), which principles and procedures shall be controlling as to allocations of each type of Capital Costs to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table J by the State.

**TABLE J  
PROJECTED ALLOCATIONS TO  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT  
OF PROJECT TRANSPORTATION FACILITY CAPITAL COSTS INCURRED ON OR  
AFTER THE BILLING TRANSITION DATE**

Year	Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the Agency
1*					
2					
3					

\* Year commencing with the Billing Transition Date

(4) The capital component of the Transportation Charge for a calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following to the extent the related Capital Costs are allocated to the Agency:

(A) Water System Facility Revenue Bond: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Water System Facilities that are Project Transportation Facilities,

(B) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Transportation Facility Capital Costs,

(C) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Transportation Facility Capital Costs Incurred during prior calendar years

(but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account, and

(D) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Transportation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(5) *Projected Charges.* The projected amounts of the charges to be allocated annually to the Agency under the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this Article, which principles and procedures shall be controlling as to allocations of capital component charges to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table K by the State.

**TABLE K  
PROJECTED CHARGES UNDER THE CAPITAL COMPONENT  
OF THE TRANSPORTATION CHARGE FOR COSTS INCURRED ON OR AFTER THE  
BILLING TRANSITION DATE TO  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT**

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvestment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial
1*				
2				
3				

\* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Transportation Charge For Costs Incurred Both Prior To and On or After the Billing Transition Date.** The provisions of this subdivision (c) shall be applicable to Capital Costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Proportionate Use Factors.* The measure of the proportionate use by each Contractor of each reach shall be the average of the following two ratios:

(A) the ratio of the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach to the total of the Maximum Annual Table A Amounts of all Contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period, and

(B) the ratio of the capacity provided in the reach for the transport and delivery of Project Water to the Contractor to the total capacity provided in the reach for the transport and delivery of Project Water to all Contractors served from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period.

Allocations of Capital Costs to the Agency pursuant hereto shall be on the basis of relevant values which will be set forth in Table L by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach of the Project Transportation Facilities for the transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that these values shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this subdivision shall be controlling as to allocations of Capital Costs to the Agency. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of Table A Amounts among Contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other Contractors.

**TABLE L**

**[TABLE L shall set forth the relevant values that shall serve as the basis for allocation of all Transportation Charge Costs]**

(This table was labeled Table B in original contract provisions)

(2) *Determinations Using Proportionate Use Factors.* The total amount in each category of Capital Costs allocated to a Contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the Contractor, the total amount of the Capital Costs of the reach in that category to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as such average is set forth in the appropriate table included in its contract.

(3) *Excess Capacity.* In the event that excess capacity is provided in any aqueduct reach for the purpose of making Project Water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective Maximum Annual Table A Amount or Amounts to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by such agency or agencies for the purpose of such allocation of costs, to the end that the Capital Costs of providing such excess capacity are not charged to any Contractor entitled by virtue of an executed contract to the delivery of Project Water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project Facilities, then, for the purpose of any allocation of costs pursuant to this subdivision:

(A) the Maximum Annual Table A Amount to be delivered from or through the reach of each Contractor entitled to delivery of Project Water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach bears to the total of the Maximum Annual Table A Amounts to be delivered from or through the reach under all contracts; and

(B) the capacity provided in the reach for each Contractor entitled to delivery of Project Water from or through the reach shall be increased in the same proportion that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach is increased pursuant to (A) above.

(4) *Power Facilities.* The Capital Costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24.

The Capital Costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

(5) *Capital Costs of Excess Capacity.* In the event that any Contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such Contractor in excess of the percentage amounts specified in such Article 12(b) for the uses designated therein, such Contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total Capital Costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (c)(1) of this article, the total Capital Costs of such aqueduct reach shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach in the following manner:

(A) The costs which would have been Incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such Contractors in the manner provided in such subdivision (c)(1); and

(B) the amount of the difference between such estimated costs and the projected actual costs of such reach shall be allocated to the Contractor or Contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one Contractor, the costs allocated to them under (B) above shall be further allocated between or among them in amounts which bear the same proportion to the total of such allocated costs as the amount of such excess capacity provided for the respective Contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a Contractor pursuant to this subdivision are more or less than the costs so allocated to such Contractor under (B) above, the account of such Contractor shall be credited or debited accordingly.

(6) *Replacement Cost Treatment.* Replacement costs of Project Transportation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

(7) *Coastal Branch Extension Facilities.* Notwithstanding provisions of Articles 24(a) through 24(c), Capital Costs associated with Coastal Branch Extension Facilities as defined in Article 49(a) shall be collected under the Coastal Branch Extension Transportation Charge [Article 49(b)].

(8) *Coastal Aqueduct Excess Capacity.* Charges paid by the Agency under the capital cost component of the Transportation Charge which are determined by the State to be attributable to excess capacity provided on the Coastal Branch for the purpose of reducing power costs, shall be returned to the Agency with interest computed at the Surplus Money Investment Fund rate.

NOT FOR EXECUTION

**25. TRANSPORTATION CHARGE -- MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT.**

The provisions of this article shall apply to costs incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to subdivision (b) of this article; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) **Allocation.** The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the Project Transportation Facilities for the respective year shall be allocated among all Contractors entitled to delivery of Project Water from such facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of Capital Costs in subdivisions (c)(1) through (c)(3) of Article 24; *provided* that such minimum operation, maintenance, power, and replacement costs as are Incurred generally for the Project Transportation Facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs Incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) **Determination; Repayment Table.** The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table L, included in Article 24; *provided* that these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table M as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table M shall be subject to redetermination by the State in accordance with Article 28.

**TABLE M**  
**TRANSPORTATION CHARGE -- MINIMUM OPERATION MAINTENANCE, POWER,**  
**AND REPLACEMENT COMPONENT**  
**SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION**  
**DISTRICT**

Year	Total Annual Payment by Agency*
1**	
2	
3	
4	

\* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

\*\* Year in which the State commences construction of Project Transportation Facilities.

(This table was labeled Table E in original contract provisions)

(d) **Off-Aqueduct Power Facilities.** Notwithstanding the provisions of subdivisions (a) through (c) of this Article or of Article 1(h), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, annual Financing Costs, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility or Revenue Bonds issued to finance the Capital Costs of such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of Capital Costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among Contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through Project Transportation Facilities the desired delivery of Annual Table A Amounts for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy

(kilowatt hours) required to pump all such amounts for all Contractors through Project Transportation Facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for Contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for Contractors; *provided, however*, that in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all Contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the Agency and other Contractors in the same manner as costs under the capital component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation of costs incurred prior to the Billing Transition Date shall include appropriate interest thereon at the Project Interest Rate.

(e) The total minimum operation, maintenance, power and replacement component due that year from each Contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each Contractor.

## 26. TRANSPORTATION CHARGE -- VARIABLE OPERATION, MAINTENANCE AND POWER COMPONENT.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose.** The variable operation, maintenance, and power component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to (1) and (2) below; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made.

(b) **Determination.** The amount of this variable operation, maintenance, and power component shall be determined as follows:

(1) *Determination of Charge Per Acre-Foot.* There shall be computed for each calendar year for each aqueduct reach of the Project Transportation Facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance and power costs of the reach for such calendar year. This computation shall be made by dividing such total by the number of acre-feet of Project Water estimated to be delivered from or through the reach to all Contractors during the year.

(2) *Determination of Charge Per Reach to the Contractor.* The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the Contractor, and the number of acre-feet of Project Water delivered to the Contractor during the year through such reach; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, the amount of such variable component to be paid by such Contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(c) **Credit Relating to Project Aqueduct Power Recovery Plants.** There shall be credited against the amount of the variable operation, maintenance, and power component to be paid by each Contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the

respective year at project aqueduct power recovery plants located upstream on the particular aqueduct reach from the delivery structures for delivery of Project Water to the Contractor. Such portion shall be in an amount which bears the same proportion to such projected net value that the number of acre-feet of Project Water delivered to the Contractor through such plants during the year bears to the number of acre-feet of Project Water delivered to all Contractors through such plants during the year.

(d) **Determination of Total Variable Component Charge.** The amount to be paid each year by the Agency under the variable operation, maintenance, and power component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table L included in Article 24. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table N as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table N shall be subject to redetermination by the State in accordance with Article 28.

**TABLE N  
TRANSPORTATION CHARGE -- ESTIMATED VARIABLE OPERATION,  
MAINTENANCE, AND POWER COMPONENT  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT**

Year	Total Annual Payment by Agency*
1**	
2	
3	
4	

\* Payments start with year of initial water delivery.

\*\* Year in which the State commences construction of the Project Conservation Facilities.

(This table was labeled Table F in original contract provisions)

**27. TRANSPORTATION CHARGE -- REPAYMENT SCHEDULE.**

The amounts to be paid by the Agency for each year under the Capital Cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, and power component of such charge on the basis of then estimated deliveries, shall be set forth by the State in Table O as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a), which Table O shall constitute a

summation of Tables I, K, M, and N; *provided* that each of the amounts set forth in Table O shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

**TABLE O  
REPAYMENT SCHEDULE--TRANSPORTATION CHARGE  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT**

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
4				

\* Year in which State commences construction of Project Transportation Facilities.

\*\* Year of first payment.

(This table was labeled Table G in original contract provisions)

**28. DELTA WATER CHARGE AND TRANSPORTATION CHARGE --  
REDETERMINATION.**

(a) **Redetermination of Transportation Charges for Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables H through O (referred to in the original contract provisions as Tables B through G) of this contract in the year following the year in which the State commences construction of the Project Transportation Facilities and each year thereafter during the Project Repayment Period in order that the Transportation Charge to the Agency and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred prior to the Billing Transition Date to construct the Project Transportation Facilities described in Table G of this contract, Annual Table A Amounts, estimated deliveries, Project Interest Rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the Agency or credited to the Agency's account in the manner described in (b) and (c) below.

(2) *Adjustment: Transportation Charge -- Capital Component For Costs Incurred Prior to the Billing Transition Date.* Adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the Agency for costs Incurred prior to the Billing Transition Date, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination; *provided* that the Agency may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (a)(3) of this article, is more or less than the last estimate of the charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted

from or added to the adjusted capital component for that year and paid or credited in accordance with the following schedule:

<b>Percent that Transportation Charge for costs Incurred prior to the Billing Transition Date differs from last estimate (+ or -)</b>	<b>Period, in years, for amortizing the difference in indicated charge</b>
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the Project Interest Rate and compounded annually, during varying amortization periods as set forth in the preceding schedule; *provided* that for the purpose of determining the above differences in the Transportation Charge for costs Incurred prior to the Billing Transition Date, the variable operation, maintenance, and power component shall be computed on the basis of the same estimated Project Water deliveries as was assumed in computing pursuant to Article 26(c).

(3) *Adjustment: Transportation Charge -- Minimum and Variable Components for costs Incurred prior to the Billing Transition Date.* One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(4) *Exercise of Option.* The option provided for in subdivision (a)(2) of this article shall be exercised in writing on or before the January 1 due date of the first payment of the capital component of the Transportation Charge for the year in which the option is to become effective. Such option, once having been exercised, shall be applicable for all of the remaining years of the Project Repayment Period.

(5) *Project Interest Rate Adjustments.* Notwithstanding the provisions of subdivision (a)(2) of this article, adjustments for prior overpayments and

underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the Agency's Annual Table A Amount will return to the State, during the Project Repayment Period, together with interest thereon computed at the Project Interest Rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(ad) except for Article 1(ad)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the Water System Facilities in Article 1(ap). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the Project Interest Rate due to any refunding after January 1, 1986 on bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items listed in subdivisions (1)(ad)(4) through (7) of Article 1 shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the Project Repayment Period.

(6) *No Adjustment of Water System Facility Revenue Bond Financing Costs.* The use of Water System Facility Revenue Bonds for financing facilities listed in Article 1(ap) shall not result in adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the Agency under the provisions of this article. In place of making such adjustments, charges to the Agency for Water System Facility Revenue Bond Financing Costs will be governed by Article 50(a).

(b) **Redetermination of Delta Water Charges and Transportation Charges for Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change.* The State shall redetermine the values and amounts set forth in Tables B through F and Tables J through O of this contract each calendar year commencing on or after the Billing Transition Date in order that the Delta Water Charge and the Transportation Charge to the Agency for costs Incurred on or after the Billing Transition Date and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct Project Conservation Facilities and Project Transportation Facilities, Annual Table A Amounts, estimated deliveries, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Delta Water Charge and Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State, as

applicable. Such adjustment shall be computed by the State and paid by the Agency or credited to the Agency's account in the manner described in subdivisions (b)(2) and (b)(3) of this article.

*(2) Adjustment: Delta Water Charge and Transportation Charge -- Capital Components for Costs Incurred On or After the Billing Transition Date.*

Adjustments for prior underpayments or overpayments of the capital component of the Delta Water Charge and the Transportation Charge to the Agency for costs incurred on or after the Billing Transition Date shall be paid in the year following the redetermination.

*(3) Adjustment: Delta Water Charge and Transportation Charge -- Minimum and Variable Components for Costs Incurred On or After the Billing Transition Date*

One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum operation, maintenance, power, and replacement component and variable operation, maintenance and power component of the Delta Water Charge and Transportation Charge for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination.

## 29. TIME AND METHOD OF PAYMENT OF DELTA WATER CHARGE AND TRANSPORTATION CHARGE.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date. References to the Delta Water Charge shall include the Delta Water Charge for costs Incurred prior to the Billing Transition Date and the Delta Water Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable, and references to the Transportation Charge shall include the Transportation Charge for costs Incurred prior to the Billing Transition Date and the Transportation Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable.

### (a) Initial Payments.

(1) *Delta Water Charge.* Payments by the Agency under the Delta Water Charge shall commence in the Year of Initial Water Delivery to the Agency.

(2) *Capital Component of the Transportation Charge.* Payments by the Agency under the capital component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the Project Transportation Facilities.

(3) *Minimum Operation, Maintenance, Power, and Replacement Component.* Payments by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(4) *Variable Operation, Maintenance, Power, and Replacement Component.* Payments by the Agency under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the Year of Initial Water Delivery to the Agency.

(b) **Annual Statement of Charges.** The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the Agency with a written statement of the following items:

(1) the charges to the Agency for the next succeeding year under the capital components and minimum operation, maintenance, power, and replacement components of the Delta Water Charges and Transportation Charges; *provided* that charges for Financing Costs shall be stated as separate items in the Statement of Charges;

(2) the unit charges to the Agency for the next succeeding year under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; and

(3) the total charges to the Agency for the preceding year under the variable operation, maintenance, power and replacement components of such Delta Water Charge and Transportation Charge; *provided* that through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of \$3.50 per acre-foot and shall be paid by the Contractors on the basis of their respective Annual Table A Amounts, as provided in Article 22(b).

All such statements shall be accompanied by the latest revised copies of the documents amendatory to Article 22 and of the tables included in Articles 24 through 27, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate.

(c) **Monthly Statements.** The State shall, on or before the fifteenth day of each month of each year, commencing with the Year of Initial Water Delivery to the Agency, furnish the Agency with a statement of the charges to the Agency for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of Project Water to the Agency, except as otherwise provided in those articles.

(d) **Semiannual Payments of Capital Components.** The Agency shall pay to the State, on or before January 1 of each year, one-half (1/2) of the charge to the Agency for the year under the capital component of the Delta Water Charge and one-half (1/2) of the charge to the Agency for the year under the capital component of the Transportation Charge, as such charges are stated pursuant to subdivision (b) of this article; and shall pay the remaining one-half (1/2) of each of such charges on or before July 1 of that year.

(e) **Monthly Payments of Minimum Operation, Maintenance, Power, and Replacement Component.** The Agency shall pay to the State, on or before the first day of each month of each year, one-twelfth (1/12) of the sum of the charges to the Agency for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (b) of this article.

(f) **Monthly Payments of Variable Operation, Maintenance, Power, and Replacement Component.** The Agency shall pay to the State on or before the fifteenth day of each month of each year, the charges to the Agency under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the Agency during the preceding month pursuant to subdivision (c) of this article, as

such charges are stated in such statement.

(g) **Contest of Charges**. In the event that the Agency in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (b) or (c) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the Agency's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the Agency shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the Agency's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the Agency shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

NOT FOR EXECUTION

**50. WATER SYSTEM FACILITY REVENUE BOND FINANCING COSTS.**

(a) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred Prior to the Billing Transition Date.** The provisions of this subdivision (a) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred prior to the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds.

(1) *Elements of Charge.* Annual charges to recover such Water System Facility Revenue Bond Financing Costs shall consist of two elements.

(A) The first element shall be an annual charge to the Agency for repayment of Capital Costs of Water System Facilities as determined under Articles 22(a) and 24(a) of this contract with interest at the Project Interest Rate. For conservation facilities, the charge shall be a part of the capital component of the Delta Water Charge in accordance with the provisions of Article 22(a) applicable to Capital Costs Incurred prior to the Billing Transition Date. For transportation facilities, the charge shall be a part of the capital component of the Transportation Charge in accordance with the provisions of Article 24(a) applicable to Capital Costs Incurred prior to the Billing Transition Date.

(B) The second element shall be the Agency's share of a Water System Facility Revenue Bond Surcharge to be paid in lieu of a Project Interest Rate adjustment. The total annual amount to be paid by all Contractors under this element shall be the difference between the total annual charges under the first element and the annual Financing Costs of the related Water System Facility Revenue Bonds. The amount to be paid by each Contractor shall be calculated annually as if the Project Interest Rate were increased to the extent necessary to produce revenues from all Contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the Agency's transportation capital component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the Project Repayment Period.

(2) *Identification of Surcharge on Invoices.* The Water System Facility Revenue Bond Surcharge will be identified in the Agency's invoice.

(3) *Timing of Surcharge Payments.* Surcharge payments shall be made in accordance with Article 29(f) of this contract.

(4) *Termination of Surcharge.* The Water System Facility Revenue Bond Surcharge under Article 50(a)(1)(B) shall cease for each series of Water System Facility Revenue Bonds when that series is fully repaid. However, the

annual charge determined pursuant to Article 50(a)(1)(A) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

(5) *Reduction of Charges.* After the Department has repaid the California Water Fund in full and after each series of Water System Facility Revenue Bonds is repaid, the Department will reduce the charges to all Contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(a)(1)(A) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the Agency.

(b) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred On or After the Billing Transition Date.** The provisions of this subdivision (b) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred on or after the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds. The amount of this charge shall be calculated in two steps as follows:

(1) *Allocation of Water System Facility Capital Costs.* Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are conservation facilities shall be allocated among all Contractors in proportion to each Contractor's Maximum Annual Table A Amount. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are transportation facilities shall be allocated among all Contractors in accordance with Article 24(c).

(2) *Determination of Annual Financing Cost Amounts.* The State shall determine and charge the Agency each year the amount of the Financing Costs the State incurs in that year for the Water System Facility Revenue Bonds issued to finance such Water System Facility Capital Costs allocated to the Agency.

(c) **Provisions Applicable to All Water System Facility Revenue Bonds.** The provisions of this article shall apply to all Water System Facility Revenue Bonds.

(1) *Credits for Excess Amounts.* The State shall provide credits to the Contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with payment of the Financing Costs of such Water System Facility Revenue Bonds, when and as permitted by the applicable bond resolution or indenture. When such credits are determined by the State to be available, such credits shall be promptly provided to the Contractors and shall be in proportion to the payments of Water System Facility Revenue Bond Financing Costs from each Contractor. Reserves, bond debt service coverage, interest, and other earnings may be used to retire bonds.

(2) *Allocation of Maturities Permitted.* When calculating charges for Water System Facility Revenue Bond Financing Costs, the State may allocate portions of particular maturities of Water System Facility Revenue Bonds and the Financing Costs associated with such maturities to particular Water System Facilities, in order to establish a reasonable relationship between the Economic Useful Life of such facilities and the term of bonds issued to finance such facilities, and may determine the Financing Costs allocated to the Agency on the basis of such maturity allocation.

(3) *Supplemental Bills for Unanticipated Financing Costs.* The State may submit a supplemental bill to the Agency for the year if necessary to meet unanticipated costs for Water System Facility Revenue Bond Financing Costs for which the State can issue a statement of charges under this article and any other article of this contract providing for payments that are pledged to the payment of Revenue Bonds issued to finance Project Facility Capital Costs allocated to the Agency. The relative amounts of any supplemental billing made to the Agency and to other Contractors for Revenue Bond purposes shall be governed by the otherwise applicable article. Payment of any supplemental billing shall be due thirty days after the date of the invoice.

(4) *Insurance on Contractor Obligations.* To the extent economically feasible and justifiable, as determined by the State after consultation with Contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting Contractors against costs resulting from the failure of any Contractor to make the payments required by this article.

(5) *Consultation on Financing Plan.* Before issuing each series of Water System Facility Revenue Bonds, the State shall consult with the Contractors, prepare a plan for the State's future financing of Water System Facilities, and give the Agency an opportunity to comment on the plan. The plan shall include but not be limited to the size of any Water System Facility Revenue Bond issuances and the form of any necessary resolutions, indentures or supplements.

(6) *Defaults.*

(A) If a Contractor defaults partially or entirely on its payment obligations with respect to Water System Facility Revenue Bond Financing Costs and sufficient insurance or other security protecting the non-defaulting Contractors is not provided under subdivision (c)(4) of this article, the State shall allocate a portion of the default to each non-defaulting Contractor. The Agency's share of the default shall be equal to an amount determined by multiplying the total default amount to be charged to all non-defaulting Contractors by the ratio that the Agency's Maximum Annual Table A Amount bears to the total of the Maximum Annual Table A Amounts of all non-defaulting Contractors. However, such amount shall not exceed in any year 25 percent of the Water System

Facility Revenue Bond Financing Costs that are otherwise payable by the Agency in that year. The amount of default to be charged to non-defaulting Contractors shall be reduced by any receipts from insurance protecting non-defaulting Contractors and bond debt service coverage from a prior year and available for such purpose.

(B) If a Contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting Contractor, suspend water deliveries under Article 20 to the defaulting Contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total Water System Facility Revenue Bond Financing Cost payments due from the defaulting Contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting Contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting Contractors on terms it determines to be equitable.

(C) During the period of default, credits otherwise due the defaulting Contractor shall be applied to payments due from the defaulting Contractor.

(D) Except as otherwise provided in subparagraph (c) of this article, the defaulting Contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that Contractor. If the defaulting Contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other Contractors pursuant to this subparagraph (c)(6). The defaulting Contractor shall not be entitled to any

make-up water deliveries as compensation for any water deliveries suspended during the period when the Contractor was in default.

(E) At such time as the default amount is repaid by the defaulting Contractor, the non-defaulting Contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(F) In the event there is an increase in the amount a non-defaulting Contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in subparagraph (a) of this article.

(G) Action taken pursuant to this subdivision shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

(7) *No Article 51 Reduction.* Amounts of Water System Facility Revenue Bond Financing Costs payable under this contract shall not be affected by any reductions in payments pursuant to Article 51.

(8) *Contract Extension.* In the event the Contract Extension Amendment takes effect, but not all Contractors sign the amendment, the following shall apply: If and to the extent that the charges under Article 50(b)(1) and 50(b)(2) of the water supply contracts of Contractors that have not executed the Contract Extension Amendment (“non-signing Contractors”) are not sufficient to recover the annual Financing Costs that relate to Revenue Bonds issued to finance capital costs that are Incurred after the Billing Transition Date and are allocable to such non-signing Contractors, the amount of the shortfall shall be determined. Such shortfall shall be charged to the Contractors that have executed the Contract Extension Amendment (“signing Contractors”) in proportion to each such signing Contractor’s total Water System Facility Revenue Bond Financing Cost charges under Article 50(b) of this contract.

**51. FINANCIAL ADJUSTMENTS.**

**(a) Article Expiration.**

This Article 51 shall be effective through December 31, 2035 and shall be of no further effect on and after January 1, 2036; provided, however, that the provisions of this Article 51 may, to the extent applicable, continue to be used and applied on and after January 1, 2036 for the purpose of truing up amounts owed by the Agency to the State or by the State to the Agency for the calendar years up to and ending with calendar year 2035.

**(b) State Water Facilities Capital Account.**

(1) The State shall establish a State Water Facilities Capital Account to be funded from revenues available under Water Code section 12937(b)(4). Through procedures described in this article and as limited by this article, the State may consider as a revenue need under subdivision (c)(2)(v) of this article and may deposit in the State Water Facilities Capital Account the amounts necessary to pay capital costs of the State Water Facilities for which neither general obligation bond nor revenue bond proceeds are available, including but not limited to planning, reconnaissance and feasibility studies, the San Joaquin Valley Drainage Program and, through the year 2000, the CALFED Bay-Delta Program.

(2) The Director of the Department of Water Resources shall fully consult with the Contractors and consider any advice given prior to depositing funds into this account for any purposes. Deposits into this account shall not exceed the amounts specified in subdivision (c)(2)(v) of this article.

(3) The State shall use revenue bonds or other sources of moneys rather than this account to finance the costs of construction of any major capital projects.

(4) Five years following the Contract Extension Amendment Effective Date, the SWRDS Finance Committee shall review the State Water Facilities Capital Account to determine whether to recommend to the Director that this account be closed. If the Director determines to close the account, the State shall transfer any balance in the account to the SWRDS Support Account.

(5) Unless closed sooner, the State Water Facilities Capital Account shall terminate on December 31, 2035 and the State shall transfer any balance in such account to the SWRDS Support Account.

**(c) Calculation of Financial Needs.**

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged (but for this article) to each Contractor as provided in other provisions of this contract.

(2) Each year the State shall also establish its revenue needs for the following year for the following purposes, subject to the following limitations:

(i) The amount required to be collected under the provisions of this contract, other than this article, with respect to all revenue bonds issued by the State for Project Facilities.

(ii) The amount required for payment of the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof as described in Water Code section 12937(b)(1). These costs shall not include operation and maintenance costs of any Federal Central Valley Project facilities constructed by the United States and acquired by the State of California after 1994, other than the State's share of the joint use facilities which include San Luis Reservoir, the San Luis Canal and related facilities.

(iii) The amount required for payment of the principal of and interest on the bonds issued pursuant to the Burns-Porter Act as described in Water Code section 12937(b)(2).

(iv) Any amount required for transfer to the California Water Fund in reimbursement as described in Water Code section 12937(b)(3) for funds utilized from said fund for construction of the State Water Resources Development System.

(v) For the years 1998 and thereafter, the amount needed for deposits into the State Water Facilities Capital Account as provided in subdivision (b) of this article, but (A) not more than \$6 million per year for the years 1998, 1999 and 2000, and (B) not more than \$4.5 million per year for the years 2001 and thereafter.

(3) The State shall reduce the annual charges in the aggregate for all Contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above; provided that the reduction in annual charges in the aggregate for all Contractors shall not exceed \$48 million in any year beginning with the first calendar year following the Contract Extension Amendment Effective Date. The provisions regarding the reduction in annual charges that were in effect prior to the Contract Extension Amendment Effective Date shall continue to apply to the entire calendar year in which the Contract Extension Amendment Effective Date

occurs. The reductions under this article shall be apportioned among the Contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to Contractors shall be used to reduce the payments due from the Contractors on each January 1 and July 1; provided, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract. To determine whether the reduction in annual charges in the aggregate for all Contractors equals the \$48 million limit specified in this subdivision (c)(3), it shall be assumed that all Contractors have executed the Contract Extension Amendment and will share in the available rate reductions consistent with the proportions as provided in this contract, regardless of whether one or more Contractors do not receive a reduction under their respective Water Supply Contracts.

(4) The supplemental billing provisions authorized under this Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or the Director in his or her discretion accepts a recommendation from the SWRDS Finance Committee to eliminate the use of supplemental billing prior to that date.

(i) The State shall inform the SWRDS Finance Committee if the available System cash balances are projected by the State to fall during the succeeding one hundred twenty (120) days to an amount below an amount equal to ninety (90) days operating expenditures. The SWRDS Finance Committee shall make a recommendation in light of such circumstances to the Director.

(ii) The State may submit a supplemental billing to the Agency for the year in an amount not to exceed the amount of the prior reductions for such year under this Article if necessary to meet unanticipated costs for purposes identified in Water Code Section 12937(b)(1) and (2) for which the State can issue billings under other provisions of this contract, subject to the following procedures and limitations:

(a) The State may only issue supplemental bills pursuant to the provisions of this Article 51(c)(4) when available System cash

balances are projected to be less than the amount equal to 90 days operating expenditures.

(b) The term “available System cash balances,” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean available amounts in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service within the next two years), General Operating Account, SWRDS Reinvestment Account, and SWRDS Support Account (to the extent the funds in the SWRDS Support Account are not projected to be needed for non-reimbursable expenditures within the next two years).

(c) The term “operating expenditures” for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean the costs described in California Water Code Section 12937(b) chargeable to the State Water Project as water supply.

(d) Any supplemental billing made to the Agency for these purposes shall be in the same proportion to the total supplemental billings to all Contractors for these purposes as the prior reduction in charges to the Agency in that year bears to the total reduction in charges to all Contractors in that year and shall be treated as reducing the amount of the reduction made available for that year to the Contractor by the amount of the supplemental bill to the Contractor.

(5) The State may also submit a supplemental billing to the Agency for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the Agency and to other Contractors for revenue bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

**(d) Apportionment of Reductions between Agricultural and Urban Contractors.**

(1) Commencing with the first calendar year following the Contract Extension Amendment Effective Date, the State shall apportion available reductions for each year in accordance with this Article.

(2) Annual reductions in the aggregate amount of \$48 million are projected to be available in the first calendar year following the Contract Extension Amendment Effective Date and each succeeding year through calendar year 2035 and shall be applied as follows:

(i) If reductions are available in an aggregate amount that equals \$48 million, \$11,856,000 of reductions shall be apportioned among the Agricultural Contractors, and \$36,144,000 of reductions shall be apportioned among the Urban Contractors.

(ii) If reductions are available in an aggregate amount less than \$48 million in any of these years, the reductions shall be divided on a 24.7%-75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.

(3) No Contractor shall be entitled to receive in any year any additional reductions, including any additional reductions to make up for deficiencies in past projected reductions and any additional reductions above an aggregate annual amount of \$48 million.

(4) Reductions in annual charges to a Contractor pursuant to this Article 51 (d) shall only be made prospectively beginning with the later of the first calendar year following the Contract Extension Amendment Effective Date or the first calendar year following the date the Contractor executes the Contract Extension Amendment. Apportionments of reductions shall be calculated on the assumption that all Contractors have executed such amendment.

**(e) Revenues and Reports.**

(1) Each year, beginning with the first calendar year commencing after the Contract Extension Amendment Effective Date, the Director shall determine the amount of available Article 51(e) Amounts. The Director shall determine the aggregate amount that would have been charged to all Contractors in any year but for this Article 51 and from that amount shall deduct the sum of

(i) the amount of revenues needed for the purposes specified in subdivisions (c)(2)(i), (ii), (iii), (iv) and (v) plus

(ii) \$48 million.

The remaining amount, if any, shall be referred to herein as “Article 51(e) Amounts”.

(2) The State shall allocate available Article 51(e) Amounts as follows: The Director in his or her discretion shall allocate and transfer or deposit up to 80% of available Article 51(e) Amounts, as determined on a projected basis, and up to 100% of available Article 51(e) Amounts, as determined on an actual basis, into the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account. Any Article 51(e) Amounts determined on an actual basis to be remaining in the Systems Revenue Account after the Director allocates and transfers such amounts to the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account shall remain in the Systems Revenue Account and shall be tracked separately in the State’s Financial Information System. The Director shall have full discretion regarding the use of the amounts remaining in the Systems Revenue Account.

(3) The State shall prepare and distribute an Annual Rate Reduction Determination Report setting out the factors used to determine reductions in rates pursuant to Article 51(c). The report shall include a display of the distribution of gross annual revenues before, among other items, recreation and fish and wildlife expenditures, contributions to the State Water Facilities Capital Account and reduction in rates pursuant to Article 51(c). The report shall also include a display of the distribution and/or allocation of net annual revenues after reduction in rates pursuant to Article 51(c), to the General Operating Account, SWRDS Support Account, SWRDS Reinvestment Account, 51(e) Sub-Account of the Systems Revenue Account, Davis-Dolwig Fund, State Water Facilities Capital Account, and Suspended Costs, as applicable.

(4) The System Financial Activity Report, which is required to be prepared quarterly pursuant to Article 61(d), shall include annual and accumulated Article 51(e) Amounts and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year for each fund or account into which Article 51(e) Amounts have been transferred or deposited. The System Financial Activity Report should also have sufficient detail to provide comprehensive accounting of annual Article 51(e) Amounts and the uses of the annual Article 51(e) Amounts to enable the SWRDS Finance Committee to assess the use of these amounts.

**(f) Apportionment of Reductions Among Urban Contractors.**

Reductions in annual charges apportioned to Urban Contractors under subdivision (d) of this article shall be further allocated among Urban Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Urban Contractor shall be based on each Urban Contractor's proportionate share of total allocated capital costs as calculated below, for both project conservation and project transportation facilities, repaid by all Urban Contractors over the project repayment period.

(1) The conservation capital cost component of the reduction allocation shall be apportioned on the basis of maximum annual Table A amount. Each Urban Contractor's proportionate share shall be the same as the percentage of that Contractor's maximum annual Table A amount to the total of all Urban Contractors' maximum annual Table A.

(2) The transportation capital cost component of the reduction allocation shall be apportioned on the basis of transportation capital cost component repayment obligations, including interest over the project repayment period. Each Urban Contractor's proportionate share shall be the same as the percentage that the Contractor's total transportation capital cost component repayment obligation is of the total of all Urban Contractors' transportation capital cost component repayment obligations.

(i) Recalculations shall be made annually through the year 1999. Beginning in the year 2000 recalculations shall be made every five years unless an Urban Contractor requests a recalculation for an interim year and does so by a request in writing delivered to the Department by January 1 of the year in which the recalculation is to take place.

(ii) The transportation capital cost component repayment obligations, for purposes of this Article 51(f), shall be based in the year of recalculation on the then most recent Department of Water Resources Bulletin 132, Table B-15, "Capital Cost Component of Transportation Charge for Each Contractor," or its equivalent, excluding any costs or Table A amount associated with transfers of Table A amounts from Agricultural Contractors pursuant to Article 53.

(3) To reflect the relative proportion of the conservation capital cost component and the transportation capital cost component to the total of all capital cost repayment obligations, the two cost components shall be weighted as follows:

(i) The conservation capital cost component shall be weighted with a thirty percent (30%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of maximum annual Table A Amounts as calculated in subdivision (f)(1) of this article by thirty percent (30%).

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

(iii) A total, weighted capital cost percentage shall be calculated for each Urban Contractor by adding the weighted conservation capital cost component percentage to their weighted transportation capital cost component percentage.

(4) The total amount of the annual charges to be reduced to Urban Contractors in each year shall be allocated among them by multiplying the total amount of annual charges to be reduced to the Urban Contractors by the total, weighted capital cost percentages for each such Contractor. If the amount of the reduction to an Urban Contractor is in excess of that Contractor's payment obligation to the Department for that year, such excess shall be reallocated among the other Urban Contractors.

(5) In the case of a permanent transfer of urban Table A amounts, the proportionate share of annual charge reductions associated with that Table A amount shall be transferred with the Table A amount to the buying Contractor. In the case of an Table A amount transfer by either Santa Barbara County Flood Control and Water Conservation District or San Luis Obispo County Flood Control and Water Conservation District, the reductions in annual charges to that agency shall be allocated (a) on the basis of that Table A amount being retained by that agency which bears Coastal Branch Phase II transportation costs, (b) on the basis of that Table A amount being retained by that agency which does not bear Coastal Branch Phase II transportation costs, and (c) on the basis of the balance of that agency's Table A amount which also does not bear Coastal Branch Phase II transportation costs.

**(g) Apportionment of Reductions Among Agricultural Contractors.**

(1) Reductions in annual charges apportioned to Agricultural Contractors under subdivision (d) of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not

include any costs associated with the 45,000 acre-feet of Annual Table A Amounts being permanently relinquished by those Contractors pursuant to subdivision (j) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of Annual Table A Amounts provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

(i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.

(iii) Kern County Water Agency and Dudley Ridge Water District totaled costs shall be reduced for the 45,000 acre-feet of annual Table A amount being permanently relinquished by them.

(iv) Any reductions in an Agricultural Contractor's totaled costs resulting from the transfer of any of the 130,000 acre-feet of annual Table A amount shall be re-added to that Contractor's costs.

(v) Each Agricultural Contractor's proportionate share shall be computed by dividing that Contractor's total costs by the total costs for all Agricultural Contractors determined pursuant to subparagraphs (ii), (iii) and (iv) above.

(2) The reductions in annual charges, for 1997 through 2001, shall be calculated using the method described in subdivision (g)(1) of this article.

(3) The allocation shall be recalculated using the same method described in subdivision (g)(1) of this article every five years beginning in 2002, if any Agricultural Contractor requests such a recalculation. Any recalculation shall be based on project cost data beginning with the year that the recalculation is to become effective through 2035.

**(h) Agricultural Rate Management Trust Fund.**

(1) Establishment. Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

(2) Separate Accounts. The trustee shall maintain within the trust fund a separate account for each Agricultural Contractor that signs the trust agreement to hold deposits made pursuant to this article.

(3) Deposits. Each Agricultural Contractor that signs the trust agreement shall deposit into such Contractor's account within the trust fund, at the same time as payments would otherwise be required by this contract to be made to the State, an amount equal to the amount by which such Contractor's charges under this contract have been reduced by reason of this article, until the balance in such Contractor's account within the trust fund is the same percentage of \$150,000,000 as such Contractor's percentage share of reductions made available to all Agricultural Contractors as specified in subdivision (g) of this article. In 2002 and every fifth year thereafter, the Agricultural Contractors will review the maximum accumulation in the trust fund (the "Cap") and determine whether the cap should be adjusted. However, the Cap shall not be reduced below an aggregate of \$150,000,000 for all Agricultural Contractor accounts.

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the Contractor's requested annual Table A amount for that year, the trustee shall, to the extent there are funds in that Contractor's account, distribute to the State from such account for the benefit of that Contractor an amount equal to the percentage of the total of that Contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that Contractor's annual Table A amount for that year that was not allocated to it by the State by April 15th of that year.

(ii) In addition to the provisions of subdivision (h)(4)(i) of this article, if on April 15 of any year any of the irrigable land within the Tulare Lake Basin Water Storage District (Tulare) is flooded, and Tulare in writing requests the trustee to do so, the trustee shall, to the extent there are funds in Tulare's account, distribute to the State from such account for the benefit

of Tulare an amount equal to the percentage of the total of Tulare's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of the irrigable land within Tulare that is flooded on April 15.

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such Contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such Contractor. Alternatively, upon the request of such Contractor, all or part of the excess shall be paid by the trustee to that Contractor in reimbursement of prior payments by the Contractor to the State for that year.

(5) Payment of Supplemental Bills. In any year in which a supplemental bill has been submitted to an Agricultural Contractor pursuant to subdivision (c)(4) of this article, such supplemental bill shall be treated as reducing by an equal amount the obligation of such Contractor for that year to make payments into the Agricultural Rate Management Trust Fund. To the extent that such Contractor has already made payments to the trust fund in an amount in excess of such Contractor's reduced trust fund payment obligation, such Contractor may request the trustee to use the excess from the trust fund to pay the supplemental bill.

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that Contractor's account is less than its share of the Cap.

(7) Distribution of Funds in Excess of the Cap. Whenever accumulated funds (including interest) in an Agricultural Contractor's account in the trust fund exceed that Contractor's share of the Cap, or the estimated remaining payments the Contractor is required to make to the State prior to the end of the project

repayment period, that Contractor may direct the trustee to pay such excess to the Contractor.

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

(i) **Definitions. For the purposes of this article, the following definitions will apply:**

(1) "Agricultural Contractor" shall mean the following agencies as they now exist or in any reorganized form:

- (i) County of Kings,
- (ii) Dudley Ridge Water District,
- (iii) Empire West Side Irrigation District,
- (iv) Kern County Water Agency for 848,130 acre-feet of its Table A amount,
- (v) Oak Flat Water District,
- (vi) Tulare Lake Basin Water Storage District.

(2) "Urban Contractor" shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for 134,600 acre-feet of its Table A amount.

(j) **Except as provided in subdivisions (c)(4) and (c)(5),** this article shall not be interpreted to result in any greater State authority to charge the Contractors than exists under provisions of this contract other than this article.

## NEW CONTRACT ARTICLE

### II. ARTICLE 61 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

#### 61. FINANCIAL ACCOUNTS AND ACTIVITIES

##### (a) General Operating Account

(1) The State shall maintain a General Operating Account to provide the moneys needed for the following purposes:

(i) To pay or provide for the payment of System costs which are reimbursable by one or more Contractors under their respective Water Supply Contracts in the event System revenues available for such payment are insufficient for such purpose; or

(ii) To pay or provide for the payment of System costs for any System purpose in the event of a System emergency as defined in Article 61(a)(1)(iii).

(iii) A System Emergency, as used in this Article 61(a)(1)(ii) shall mean an immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the System which requires immediate attention and remedial action.

(2) The maximum amount in the General Operating Account shall be set, adjusted and funded as follows:

(i) Upon the Contract Extension Amendment Effective Date, the maximum amount shall be \$150 million.

(ii) On or before the first September 1 occurring five (5) years after the Contract Extension Amendment Effective Date and every five (5) years thereafter, the State shall present a business case analysis of the maximum amount reasonably necessary or appropriate to be maintained in the General Operating Account, including an evaluation of the maximum amount and its relationship to the business risks associated with the System cash flow, to the SWRDS Finance Committee for recommendation to the Director regarding a General Operating Account maximum amount

adjustment, provided that the maximum amount shall not be less than \$150 million.

(iii) To fund the General Operating Account to its maximum amount, the Director may, in his or her discretion, transfer to the General Operating Account (1) amounts determined to be available pursuant to Article 51(e); (2) earnings from the investment of amounts in the General Operating Account; (3) amounts in the SWRDS Reinvestment Account; and (4) amounts in the SWRDS Support Account.

(iv) If the Director determines to decrease the maximum amount pursuant to Article 61(a)(2)(ii), or the maximum amount is otherwise exceeded, the excess amount in the General Operating Account shall be transferred to the SWRDS Reinvestment Account.

(v) The State shall replenish the amounts used from the General Operating Account (1) through charges to the Contractors to the extent the Contractors are obligated to reimburse the State for the costs paid with such amounts and (2) from the SWRDS Support Account or other available revenues (including the sources described in subparagraph (iii) of this Article 61(a)(2)) for costs not reimbursable by the Contractors under their respective Water Supply Contracts.

(vi) General Operating Account investment earnings shall be used to fund the General Operating Account to its maximum amount or, in the Director's discretion, transferred to the SWRDS Support Account and/or the SWRDS Reinvestment Account.

(3) The State shall prepare monthly reports on the balance in and use of the General Operating Account for the Director, and shall provide those reports to the SWRDS Finance Committee. The SWRDS Finance Committee may periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

(b) **SWRDS Reinvestment Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Reinvestment Account to provide a continuing source of investment revenue to provide amounts to be transferred to or deposited in the General Operating Account, the SWRDS Reinvestment Account, and the SWRDS Support Account.

(2) To fund the SWRDS Reinvestment Account, the Director may, in his or her discretion, transfer to the SWRDS Reinvestment Account (i) amounts determined to be available pursuant to Article 51(e), (ii) earnings from the investment of amounts in the SWRDS Reinvestment Account, (iii) payments by

the Contractors for capital costs funded from the SWRDS Reinvestment Account, (iv) amounts from the SWRDS Support Account, and (v) amounts from the General Operating Account.

(3) Amounts in the SWRDS Reinvestment Account may be used and/or invested as follows:

(i) To pay capital costs of Project Facilities to the extent those costs are reimbursable by one or more Contractors under their respective Water Supply Contracts. Such capital costs shall be reimbursed to the State in accordance with item 5 of this subparagraph (b) below.

(ii) To pay capital costs of Project Facilities pending reimbursement of the State with the proceeds of revenue bonds issued by the State; and

(iii) To make temporary investments in accordance with the statutory limitations on such investments.

(4) The State shall prepare regular reports on the SWRDS Reinvestment Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Reinvestment Account.

(5) *Amortization of Costs Financed with Amounts in the SWRDS Reinvestment Account.* Charges to amortize Project Facility Capital Costs paid with amounts from the SWRDS Reinvestment Account shall return to the State, in equal annual amounts over an amortization period determined by the State, the amount of each such cost together with an interest charge on the unamortized balance thereof.

(i) The length of such amortization periods may be from ten (10) to fifty (50) years, *provided* that if the capital asset has an Economic Useful Life of less than ten (10) years, the amortization period may be a comparable period of less than ten (10) years.

(ii) The interest charge shall be at a rate equal to the market interest rate at the time the cost is Incurred on municipal Revenue Bonds with the following characteristics:

(a) the same rating as the rating on Revenue Bonds issued by the State to finance Project Facilities, and

(b) the same term as the length of the amortization period, all as determined by the State.

(iii) For the purposes of this subdivision (b)(5), the State may aggregate the Capital Costs of each Project Facility Incurred during each calendar year and determine a composite interest rate and a composite amortization period applicable to the amortization of such costs.

(iv) The amortization charges relating to the costs Incurred during each calendar year shall commence the calendar year starting one year after the end of the calendar year in which such costs were Incurred, and the amount to be amortized shall include capitalized interest for the period from the date or dates the costs are Incurred to the date of commencement of amortization.

(c) **SWRDS Support Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Support Account to provide a source of funds to pay System costs that are not chargeable to the Contractors under their respective Water Supply Contracts and for the payment of which there are no other monies available.

(2) To fund the SWRDS Support Account, the Director may, in his or her discretion, transfer to the SWRDS Support Account (i) amounts determined to be available pursuant to Article 51(e); (ii) amounts in the SWRDS Reinvestment Account, (iii) investment earnings in the General Operating Account; (iv) earnings from the investment of amounts in the SWRDS Support Account; and (v) other available revenues. The State shall not charge the Agency to replenish the SWRDS Support Account for costs not otherwise chargeable to the Agency under this contract.

(3) If the State is reimbursed or other amounts are appropriated and received for a cost paid from the SWRDS Support Account, the State shall deposit the amount reimbursed or received in the SWRDS Support Account.

(4) The State shall prepare regular reports on the SWRDS Support Account for the Director and shall provide those reports to the SWRDS Finance

Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Support Account.

**(d) System Financial Activity Report and Reporting Principles**

(1) The State shall prepare and distribute quarterly a System Financial Activity Report that contains the following information:

(i) By fund or account, the activity in the following funds and accounts: the General Operating Account, the SWRDS Support Account, the SWRDS Reinvestment Account, the 51(e) Sub-Account of the Systems Revenue Account, the Davis-Dolwig Fund, and the State Water Facilities Capital Account, and the activity with respect to suspended costs.

(ii) The data in the System Financial Activity Report shall be auditable, which includes an audit trail from the costing ledger (currently the Utility Cost Accounting Billing System, as of the Contract Extension Amendment Effective Date) to the general ledger (currently SAP, as of the Contract Extension Amendment Effective Date) or the Bulletin 132 estimates to the System Financial Activity Report.

(2) Appendix B, entitled System Reporting Principles, contains principles and guidelines which shall be followed, to the extent applicable, in the preparation of System financial reports and financial management reports.

**(e) State Water Resources Development System Finance Committee**

(1) The State shall establish a joint State and Contractors finance committee, which shall be referred to as the State Water Resources Development System Finance Committee or SWRDS Finance Committee. The membership of the SWRDS Finance Committee shall include both representatives from the State and the Contractors.

(2) The primary purpose of the SWRDS Finance Committee shall be to make recommendations to the Director concerning the financial policies of the System. The State and the Contractors shall describe the scope of the SWRDS Finance Committee in a charter mutually agreeable to the State and the Contractors.

**(f) Cost Recovery**

In general, the State should seek reimbursement for all System costs from the appropriate customers and users of System facilities. With respect to those System costs that are reimbursable by the Contractors, the State should allocate

financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate Contractors. If the State proposes to not charge any Contractor the full amount that the State is entitled to charge the Contractor under the contract, the State shall present a written proposal to the SWRDS Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. The State shall submit such proposal in writing to the SWRDS Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the SWRDS Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals shall comply with the structure set out in the SWRDS Finance Committee charter referenced in Article 61(e)(2).

NOT FOR EXECUTION

## NEW CONTRACT APPENDIX

### III. APPENDIX B IS ADDED TO THE CONTRACT AS A NEW APPENDIX AND SHALL READ AS FOLLOWS:

#### APPENDIX B

##### SYSTEM REPORTING PRINCIPLES

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP. The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
  2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
  3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
  4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.
  5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
  6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
    - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
    - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage,

retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.

- (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
- (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
- (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
- (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

**IT IS FURTHER MUTUALLY AGREED** that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

## **AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS**

### **1. EFFECTIVE DATE OF CONTRACT EXTENSION AMENDMENT.**

(a) The Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (a)”) on the last day of the calendar month in which both of the following occur: (i) the State and 15 or more Contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet, have executed (or committed in a form satisfactory to the State to execute) the Contract Extension Amendment and (ii) no legal action addressing the validity or enforceability of the Contract Extension Amendment or any aspect thereof has been filed within sixty days of such execution or, if filed, a final judgment of a court of competent jurisdiction has been entered sustaining or validating the Contract Extension Amendments. Subject to subparagraph (b), the provisional effective date pursuant to paragraph (a) shall be the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(b) If any part of the Contract Extension Amendment of any Contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Contract Extension Amendments of all Contractors shall be of no force and effect except as provided in subparagraph(c).

(c) The unenforceability and lack of effectiveness of all Contractors’ Contract Extension Amendments as provided for in subparagraph (b) may be avoided only if the part of the Contract Extension Amendment determined to be invalid or unenforceable is explicitly waived in writing by the State and 15 or more Contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet , in which case the Contract Extension Amendment shall take provisional effect (“provisional effective date pursuant to subparagraph (c)”) on the last day of the calendar month in which the requisite waivers are received, but only as to those Contractors submitting such a waiver in writing, subject to subparagraph (e). The provisional effective date pursuant subparagraph (c) shall become the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(d) If any Contractor has not executed a Contract Extension Amendment or has not submitted a waiver pursuant to subparagraph (c), whichever is applicable, within sixty (60) days of the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the amendment shall not take effect as to such Contractor, unless the Contractor and the State, in its discretion, thereafter execute such Contractor’s contract extension amendment or the Contractor thereafter submits, and the State in its discretion accepts,

the waiver, whichever applies, in which case the Contract Extension Amendment Effective Date for purposes of that Contractor's contract and any associated terms shall be as agreed upon by the State and Contractor.

(e) (1) If at the end of the applicable 60-day period specified in subparagraph (d), 24 or more Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have executed the amendment (or committed to execute the amendment in a form satisfactory to the State) or submitted a waiver pursuant to subparagraph (c), as applicable, the provisional effective date pursuant subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, shall become the Contract Extension Amendment Effective Date.

(2) If at the end of the applicable 60 day period specified in subparagraph (d), 24 or more Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have not executed (or committed to execute) the amendment or submitted a waiver pursuant to subparagraph (c), as applicable, then the State, after consultation with the Contractors that have executed (or committed to execute) the amendment or submitted a waiver, as applicable, shall within 30 days following such 60 day period determine in its discretion whether to make the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the Contract Extension Amendment Effective Date. The State shall promptly notify all Contractors of the State's determination. If the State determines, pursuant to this subparagraph 1(e)(2) to allow the contract amendment to take effect, it shall take effect only as to those Contractors consenting to the amendment taking effect pursuant to this subparagraph 1(e)(2)

(f) (1) During the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, the State and a minimum of 24 Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet which have executed (or committed to execute) the Contract Extension Amendment may agree in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered (including to waive the "no force and effect " provision in subsection (b)) and instead allow the Contract Extension Amendment to take effect as to such Contractors, subject to such conditions, if any, agreed upon, by the State and such contractors. In such case, the State shall promptly notify all Contractors of the effective date of the Contract Extension Amendment.

(2) If, during the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, less than 24 Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have agreed in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered as provided in subsection (1)(f)(1) above, then a Contractor which has so agreed in writing may request the State to consider allowing the contract extension amendment to take effect with the agreement of less than 24 Contractors. Upon

receiving such a request, the State, after consultation with the Contractors that have agreed in writing to waive any limitation as provided in subsection (1)(f)(1) above, may determine in its discretion whether to allow the Contract Extension Amendment to take effect with less than 24 Contractors agreeing in writing to waive the limitation. The State shall promptly notify all Contractors if the State's determines to allow the Contract Extension Amendment to take effect, and include in such notice the effective date of the Contract Extension Amendment and any conditions that would apply. If the State determines, pursuant to this subparagraph 1(f)(2) to allow the contract amendment to take effect, it shall take effect only as to those Contractors consenting to the amendment taking effect pursuant to subparagraph 1(f)(1).

## **2. POST BILLING TRANSITION DATE ESTIMATES.**

If the State determines it to be necessary, the State may rely on estimates and later true-up for billing and reporting purposes in the initial years after the Billing Transition Date.

## **3. WAIVER AND RELEASE.**

Subject to the Contract Extension Amendment taking effect, the Agency does hereby forever waive, release and discharge the State, and its current and former officers, agents and employees, from any and all past and present protests, claims, damages, actions and causes of action of every kind and description, now existing or hereafter arising, known or unknown, that were or could be or could have been asserted relating to the State's adjustment made prior to the execution date of this Contract Extension Amendment in connection with the proportional responsibility, for System facilities south of and including the Dos Amigos Pumping Plant, between (i) water supply and (ii) recreation and fish and wildlife enhancement.

## **4. OTHER CONTRACT PROVISIONS.**

Except as amended by this amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

## **5. COUNTERPART.**

This Contract Extension Amendment may be signed in counterpart.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

Approved as to Legal Form  
and Sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

\_\_\_\_\_  
Chief Counsel  
Department of Water Resources

\_\_\_\_\_  
Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
SANTA BARBARA COUNTY FLOOD  
CONTROL AND WATER CONSERVATION  
DISTRICT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



## CENTRAL COAST WATER AUTHORITY

### MEMORANDUM

March 16, 2021

**TO:** CCWA Board of Directors

**FROM:** Ray A. Stokes  
Executive Director 

**SUBJECT:** Amendment No. 21: Water Management Amendment to the State Water Contract

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#### SUMMARY

The CCWA Board of Directors has requested that the Santa Barbara County Flood Control and Water Conservation District (District) execute Amendment No. 21, the Water Management Amendment to the State Water Contract (**Attachment #1**) numerous times beginning on October 28, 2020. Since that time, the Santa Barbara County Board of Supervisors, acting in its capacity as the Board of Directors of the District (District Board) and District staff have sought to impose conditions on CCWA and its project participants in exchange for the District's execution of the Water Management Amendment. This report will provide a timeline of those requests, the various conditions that have been presented to CCWA from the District staff and the current status of CCWA's request for execution with the District Board.

On March 2, 2021, the District Board of Directors deferred for the second time its consideration of Amendment No. 21 and directed District staff to continue to work with CCWA staff and to return to the District Board at a future date **if** mutually agreeable terms can be reached.

On March 5, 2021, DWR sent the attached "Implementation of Water Management Amendment" notice stating the Water Management Amendment is effective and that the remaining SWP Contractors that have not yet signed the amendment have until **April 29, 2021** to execute the amendment (**Attachment #2**).

Staff requests direction regarding next steps.

#### DISCUSSION

##### Timeline

The following is a timeline of the numerous communications between CCWA and the District staff and District Board.

**October 22, 2020:** CCWA unanimously approved Amendment No. 21 and by letter dated *October 28, 2020*, CCWA requested that the District execute Amendment No. 21 (**Attachment #3**).

**January 26, 2021:** District Staff Report to District Board for the February 2, 2021 District Board Meeting (**Attachment #4**) proposing a “revenue sharing and water sales agreement” for all out of County sales of State water:

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- b) Consider the request of the Central Coast Water Authority (CCWA) to approve Amendment 21 (Water Management Amendment) to the SWP Contract;
  - i. Authorize the Public Works Director or his designee to negotiate a revenue sharing and water sales agreement with CCWA as a contingency for approval of Amendment 21 to the SWP Contract;
  - ii. Direct staff to return to the Board with both the revenue sharing and water sales agreement and Amendment 21 for approval;
- c) Provide additional direction to staff regarding the State Water Project; and
- d) Determine that the proposed actions are not a project under the California Environmental Quality Act, pursuant to Guidelines Section 15378(b)(5), organization or administrative activities that will not result in a direct or indirect physical change in the environment.

**January 28, 2021:** At its meeting on January 28, 2021, the CCWA Board of Directors declined to negotiate and execute a “revenue sharing and water sales agreement,” authorized CCWA staff to seek a continuance of the Board of Supervisors’ March 2, 2021 consideration of CCWA’s request, and further authorized delivery of a letter to the Board of Supervisors notifying it of CCWA’s actions (**Attachment #5**).

**February 2, 2021:** The District Board considered CCWA’s request and continued the item to March 2, 2021.

**February 4 and 11, 2021:** CCWA staff met with District staff on February 4 and February 11, 2021 to discuss District staff’s proposed conditions.

**February 9, 2021:** Email from Tom Fayram to Ray Stokes RE: District Staff Recommendation to District Board for Approval of Amendment No. 21 (**Attachment #6**) with new proposed conditions:

- 2. To recommend approval of Amendment 21, provided that CCWA agrees to the provision that;
  - a. Requests to purchase water for importing would be needed to address shortages.
  - b. Requests to sell water out of County would not be considered / approved and in County transfers be sought instead.

**February 17, 2021:** Letter from Assistant County Executive Officer, Jeff Frapwell to Ray Stokes stating that all out-of-county sales would be prohibited (**Attachment #7**).

**February 17, 2021:** CCWA Board of Directors adopts Resolution No. 21-01 adopting a Right of First Refusal Rule for proposed water sales outside of Santa Barbara County which requires CCWA project participants proposing to sell water to another SWP Contractor, to offer the first under the same terms and conditions to other CCWA project participants.

**February 18, 2021:** CCWA letter to the District transmitting Resolution No. 21-01 and again requesting the District execute Amendment No. 21 at the District's Board meeting on March 2, 2021 (**Attachment #8**).

**March 2, 2021:** District staff report recommends the District Board reject CCWA's request for execution of Amendment No. 21 (**Attachment #9**):

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- b) Consider the request of the CCWA to approve Amendment 21 (Water Management Amendment);
- i. Reject Amendment 21 at this time because CCWA has not addressed the concerns of out of District transfers and the impacts on water supply for sales of water out of the County; and
  - ii. Direct staff to continue to work with CCWA staff and return to your Board at a future date if mutually agreeable terms can be reached related to Amendment 21.

**March 2, 2021:** District Board votes to "table" consideration of Amendment No. 21 with all other aspects of the proposed action left intact as follows (emphasis added):

- b) Consider the request of the CCWA to approve Amendment 21 (Water Management Amendment):
- i. Reject **Table** Amendment 21 at this time **because CCWA has not addressed the concerns of our of District transfers and the impacts on water supply for sales of water out of the County; and**
  - ii. Direct staff to continue to work with CCWA staff and return to your Board at a future date **if mutually agreeable terms can be reached related to Amendment 21**

**March 5, 2021:** Ray Stokes meets with District staff to discuss the District's proposed conditions and Ray follows up with an email on March 8, 2021 to confirm the conditions conveyed by the District in the March 5, 2021 meeting (**Attachment #10**).

Here's my summary of our discussion:

Overall SB County Board Concerns:

1. There is a valid need for CCWA to be able to purchase water in the future and exchanges will not meet that need.
2. Open to a sale of State water if there is a corresponding amount of water that has been developed locally. In other words, no net water going out of SB County.
3. CCWA Right of First Refusal: Sellers should not make a profit on sales to other CCWA project participants.
4. Joan Hartman concern: she is concerned about the destination of the water sold; doesn't want water used for new development.

District's proposed conditions on approval of Amendment #21:

Prior to SB County BOS approval, District and CCWA enter into an agreement that provides:

1. Purchases: all purchases allowed
2. Exchanges: water for like amount of water only – i.e., no net loss of water
3. Sales: sales out of county only if participant has already developed an equivalent amount locally. In other words, the local water supply source (e.g., potable reuse) has to already be produced. water for a sale of state water to be allowed out of the county

**March 12, 2021:** Tom Fayram email to Ray Stokes identifying new and additional conditions (See **Attachment #10**).

Hello Ray,

Thank you for your email below. In consultation with the District team, we believe your email captures the high level concepts. Each point may have more substantive details and definitions, which we will need to address. Perhaps amongst others; - defining the local water source (we agree the SB Desal plant has a case to be counted); - Setting a price point on the sale to local partners (no profit); - defining water for development; - and also linking the sale outside county to both the local offering AND the criteria of link any sale outside the County (after first offering in County) to a local project offset.

You asked about any more conditions, and while we recognize the email you sent captures the items discussed, we also recognize things can evolve and change. We also heard that there may be some new issues that came up at the Operations Committee meeting that may have to be worked out as well (like water banking, etc).

We will look forward to hearing from you to start working with you to better define these principles.

Thank you.

Thomas D. Fayram  
Deputy Public Works Director  
County of Santa Barbara  
805-568-3436  
[www.countyofsb.org/pwd](http://www.countyofsb.org/pwd)

**March 15, 2021:** Ray Stokes email to Tom Fayram requesting a written proposal and agreement comprising ALL proposed conditions from District staff for recommendation to the District Board to execute Amendment No. 21 (See **Attachment #10**).

The following is a brief synopsis of the changing conditions requested by the District since CCWA's first request for execution of Amendment No. 21 on October 22, 2020. This list may not reflect all conditions proposed and some conditions. As noted in Tom Fayram's March 12, 2021 email, the District may require new and additional conditions not identified below. Also, the District has not provided any of the details of these conditions.

Date	Changing District Staff Conditions
January 26, 2021	<ul style="list-style-type: none"><li>• "Revenue Sharing and water sales agreement for out of County sales" required before execution of Amendment No. 21</li></ul>
February 9, 2021	<ul style="list-style-type: none"><li>• Purchases Ok</li><li>• All sales outside of SB County denied. Presumably negates the revenue sharing agreement from January 26, 2021 proposal.</li></ul>
March 5, 2021	<ul style="list-style-type: none"><li>• Exchanges permitted only if balanced.</li><li>• Purchases OK.</li><li>• Sales outside of SB County OK if:<ul style="list-style-type: none"><li>○ Participant first must develop and produce a local water supply of equal or greater amount (i.e., desal)</li><li>○ water sold can't be used for new development and possibly other uses</li><li>○ Other possible conditions TBD</li></ul></li><li>• Sales inside of SB County must be "at cost"</li><li>• Other possible conditions TBD</li></ul>

Note: In addition to the conditions proposed in exchange for the District's execution of Amendment No. 21, staff understands that the District also reserves the right to consider each transfer or exchange at the time it is proposed.

### **Negative Consequences of District Conditions**

The proposed conditions would deprive CCWA and its participants of all of the benefits of Amendment No. 21, benefits that will be enjoyed by all other contracting agencies.

Specifically, the proposed conditions would have the following impacts:

**1. Discriminates Among CCWA Participants**

By prohibiting sales of SWP water outside of Santa Barbara County *unless* a local water project has first been developed and is delivering water, only those CCWA participants that have both the demand for and capacity to develop other local sources of supplies such as desalination plants or potable reuse, etc., would be eligible to make single year or multi-year transfers out of the county.

Further, some CCWA participants may not have sufficient financial resources to fund, in advance, alternate local water supplies without the revenues that could be received from out-of-county sales to help offset the costs of developing local supplies within the CCWA participants' service areas.

**2. Severely Limiting the Potential Uses and Buyers of Any Water**

Even if a CCWA participant is able to develop an alternate local water supply in advance of any transfer or exchange, the District further proposes to limit the type of potential uses of any transferred water, which likely would severely limit the ability of CCWA participants to find willing buyers. Further, it is unclear how this condition would be implemented since it may not be known what the end use of the supply is or will be at the time of the sale.

**3. Potential Loss of Carryover Water Stored in San Luis Reservoir**

One of the provisions of Amendment No. 21 is the ability to transfer or exchange up to 50% of a SWP Contractor's carryover water stored in San Luis Reservoir (more than 50% may be transferred or exchanged if approved by DWR). Carryover water is water that is made available to a SWP Contractor in one calendar year but not delivered to the SWP Contractor and therefore "carried over" in San Luis Reservoir to the next calendar year.

Carryover water is subject to "spill" or loss in the event the reservoir completely fills in the next calendar year. If CCWA and its participants are precluded from selling SWP water outside of the county because they cannot satisfy the District's pre-conditions (above), carryover water could be lost and they will be deprived of a valuable tool in helping manage their unused State water supplies stored in San Luis Reservoir.

**4. Inability to Transfer Water Stored Outside of Santa Barbara County**

Another provision of Amendment No. 21 allows for SWP water that is stored outside of a Contractor's service area (i.e., groundwater banks) to be transferred to another SWP Contractor without it first being returned to the SWP Contractor's service area. In other words, those CCWA project participants that have stored SWP water outside of Santa Barbara County would be precluded from selling that stored water to another SWP Contractor unless the stored water was brought back into Santa Barbara County first before being transferred to another SWP Contractor—likely making the transfer infeasible due to the greatly increased complexity, energy consumption and costs of the transaction.

**5. Inability to Participate in Unbalanced Exchanges**

This District proposes that only balanced exchanges would be allowed by CCWA and its participants. This means that CCWA would be at a significant disadvantage regarding its ability to participate in exchange transactions in future and would only be able to participate in

exchanges whereby CCWA is providing the water to another SWP Contractor and receiving exactly the same amount of water in return. It is unlikely other SWP Contractors will want to participate in an exchange with CCWA on these terms as Amendment No. 21 allows for exchange ratios up to 5:1.

### **Current Status of CCWA Request for Execution of Amendment No. 21**

Based on the District Board action on March 2, 2021, which directed District staff to work with CCWA and bring consideration of Amendment No. 21 back to the District board ***if mutually agreeable terms can be reached related to Amendment 21***, CCWA staff believes that the District Board has delegated to District staff discretion to determine if or when it will recommend the District Board consider Amendment No. 21 again. Based on District staff's prior recommendations to its Board, it appears that unless CCWA agrees to District staff's conditions outlined in the confirming email string between Tom Fayram and Ray Stokes that the District staff will decline to request consideration by their Board.

In the event CCWA agrees to negotiate terms and conditions of the District's execution of Amendment No. 21, a contract would need to be drafted between CCWA and the District and presented to the Boards of both CCWA and the District for their respective consideration and approval before Amendment No. 21 would be executed.

### **REQUESTED ACTION**

That the CCWA Board of Directors provide CCWA staff with direction. The following options are available:

1. Accept District staff's proposed conditions, authorize CCWA staff to negotiate a contract with District staff that includes all terms and conditions proposed on CCWA actions (i.e., transfers and exchanges) pursuant to Amendment No. 21, in addition to all terms and conditions included in Amendment No. 21 itself, and return to the CCWA Board for consideration of the proposed contract.
2. Reject District staff's proposed conditions and authorize CCWA staff to renew CCWA's request to District Board to authorize execution of Amendment No. 21 without conditions.
3. Other—to be determined.

RAS

### **ATTACHMENTS**

1. Amendment No. 21, the Water Management Amendment
2. March 5, 2021 DWR Notice to SWP Contractors: Implementation of Water Management Amendment
3. October 28, 2020 CCWA letter to the District requesting execution of the Water Management Amendment (without attachments)
4. January 26, 2021 District staff report to the District Board (without attachments)
5. January 29, 2021 CCWA letter to District Board declining to negotiate a revenue sharing and water sales agreement (without attachments)
6. February 9, 2021 email from Tom Fayram to Ray Stokes

7. February 17 letter from Assistant County Executive Officer Jeff Frapwell to Ray Stokes
8. February 18, 2021 letter from CCWA to District Board transmitting CCWA Resolution 21-01, Right of First Refusal (without attachments)
9. March 2, 2021 District staff Board letter recommending rejection of Amendment #21 pending further negotiations with CCWA (without attachments)
10. Email exchanges between Tom Fayram and Ray Stokes on revised conditions after the March 2, 2021 District board meeting

# **Attachment 1**

STATE OF CALIFORNIA  
CALIFORNIA NATURAL RESOURCES AGENCY  
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 21 (THE WATER MANAGEMENT AMENDMENT)  
TO WATER SUPPLY CONTRACT  
BETWEEN  
THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES  
AND  
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION  
DISTRICT

THIS AMENDMENT to the Water Supply Contract is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Santa Barbara County Flood Control and Water Conservation District, herein referred to as the "Agency."

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## RECITALS

- A. The State and the Agency entered into and subsequently amended a water supply contract (the “contract”), dated February 26, 1963, providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
- B. The State and the Agency, in an effort to manage water supplies in a changing environment, explored non-structural solutions to provide greater flexibility in managing State Water Project (SWP) water supplies; and
- C. The State and the Agency, in an effort to support the achievement of the coequal goals for the Delta set forth in the Delta Reform Act, sought solutions to develop water supply management practices to enhance flexibility and reliability of SWP water supplies while the Agency is also demonstrating its commitment to expand its water supply portfolio by investing in local water supplies; and
- D. The State and the Agency, in response to the Governor’s Water Resiliency Portfolio, wish to maintain and diversify water supplies while protecting and enhancing natural systems without changing the way in which the SWP operates; and
- E. The State and the Agency sought to create a programmatic solution through transfers or exchanges of SWP water supplies that encourages regional approaches among water users sharing watersheds and strengthening partnerships with local water agencies, irrigation districts, and other stakeholders; and
- F. The State and the Agency, in an effort to comply with the Open and Transparent Water Data Platform Act (Assembly Bill 1755), sought means to create greater transparency in water transfers and exchanges; and
- G. The State, the Agency and representatives of certain other SWP Contractors have negotiated and agreed upon a document (dated May 20, 2019), the subject of which is “ Draft Agreement in Principle for the SWP Water Supply Contract Amendment for Water Management” (the “Agreement in Principle”); and
- H. The Agreement in Principle describes that the SWP Water Supply Contract Amendment for Water Management “supplements and clarifies terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area”; the principles agreed to achieve this without relying upon increased SWP diversions or changing the way in which the SWP operates, and are consistent with all applicable contract and regulatory requirements; and

- I. The State, the Agency and those Contractors intending to be subject to the contract amendments contemplated by the Agreement in Principle subsequently prepared an amendment to their respective Contracts to implement the provisions of the Agreement in Principle, and such amendment was named the “SWP Water Supply Contract Amendment for Water Management”; and
- J. The State and the Agency desire to implement continued service through the contract and under the terms and conditions of this “SWP Water Supply Contract Amendment for Water Management”;

**NOW, THEREFORE, IT IS MUTUALLY AGREED** that the following changes and additions are hereby made to the Agency's water supply contract with that State:

### **AMENDED CONTRACT TEXT**

**ARTICLE 1 IS AMENDED TO ADD THE FOLLOWING DEFINITIONS, PROVIDED THAT IF THIS WATER MANAGEMENT AMENDMENT TAKES EFFECT BEFORE THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT, THE ADDITIONS HEREIN SHALL CONTINUE IN EFFECT AFTER THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT NOTWITHSTANDING THE CONTRACT EXTENSION AMENDMENT'S DELETION AND REPLACEMENT OF ARTICLE 1 IN ITS ENTIRETY:**

**1. Definitions**

- (au) **"Article 56 Carryover Water"** shall mean water that the Agency elects to store under Article 56 in project surface conservation facilities for delivery in a subsequent year or years.

**ARTICLES 21 and 56 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:**

**21. Interruptible Water Service**

**(a) Allocation of Interruptible Water**

Each year from water sources available to the project, the State shall make available and allocate interruptible water to contractors in accordance with the procedure in Article 18(a). Allocations of interruptible water in any one year may not be carried over for delivery in a subsequent year, nor shall the delivery of interruptible water in any year impact the Agency's approved deliveries of Annual Table A Amount or the Agency's allocation of water for the next year. Deliveries of interruptible water in excess of the Agency's Annual Table A Amount may be made if the deliveries do not adversely affect the State's delivery of Annual Table A Amount to other contractors or adversely affect project operations. Any amounts of water owed to the Agency as of the date of this amendment pursuant to former Article 12(d), any contract provisions or letter agreements relating to wet weather water, and any Article 14(b) balances accumulated prior to 1995, are canceled. The State shall hereafter use its best efforts, in a manner that causes no adverse impacts upon other contractors or the project, to avoid adverse economic impacts due to the Agency's inability to take water during wet weather.

**(b) Notice and Process for Obtaining Interruptible Water**

The State shall periodically prepare and publish a notice to contractors describing the availability of interruptible water under this Article. To obtain a supply of interruptible water, including a supply from a transfer of interruptible water, the Agency shall execute a further agreement with the State. The State will timely process such requests for scheduling the delivery of the interruptible water.

**(c) Rates**

For any interruptible water delivered pursuant to this Article, the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such interruptible water were Table A Amount water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State. The State shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if interruptible water were not scheduled for or delivered to the Agency. Only those contractors not participating in the repayment of the capital costs of a reach shall be required to pay any use of facilities charge for the delivery of interruptible water through that reach.

**(d) Transfers of Interruptible Water**

- (1) Tulare Lake Basin Water Storage District, Empire West-Side Irrigation District, Oak Flat Water District, and County of Kings may transfer to other contractors a portion of interruptible water allocated to them under subdivision (a) when the State determines that interruptible water is available.
- (2) The State may approve the transfer of a portion of interruptible water allocated under subdivision (a) to contractors other than those listed in (d)(1) if the contractor acquiring the water can demonstrate a special need for the transfer of interruptible water.
- (3) The contractors participating in the transfer shall determine the cost compensation for the transfers of interruptible water.

The transfers of interruptible water shall be consistent with Articles 56(d) and 57.

**56. Use and Storage of Project Water Outside of Service Area and Article 56 Carryover Water**

**(a) State Consent to Use of Project Water Outside of Service Area**

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency storing Project Water in a groundwater storage program, project surface conservation facilities and in nonproject surface storage facilities located outside its service area for later use by the Agency within its service area and to the Agency transferring or exchanging Project Water outside its service area consistent with agreements executed under this contract.

**(b) Groundwater Storage Programs**

The Agency shall cooperate with other contractors in the development and establishment of groundwater storage programs. The Agency may elect to store Project Water in a groundwater storage program outside its service area for later use within its service area. There shall be no limit on the amount of Project Water the Agency can store outside its service area during any year in a then existing and operational groundwater storage program.

**(1) Transfers of Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.**

In accordance with applicable water rights law and the terms of this Article, the Agency may transfer any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area to another contractor for use in that contractor's service area. These transfers must comply with the requirements of Articles 56(c)(4)(i)-(v), (6) and (7), and Article 57. The Agency will include these transfers in its preliminary water delivery schedule required in Article 12(a).

**(2) Exchanges of any Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.**

In accordance with applicable water rights law and the terms of this Article, the Agency may exchange any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area with another contractor for use in that contractor's service area. These exchanges must comply with the requirements in Article 56(c)(4)(i)-(v). The Agency shall include these exchanges in its preliminary water delivery schedule pursuant to Article 12(a).

**(c) Article 56 Carryover Water and Transfers or Exchanges of Article 56 Carryover Water**

- (1) In accordance with any applicable water rights laws, the Agency may elect to use Article 56 Carryover Water within its service area, or transfer or exchange Article 56 Carryover Water to another contractor for use in that contractor's service area in accordance with the provisions of subdivision (c)(4) of this Article. The Agency shall submit to the State a preliminary water delivery schedule on or before October 1 of each year pursuant to Article 12(a), the quantity of water it wishes to store as Article 56 Carryover Water in the next succeeding year, and the quantity of Article 56 Carryover Water it wishes to transfer or exchange with another contractor in the next succeeding year. The amount of Project Water the Agency can add to storage in project surface conservation facilities and in nonproject surface storage facilities located outside the Agency's service area each year shall be limited to the lesser of the percent of the Agency's Annual Table A Amount shown in column 2 or the acre-feet shown in column 3 of the following table, depending on the State's final Table A water supply allocation percentage as shown in column 1. For the purpose of determining the amount of Project Water the Agency can store, the final water supply allocation percentage shown in column 1 of the table below shall apply to the Agency. However, there shall be no limit to storage in nonproject facilities in a year in which the State's final water supply allocation percentage is one hundred percent. These limits shall not apply to water stored pursuant to Articles 12(e) and 14(b).

1. Final Water Supply Allocation Percentage	2. Maximum Percentage of Agency's Annual Table A Amount That Can Be Stored	3. Maximum Acre-Feet That Can Be Stored
50% or less	25%	100,000
51%	26%	104,000
52%	27%	108,000
53%	28%	112,000
54%	29%	116,000
55%	30%	120,000
56%	31%	124,000
57%	32%	128,000
58%	33%	132,000
59%	34%	136,000
60%	35%	140,000
61%	36%	144,000
62%	37%	148,000
63%	38%	152,000
64%	39%	156,000
65%	40%	160,000
66%	41%	164,000
67%	42%	168,000
68%	43%	172,000
69%	44%	176,000
70%	45%	180,000
71%	46%	184,000
72%	47%	188,000
73%	48%	192,000
74%	49%	196,000
75% or more	50%	200,000

- (2) Storage capacity in project surface conservation facilities at any time in excess of that needed for project operations shall be made available to requesting contractors for storage of project and Nonproject Water. If such storage requests exceed the available storage capacity, the available capacity shall be allocated among contractors requesting storage in proportion to their Annual Table A Amounts for that year. The Agency may store water in excess of its allocated share of capacity as long as capacity is available for such storage.
- (3) If the State determines that a reallocation of excess storage capacity is needed as a result of project operations or because of the exercise of a contractor's storage right, the available capacity shall be reallocated among contractors requesting storage in proportion to their respective Annual

Table A Amounts for that year. If such reallocation results in the need to displace water from the storage balance for any contractor or noncontractor, the water to be displaced shall be displaced in the following order of priority:

First, water, if any, stored for noncontractors;

Second, water stored for a contractor that previously was in excess of that contractor's allocation of storage capacity; and

Third, water stored for a contractor that previously was within that contractor's allocated storage capacity.

The State shall determine whether water stored in a project surface water conservation facility is subject to displacement and give as much notice as feasible of a potential displacement. If the Agency transfers or exchanges Article 56 Carryover Water pursuant to this subdivision to another contractor for storage in such facility, the State shall recalculate the amount of water that is subject to potential displacement for both contractors participating in the transfer or exchange. The State's recalculation shall be made pursuant to subdivision (4) of this Article.

**(4) Transfers or Exchanges of Article 56 Carryover Water**

The Agency may transfer or exchange its Article 56 Carryover Water as provided in this subdivision under a transfer or an exchange agreement with another contractor. Water stored pursuant to Articles 12(e) and 14(b) and Nonproject Water shall not be transferred or exchanged. Transfers or exchanges of Article 56 Carryover Water under this subdivision shall comply with subdivision (f) of this Article and Article 57 as applicable, which shall constitute the exclusive means to transfer or exchange Article 56 Carryover Water.

On or around January 15 of each year, the State shall determine the maximum amount of Article 56 Carryover Water as of January 1 that will be available for transfers or exchanges during that year. The State's determination shall be consistent with subdivisions (c)(1) and (c)(2) of this Article.

The State shall timely process requests for transfers or exchanges of Article 56 Carryover Water by participating contractors. After execution of the transfer or exchange agreement between the State and the contractors participating in the transfer or exchange, the State shall recalculate each contractor's storage amounts for the contractors participating in the transfer or exchange. The State's recalculation shall result in an increase by an amount of water within the storage amounts for the contractor receiving the water and a decrease by the same amount of water for the contractor transferring or exchanging water. The State's recalculation shall be based on the criteria set forth in the State's transfer or exchange agreement with the participating contractors. The State's calculations shall also apply when a contractor uses Article 56 Carryover Water to complete an exchange.

Transfers and exchanges of Article 56 Carryover Water shall meet all of the following criteria:

- (i) Transfers or exchanges of Article 56 Carryover Water are limited to a single-year. Project Water returned as part of an exchange under subdivision (c)(4) may be returned over multiple years.
- (ii) The Agency may transfer or exchange an amount up to fifty percent (50%) of its Article 56 Carryover Water to another contractor for use in that contractor's service area.
- (iii) Subject to approval of the State, the Agency may transfer or exchange an amount greater than 50% of its Article 56 Carryover Water to another contractor for use in that contractor's service area. The Agency seeking to transfer or exchange greater than 50% of its Article 56 Carryover Water shall submit a written request to the State for approval. The Agency making such a request shall demonstrate to the State how it will continue to meet its critical water needs in the current year of the transfer or exchange and in the following year.

- (iv) The contractor receiving the water transferred or exchanged under subdivisions (4)(i) or (ii) above shall confirm in writing to the State its need for the water that year and shall take delivery of the water transferred or exchanged in the same year.
  - (v) Subject to the approval of the State, the Agency may seek an exception to the requirements of subdivisions (4)(i), (ii), and (iii) above. The Agency seeking an exception shall submit a written request to the State demonstrating to the State the need for 1) using project surface conservation facilities as the transfer or exchange point for Article 56 Carryover Water if the receiving contractor cannot take delivery of the transfer or exchange water in that same year, 2) using project surface conservation facilities for the transfer or exchange of one contractor's Article 56 Carryover Water to another contractor to reduce the risk of the water being displaced, or 3) for some other need.
- (5) The restrictions on storage of Project Water outside the Agency's service area provided for in this subdivision (c), shall not apply to storage in any project off-stream storage facilities constructed south of the Delta after the date of the Monterey Amendment.
- (6) For any Project Water stored outside its service area pursuant to subdivisions (b) and (c), the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as the Agency pays for the transportation of Annual Table A Amount to the reach of the project transportation facility from which the water is delivered to storage. If Table A Amount is stored, the Delta Water Charge shall be charged only in the year of delivery to interim storage. For any stored water returned to a project transportation facility for final delivery to its service area, the Agency shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water calculated from the point of

return to the aqueduct to the turn-out in the Agency's service area. In addition, the Agency shall pay all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were scheduled for or delivered to the Agency's service area instead of to interim storage outside the service area. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for use of a reach for the delivery of water to, or return of water from, interim storage.

- (7) If the Agency elects to store Project Water in a nonproject facility within the service area of another contractor it shall execute a contract with that other contractor prior to storing such water which shall be in conformity with this Article and will include at least provisions concerning the point of delivery and the time and method for transporting such water.

**(d) Non-Permanent Water Transfers of Project Water**

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency transferring Project Water outside its service area in accordance with the following:

- (1) The participating contractors shall determine the duration and compensation for all water transfers, including single-year transfers, Transfer Packages and multi-year transfers.
- (2) The duration of a multi-year transfer shall be determined by the participating contractors to the transfer, but the term of the transfer agreement shall not extend beyond the term of the Contract with the earliest term.
- (3) A Transfer Package shall be comprised of two or more water transfer agreements between the same contractors. The State shall consider each proposed water transfer within the package at the same time and shall apply the transfer criteria pursuant to Article 57 in the review and approval of each transfer. The State shall not consider a Transfer Package as an exchange.

**(e) Continuance of Article 12(e) Carry-over Provisions**

The provisions of this Article are in addition to the provisions of Article 12(e), and nothing in this Article shall be construed to modify or amend the provisions of Article 12(e). Any contractor electing to transfer or exchange Project Water during any year in accordance with the provisions of subdivision (c) of this Article, shall not be precluded from using the provisions of Article 12(e) for carrying over water from the last three months of that year into the first three months of the succeeding year.

**(f) Bona Fide Exchanges Permitted**

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency exchanging Project Water outside its service area consistent with this Article. Nothing in this Article shall prevent the Agency from entering into bona fide exchanges of Project Water for use outside the Agency's service area with other parties for Project Water or Nonproject Water if the State consents to the use of the Project Water outside the Agency's service area. Also, nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to September 1, 1995. Nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to the effective date of this Amendment which had previously received any required State approvals. The State recognizes that the hydrology in any given year is an important factor in exchanges. A "bona fide exchange" shall mean an exchange of water involving the Agency and another party where the primary consideration for one party furnishing water to another party is the return of a substantially similar amount of water, after giving due consideration to the hydrology, the length of time during which the water will be returned, and reasonable payment for costs incurred. In addition, the State shall consider reasonable deductions based on expected storage or transportation losses that may be made from water delivered. The State may also consider any other nonfinancial conditions of the return. A "bona fide exchange" shall not involve a significant payment unrelated to costs incurred in effectuating the exchange. The State, in consultation with the contractors, shall have authority to determine whether a proposed exchange of water constitutes a "bona fide exchange" within the meaning of this paragraph and not a disguised sale.

**Exchanges of Project Water**

Exchanges of Project Water shall be consistent with Article 57. In addition, the State shall apply the following criteria to its review of each exchange of Project Water as set forth below:

(1) **Exchange Ratio**

Exchange ratio shall mean the amount of water delivered from a contractor's project supply in a year to another contractor compared to the amount of water returned to the first contractor in a subsequent year by the other contractor. All exchanges shall be subject to the applicable exchange ratio in this Article as determined by the allocation of available supply for the Annual Table A Amount at the time the exchange transaction between the contractors is executed.

- (a) For allocations greater than or equal to 50%, the exchange ratio shall be no greater than 2 to 1.
- (b) For allocations greater than 25% and less than 50%, the exchange ratio shall be no greater than 3 to 1.
- (c) For allocations greater than 15% and less than or equal to 25%, the exchange ratio shall be no greater than 4 to 1.
- (d) For allocations less than or equal to 15%, the exchange ratio shall be no greater than 5 to 1.

(2) **Cost Compensation**

The State shall determine the maximum cost compensation calculation using the following formula:

The numerator shall be the exchanging contractor's conservation minimum and capital and transportation minimum and capital charges, including capital surcharges. DWR will set the denominator using the State Water Project allocation which incorporates the May 1 monthly Bulletin 120 runoff forecast.

If the Agency submits a request for approval of an exchange prior to May 1, the State shall provide timely approval with the obligation of the contractors to meet the requirement of the maximum compensation. If the maximum compensation is exceeded because the agreement between the

contractors is executed prior to the State Water Project allocation as defined in (c)(2) above, the contractors will revisit the agreement between the two contractors and make any necessary adjustments to the compensation. If the contractors make any adjustments to the compensation, they shall notify the State.

**(3) Period During Which the Water May Be Returned:**

The period for the water to be returned shall not be greater than 10 years and shall not go beyond the expiration date of this Contract. If the return of the exchange water cannot be completed within 10 years, the State may approve a request for an extension of time.

**(g) Other Transfers**

Nothing in this Article shall modify or amend the provisions of Articles 15(a), 18(a) or Article 41, except as expressly provided for in subdivisions (c) and (d) of this Article and in subdivision (d) of Article 21.

## NEW CONTRACT ARTICLES

### ARTICLE 57 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

#### 57. Provisions Applicable to Both Transfers and Exchanges of Project Water

- (a) Nothing in this Article modifies or limits Article 18 (a).
- (b) Transfers and exchanges shall not have the protection of Article 14(b).
- (c) The Agency may be both a buyer and seller in the same year and enter into multiple transfers and exchanges within the same year.
- (d) Subject to the State's review and approval, all transfers and exchanges shall satisfy the following criteria:
  - (1) Transfers and exchanges shall comply with all applicable laws and regulations.
  - (2) Transfers and exchanges shall not impact the financial integrity of the State Water Project, Transfers and exchange agreements shall include provisions to cover all costs to the State for the movement of water such as power costs and use of facility charge.
  - (3) Transfers and exchanges shall be transparent, including compliance with subdivisions (g) and (h) of this Article.
  - (4) Transfers and exchanges shall not harm other contractors not participating in the transfer or exchange.
  - (5) Transfers and exchanges shall not create significant adverse impacts to the service area of each contractor participating in the transfer or exchange.
  - (6) Transfers and exchanges shall not adversely impact State Water Project operations.
- (e) The Agency may petition the State and the State shall have discretion to approve an exception to the criteria set forth in subdivision (d) in the following cases:
  - (1) When a transfer or an exchange does not meet the criteria, but the Agency has determined that there is a compelling need to proceed with the transfer or exchange.

- (2) When the Agency has received water in a transfer or an exchange and cannot take all of the water identified in the transaction in the same year, the Agency may request to store its water consistent with Article 56(c), including in San Luis Reservoir.
- (f) The State will timely process such requests for scheduling the delivery of the transferred or exchanged water. Contractors participating in a transfer or an exchange shall submit the request in a timely manner.
- (g) The Agency shall, for each transfer or exchange it participates in, confirm to the State in a resolution or other appropriate document approving the transfer or exchange, including use of Article 56(c) stored water, that:
  - (1) The Agency has complied with all applicable laws.
  - (2) The Agency has provided any required notices to public agencies and the public.
  - (3) The Agency has provided the relevant terms to all contractors and to the Water Transfers Committee of the State Water Contractors Association.
  - (4) The Agency is informed and believes that the transfer or exchange will not harm other contractors.
  - (5) The Agency is informed and believes that the transfer or exchange will not adversely impact State Water Project operations.
  - (6) The Agency is informed and believes that the transfer or exchange will not affect its ability to make all payments, including payments when due under its Contract for its share of the financing costs of the State's Central Valley Project Revenue Bonds.
  - (7) The Agency has considered the potential impacts of the transfer or exchange within its service area.
- (h) Dispute Resolution Process Prior to Executing an Agreement**

The State and the contractors shall comply with the following process to resolve disputes if a contractor that is not participating in the transfer or exchange claims that the proposed transfer and/or exchange has a significant adverse impact.

- (1) Any claim to a significant adverse impact may only be made after the Agency has submitted the relevant terms pursuant to Article

57(g)(3) and before the State approves a transfer or an exchange agreement.

- (2) In the event that any dispute cannot be resolved among the contractors, the State will convene a group including the Department's Chief of the State Water Project Analysis Office, the Department's Chief Counsel and the Department's Chief of the Division of Operations or their designees and the contractors involved. The contractor's representatives shall be chosen by each contractor. Any contractor claiming a significant adverse impact must submit written documentation to support this claim and identify a proposed solution. This documentation must be provided 2 weeks in advance of a meeting of the group that includes the representatives identified in this paragraph.
- (3) If this group cannot resolve the dispute, the issue will be taken to the Director of the Department of Water Resources and that decision will be final.

## **WATER MANAGEMENT AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS**

**IT IS FURTHER MUTUALLY AGREED** that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

### **1. EFFECTIVE DATE OF WATER MANAGEMENT AMENDMENT**

- (a) The Water Management Amendment shall take effect (“Water Management Amendment effective date”) on the last day of the calendar month in which the State and 24 or more contractors have executed the Water Management Amendment, unless a final judgment by a court of competent jurisdiction has been entered that the Water Management Amendment is invalid or unenforceable or a final order has been entered that enjoins the implementation of the Water Management Amendment.
- (b) If any part of the Water Management Amendment of any contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Water Management Amendments of all contractors shall be of no force and effect unless the State and 24 or more contractors agree any the remaining provisions of the contract may remain in full force and effect.
- (c) If 24 or more contractors have not executed the Water Management Amendment by February 28, 2021 then within 30 days the State, after consultation with the contractors that have executed the amendment, shall make a determination whether to waive the requirement of subdivision (a) of this effective date provision. The State shall promptly notify all contractors of the State’s determination. If the State determines, pursuant to this Article to allow the Water Management Amendment to take effect, it shall take effect only as to those consenting contractors.
- (d) If any contractor has not executed the Water Management Amendment within sixty (60) days after its effective date pursuant to subdivisions (a) through (c) of this effective date provision, this Amendment shall not take effect as to such contractor unless the contractor and the State, in its discretion, thereafter execute such contractor’s Water Management Amendment, in which case the Water Management Amendment effective date for purposes of that contractor’s Amendment shall be as agreed upon by the State and contractor, and shall replace the effective date identified in subdivision (a) for that contractor.

**2. ADMINISTRATION OF CONTRACTS WITHOUT WATER MANAGEMENT AMENDMENT**

The State shall administer the water supply contracts of any contractors that do not execute the Water Management Amendment in a manner that is consistent with the contractual rights of such contractors. These contractors' rights are not anticipated to be affected adversely or benefited by the Water Management Amendments.

**3. OTHER CONTRACT PROVISIONS**

Except as amended by this Amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

**4. DocuSign**

The Parties agree to accept electronic signatures generated using DocuSign as original signatures.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

Approved as to Legal Form  
and Sufficiency:

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

\_\_\_\_\_  
Chief Counsel  
Department of Water Resources

\_\_\_\_\_  
Director

\_\_\_\_\_  
Date

Approved as to Form:

SANTA BARBARA COUNTY FLOOD  
CONTROL AND WATER  
CONSERVATION DISTRICT

\_\_\_\_\_  
General Counsel  
Santa Barbara County Flood Control  
and Water Conservation District

\_\_\_\_\_  
General Manager

\_\_\_\_\_  
Date

## **Attachment 2**

State of California

DEPARTMENT OF WATER RESOURCES  
CALIFORNIA STATE WATER PROJECT

California Natural Resources Agency

**NOTICE TO STATE WATER PROJECT CONTRACTORS****Date:** 3/5/2021**Number:** 21-03**Subject:** Implementation of Water Management Amendment**From:**

Handwritten signature of Ted Craddock in blue ink.

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**Ted Craddock**  
**Deputy Director, State Water Project**  
Department of Water Resources

As of February 24, 2021, the minimum threshold of 24 Water Management Amendments to the long-term Water Supply Contracts had been executed by the State, acting by and through the Department of Water Resources (DWR), and State Water Project contractors.

According to its implementing provisions, the Water Management Amendment (Amendment) shall take effect on the last day of the calendar month in which 24 or more contractors have executed the Amendment, unless a final judgement by a court of competent jurisdiction has been entered that the Amendment is invalid or unenforceable or a final order has been entered that enjoins the implementation of the Amendment. Having met the foregoing criteria, the Amendment took effect on February 28, 2021 for the contractors who have executed it.

The Amendment incorporates contractual tools into the State Water Project Water Supply Contracts to provide greater flexibility in managing State Water Project supplies. The Amendment adds Article 57 and modifies the provisions in Article 21 and Article 56; all other provisions in the long-term Water Supply Contracts remain in full force and effect.

Pursuant to the Amendment's implementing provisions, if a contractor has not executed the Amendment within 60 days after its effective date, *i.e.*, by April 29, 2021, the Amendment shall not take effect as to such contractor unless the contractor and the State, in its discretion, thereafter execute such contractor's Amendment, in which case the Amendment effective date for purposes of that contractor's Amendment will be as agreed upon by the State and the contractor.

## **NOTICE TO STATE WATER PROJECT CONTRACTORS**



All provisions in the long-term Water Supply Contracts for contractors who do not execute the Amendment remain in full force and effect.

If you have any questions or need additional information, please contact John Leahigh, Water Operations Executive Manager, Operations and Maintenance, at (916) 651-2447.

## **Attachment 3**



October 28, 2020

Mr. Matt Young  
Water Agency Manager  
Santa Barbara County Flood Control and Water Conservation District  
130 E. Victoria Street, Suite 200  
Santa Barbara, CA 93101

Eric Friedman  
Chairman

Ed Andrisek  
Vice Chairman

Ray A. Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

Re: Amendment No. 21 (The Water Management Amendment) to the State Water Contract

Dear Matt:

I am writing to request that the Santa Barbara County Flood Control and Water Conservation District (District) execute Amendment No. 21 (The Water Management Amendment) to the State Water Contract between the Department of Water Resources (DWR) and the District in accordance with the 1991 Transfer of Financial Responsibility Agreement between the District and CCWA and transmit the executed amendment to DWR before December 31, 2020.

As you know, on September 4, 2020, DWR presented the Water Management Amendment to our agencies for execution. (Email from D. Rizzardo to F. Crease and R. Stokes, September 4, 2020, attached to this letter.) The CCWA Board of Directors considered the Water Management Amendment at its September and October meetings and approved the amendment on October 22, 2020 and also made responsible agency findings pursuant to CEQA and adopted CEQA Findings and Statement of Overriding Considerations. (See CCWA Resolution 20-01, attached to this letter.) A copy of The Water Management Amendment is attached as Exhibit B to Resolution No. 20-01.

As described in more detail in my attached October 14, 2020 staff report to the CCWA Board of Directors, the existing State Water Contract allows transfers in a limited and specific manner and therefore is rarely utilized. In addition, while the contracting public water agencies (PWA(s)) may engage in bona fide exchanges of water with other PWAs, the State Water Contract lacks specificity regarding the parameters. As a result, DWR has considered proposed exchanges of water between PWAs on a case by case basis, which has provided less certainty for PWA planning purposes.

Consequently, beginning in earnest in February 2018, DWR and the PWAs worked together to find solutions to develop water supply management practices to enhance management flexibility for SWP water supplies in a changing environment. The Water Management Amendment, which results from that effort, supplements and clarifies the provisions of the State Water Contract related to water transfers and exchanges within the State Water Project service area to improve water management capabilities and options. The proposed amendment does not increase State Water Project diversions or change State Water Project operations. The Water Management Amendment creates numerous benefits for CCWA's participating local

agencies and their ratepayers, and thus for all of Santa Barbara County, including by:

- Creating new tools and enhanced flexibility to respond to changes in hydrology and increasing constraints on DWR's operation of the State Water Project;
- Increasing certainty for water managers by clarifying existing practices and providing rules for implementing transfers and exchanges;
- Ensuring transparency of transfers and exchanges and avoidance of harm; and
- Potentially increasing opportunities for and benefits associated with conjunctive management of surface and groundwater supplies in the state.

For all of these reasons, CCWA's Board of Directors *unanimously* approved the Water Management Amendment and has directed me to obtain the District's execution.

Please deliver the District's executed Water Management Amendment to DWR **before December 31, 2020**. As provided by the Water Management Amendment (see p. 20), the amendment will become effective when 24 PWAs sign it. If any PWA has not executed the amendment within 60 days of the effective date, the amendment is not effective as to that PWA, unless DWR, in its discretion, and the PWA later execute the amendment. Accordingly, to ensure that the amendment, and the water management benefits that it provides, becomes effective as to CCWA, the Water Management Amendment should be executed by the District as soon as possible.

If you have any questions or require any additional information, please let me know.

Sincerely,



Ray A. Stokes  
Executive Director

cc: Santa Barbara County Board of Supervisors  
Das Williams, First District  
Gregg Hart, Second District  
Joan Hartmann, Third District  
Peter Adam, Fourth District  
Steve Lavagnino, Fifth District  
Karla Nemeth, Director, Department of Water Resources  
Pedro Villalobos, Chief, Water Contracts Branch, State Water Project  
Analysis Office  
James (Tripp) Mizell, Office of the Chief Counsel, Department of Water  
Resources

(Continued next page)

cc: Jennifer Pierre, State Water Contractors  
CCWA Board of Directors  
Eric Friedman, Chair, City of Santa Barbara  
Ed Andrisek, Vice Chair, City of Buellton  
Farfalla Borah, Goleta Water District  
Jeff Clay, Santa Ynez River Water Conservation District, ID #1  
Shirley Johnson, Carpinteria Valley Water District  
Gina Rubalcaba, City of Guadalupe  
Etta Waterfield, City of Santa Maria  
Floyd Wicks, Montecito Water District  
CCWA Operating Committee  
Mike Alvarado, La Cumbre Mutual Water Company  
Paeter Garcia, Santa Ynez River Water Conservation District, ID #1  
Rose Hess, City of Buellton  
Robert McDonald, Carpinteria Valley Water District  
John McInnes, Goleta Water District  
Pernell Rush, Vandenberg AFB 30 CES/CEOEO 1028  
Shad Springer, City of Santa Maria  
Shannon Sweeney, City of Guadalupe  
Cathy Taylor, City of Santa Barbara  
Nick Turner, Montecito Water District  
Matt van der Linden, City of Solvang  
Mona Miyasato, County Executive Officer, Santa Barbara County  
Tom Fayram, Deputy Director, Santa Barbara County Public Works Dept.  
Johannah Hartley, Deputy County Counsel, Santa Barbara County

Attachments:

1. September 4, 2020 Email from D. Rizzardo to F. Crease and R. Stokes
2. CCWA Resolution 20-01 (1) Approving Amendment No. 21, and (2) Making Responsible Agency Findings Pursuant and Adopting CEQA Findings And Statement Of Overriding Considerations
3. October 14, 2020 Staff Report Re. Amendment No. 21 from R. Stokes to CCWA Board of Directors (w/o attachments)
4. CCWA Notice of Determination

## **Attachment 4**



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Flood Control  
**Department No.:** 054  
**For Agenda Of:** January 26, 2021  
**Placement:** Set Hearing  
**Estimated Time:** 90 minutes on  
February 2, 2021  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Directors, Flood Control and Water Conservation District

**FROM:** Department Scott D. McGolpin, Public Works Director, 805-568-3010  
Director(s)  
Contact Info: Thomas D. Fayram, Deputy Public Works Director, 805-568-3436

**SUBJECT:** State Water Project Contract Amendments

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: County Executive Office

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Directors:

Set a hearing for February 2, 2021 (ESTIMATED TIME: 90 MINUTES) to consider the request of the Central Coast Water Authority (CCWA) to approve two Water Supply Contract Amendments as follows:

- a) Consider the request of the Central Coast Water Authority (CCWA) to approve Amendment 20 (Contract Extension Amendment) to the State Water Project (SWP) Contract;
  - i. Approve and authorize the Public Works Director or his designee to execute Amendment 20 (Contract Extension) to the SWP Contract contingent upon full approval and execution of the First Amendment to the Transfer of Financial Responsibility Agreement;
  - ii. Approve and authorize the Public Works Director or designee to execute the First Amendment to the Transfer of Financial Responsibility Agreement (TFRA) with CCWA to extend the term of the TFRA to match the extended term of the SWP as approved in Amendment 20;
  - iii. Certify that the Board, acting as a Responsible Agency, has reviewed and considered the information and environmental effects contained in the Final Environmental Impact Report (FEIR) for Amendment 20 to the SWP Contract, and that the California Department of Water Resources (DWR) as Lead Agency found no significant impacts and is the custodian of the records located at <https://ceqanet.opr.ca.gov/2014092036/2;>

- b) Consider the request of the Central Coast Water Authority (CCWA) to approve Amendment 21 (Water Management Amendment) to the SWP Contract;
  - i. Authorize the Public Works Director or his designee to negotiate a revenue sharing and water sales agreement with CCWA as a contingency for approval of Amendment 21 to the SWP Contract;
  - ii. Direct staff to return to the Board with both the revenue sharing and water sales agreement and Amendment 21 for approval;
- c) Provide additional direction to staff regarding the State Water Project; and
- d) Determine that the proposed actions are not a project under the California Environmental Quality Act, pursuant to Guidelines Section 15378(b)(5), organization or administrative activities that will not result in a direct or indirect physical change in the environment.

**Summary Text:**

This item is on the agenda to consider the request of the Central Coast Water Authority (CCWA) to approve two proposed amendments to the State Water Project (SWP) Contract, Amendment 20, Contract Extension and; Amendment 21 Water Management. As the SWP Contract is between the Santa Barbara County Flood Control and Water Conservation District (District) and the California Department of Water Resources (DWR) your Board must approve any amendments to the Contract.

**Amendment 20 (Contract Extension)**

CCWA sent a letter dated November 3, 2020 (Attachment A) requesting that your Board approve Amendment 20 to the SWP Contract (Attachment B).

Amendment 20 extends the Contract term to 2085, from its current expiration in 2038, or 17 years from now. Amendment 20 makes it clear that Santa Barbara County, as well as the other SWP Contractors, would continue to receive water deliveries from the SWP past 2038. This extension would continue the SWP deliveries to 2085. These deliveries are critical for several CCWA participants where SWP deliveries are an important part of their water supplies. In addition, it must be noted that surface water reservoirs in the County are aging and suffering from siltation and other restrictions that result in less water available moving forward.

SWP deliveries are plumbed from Santa Maria to Carpinteria with participating agencies as follows:

- City of Buellton
- Carpinteria Valley Water District
- Goleta Water District
- City of Guadalupe
- La Cumbre Mutual Water Company
- Montecito Water District
- Morehart Land Company
- City of Santa Barbara
- Raytheon Systems Company (SBRC)
- City of Santa Maria
- Santa Ynez River W.C.D., ID #1 (includes City of Solvang)
- Golden State Water (SCWC)

- Vandenberg Air Force Base

CCWA reports that several financial benefits are realized associated with adoption of this amendment. DWR typically finances capital projects over a 30-year period to obtain the most favorable rates. However, because the current contract expires in less than 20 years, DWR has been forced to finance capital projects over a shorter, 15-year bonding period, which has resulted less favorable financing terms. The Contract Extension Amendment is intended to alleviate this problem and reduce costs associated with the SWP.

Amendment 20 also increases the maximum amount of “rate management credits” which are applied to charges roughly in proportion to the capital charges paid by each SWP contractor. Amendment 20 increases the maximum rate management credits from \$40.5 million per year available for all contractors, to \$48 million per year, an increase of \$7.5 million per year. According to CCWA, its share of the increase is projected to be approximately \$520,000 per year, or roughly \$7.8 million between 2020 and the year 2035. This would be a significant financial benefit to project participants.

This amendment also eliminates a fixed interest rate for amortizing capital and operations and maintenance costs known as the project interest rate (PIR). The PIR, set at 4.16% for many years, is also used to collect interest on underpayments or pay interest on overpayments by contractors. Recently, under collection by DWR to CCWA resulted in interested rate payments at the PIR of roughly \$1.2 million. Elimination of the PIR would result in avoidance of these types of charges in the future.

Extending the contract is unrelated to the Delta Conveyance Project. DWR has allowed contractors to choose to opt-out of this project, and CCWA has elected to do so. No planning or constructions costs for the Delta Conveyance would accrue to CCWA as a result of approving Amendment 20.

#### Transfer of Financial Responsibility (TFRA)

While extension of the contract ensures continued deliveries from the SWP, the Staff is also proposing extension of the Transfer of Financial Responsibility Agreement (Attachment C) between the District and CCWA to limit the financial liability to the Flood Control District. In 1991, the TFRA was executed to address administration and financial responsibilities for the SWP Contract. Because the current Contract runs to 2038, the proposed amendment to the TFRA makes it clear that the provisions of the TFRA continue past 2038 should the Board approve Amendment 20. One concern staff has raised on contract extension with DWR and with CCWA is how it impacts Article 34(a) post-Proposition 13 limitations. DWR has filed a validation action on the Contract Extension which is currently pending in the Sacramento Superior Court. The Contract Extension Amendment provides that if it is determined by a court of competent jurisdiction determines that nay part of the amendment is invalid or unenforceable then the amendment will be of no force and effect unless waived in writing by DWR and 15 SWP Contractors.

#### Amendment 21 (Water Management Amendment)

In a letter dated October 28, 2020, CCWA requested that your Board execute Amendment 21 (Attachment D). This amendment (Attachment E) to the SWP Contract was negotiated by the State and various SWP Contractors, would allow individual contractors the ability to sell and buy water without a commitment to return or receive water in exchange.

The current State Water Contract does not allow outright sales of water, but only allows exchanges, with repayment of water in future water years. These exchanges are allowed to be unbalanced, with a higher repayment in future years in order to receive urgently needed water in the short term. This exchange mechanism is not well defined in the current contract and is used infrequently. Amendment 21 clarifies existing exchange practices, provides for single and multi-year water transfers with compensation to be determined by the participants, and allows for transfers of water stored outside of a contractor's service area. The amendment also requires that a selling agency confirm to the State that the transfer not cause harm to the SWP and other contractors, and that DWR approve the transfer and ensure that these conditions are met. A more detailed technical explanation of the mechanisms included in Amendment 21 are included in the attached CCWA Request Letter (Attachment D).

Amendment 21 has the potential to provide benefits to CCWA members. The flexibility to acquire water without the need to repay a water debt in future years could be beneficial to an agency in urgent need of additional supplies. Similarly, a SWP Contractor with excess supply in a given year could offset costs by selling unneeded water. Participating in the water market could provide CCWA members flexibility in managing their supply portfolios.

However, the amendment raises several policy issues. When the SWP was extended to Santa Barbara County, the entire County tax base paid for capital costs until 1986, in recognition that the entire County required a stable external supply of water for residents and businesses. If water is sold out of the County, a given purveyor may benefit financially, but the regional water supply situation may deteriorate. The County as a whole has a distinct financial investment in the SWP and as such should a sale be proposed, how the County's investment is addressed is needed. To this end your Board may wish to direct staff to negotiate a revenue sharing agreement with CCWA so that the District to can recoup its costs in revenue from any sales of SWP water to entities outside of the County.

Currently, within CCWA if a member wishes to exchange water, other CCWA members have a right of first refusal before the water is offered outside of the County. There are currently no such provisions on the water transfers provided for in Amendment 21, and CCWA has not yet developed administrative procedures to ensure that local needs are met first.

The SWP was originally signed in 1963 to provide for secure water supplies for the County. In 1991, following a significant drought, the voters in several areas of the County voted to begin importing SWP Supplies. In addition, overall groundwater conditions in the County were cited as another need for the SWP. In the most recent drought, the SWP was an important supply and several exchanges were executed to increase deliveries to the County. The drought also highlighted concerns on the overall water supply in the County.

If your Board approves Amendment 21, it should be noted that all sales of Santa Barbara County SWP water to entities outside the County would need approval by the County Flood Control District as the SWP Contractor and as such any proposed sales or purchase would come back to your Board for approval.

**Background:**

The District entered into a contract with DWR in 1963 to receive an allocation of up to 57,700 acre-feet per year (AFY) of water from the State Water Project. The District then began making annual payments to DWR for its share of the capital costs of the project.

The SWP is an important element of the County's overall water supplies and deliveries of SWP water helps offset use/overuse of groundwater and compliments other local supplies. Delivery of high quality water (low in Total Dissolved Solids) provides additional benefits to water purveyors as well. As other existing supplies, such as surface reservoirs, are now and will continue to deliver far less water than originally developed. For example, the Cachuma Project now has shown its inability to provide its original planned allocations through a drought period.

In the early 1980s, after an unsuccessful bond election to pay for local facilities, several water purveyors opted to assume responsibility for payment for 45,486 AFY of the District's allocation through a series of Water Supply Retention Agreements (WSRAs). Up until approximately 1986 the District made all payments to DWR for the capital costs of the SWP.

In 1991, CCWA was formed by various water purveyors to manage the delivery of State Water to Santa Barbara County. Under the management of CCWA, the Coastal Branch connection to the SWP was studied, as required by CEQA, and completed in 1995 with a design capacity of 39,078 AFY. Since then, CCWA has operated the Coastal Branch and distributed water to its member water purveyors. In addition, with the execution of the Transfer of Financial Responsibility Agreement (TFRA) with the District, CCWA has been responsible for fiscal matters relating to State Water, including all the payments to DWR and protecting the District in the event that one or more of its member units fail to meet its financial obligations. To date neither CCWA nor the District have ever defaulted on SWP payments.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

Narrative:

Management of the water supply agreements are ongoing programs and staff time is included every year in the budget in the Water Resources Division of the Public Works Department. However, pursuant to the TFRA costs relating to management of the SWP are reimbursed by CCWA.

**Special Instructions:**

Direct the Clerk of the Board to email the minute order of these actions to [clopez@cosbpw.net](mailto:clopez@cosbpw.net).

**Attachments:**

- Attachment A - CCWA Request for Amendment 20
- Attachment B - Copy of SWP Contract Amendment No. 20 (FINAL)
- Attachment C - Draft First Amendment to the Transfer of Financial Responsibility Agreement
- Attachment D - CCWA Request for Amendment No. 21
- Attachment E - Copy of SWP Contract Amendment No. 21 (FINAL)
- Attachment F - EIR for SWP Amendment No. 20
- Attachment G - EIR for SWP Amendment No. 21

State Water Project Contract Amendments

Agenda Date: January 26, 2021

Page 6 of 6

**Authored by:**

Matt Young, Water Agency Manager, (805) 568-3546

cc: Jeff Frapwell, Assistant CEO

## **Attachment 5**



January 29, 2021

Eric Friedman  
Chairman

Ed Andrisek  
Vice Chairman

Ray A. Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

Honorable Bob Nelson, Chair and  
Members of the Board of Supervisors  
County of Santa Barbara  
105 East Anapamu Street  
Santa Barbara, CA 93101

Re: February 2, 2021 Agenda Item No. 3 (File No. 21-00088): Santa Barbara Flood Control and Water Conservation District's Proposed Conditions of Approval of Amendment No. 21 (the Water Management Amendment) to the State Water Contract

Dear Chair Nelson and Members of the Board of Supervisors:

By letter dated October 28, 2020, Ray Stokes, Executive Director of the Central Coast Water Authority (CCWA), requested that the Santa Barbara County Flood Control and Water Conservation District (District) execute Amendment No. 21 (the Water Management Amendment) to the State Water Contract on behalf of CCWA. This matter, together with your consideration of Amendment No. 20 (the Contract Extension Amendment), is on your February 2, 2021 agenda for your consideration. District staff's Agenda Letter for this matter recommends that the Board, acting in its capacity as the governing board of the District, approve and authorize the Public Works Director to "negotiate a revenue sharing and water sales agreement with CCWA as a contingency for approval of Amendment No. 21," and "to return to the Board with both the revenue sharing and water sales agreement and Amendment No. 21 for approval." To date, CCWA has not received any proposed "revenue sharing and water sales agreement."

At our January 28, 2021 meeting, the CCWA's Board of Directors considered the District staff's proposed condition and proposed revenue sharing concept, to the extent it is understood, and authorized me to send this letter.

As a preliminary matter, while CCWA appreciates your prompt consideration of Amendment No. 21, especially in light of the urgent timing of this matter,<sup>1</sup> CCWA requests that you continue your consideration of this matter until **March 2, 2021** to permit our respective staff sufficient time to discuss District staff's proposed conditions, and any other concerns the District may have. As detailed in my prior correspondence, this matter is of vital importance to CCWA's participants, the cities and water districts that provide retail water service within the County, and to the nearly 85 percent County residents who pay for the delivery of State Water Project water to supplement our local county supplies when needed. For this reason, CCWA supports a reasonable delay in

<sup>1</sup> Amendment No. 21 is anticipated to become effective on January 31, 2021. Thereafter, the District, on behalf of CCWA, will have 60 to execute the Amendment to ensure participation.

the Board's consideration of Amendment No. 21 to ensure that both parties have the opportunity to better understand, and if possible, address each other's concerns.

Further, in hopes of advancing those discussions and ultimately the District's execution of Amendment No. 21 without conditions, CCWA is also providing you its concerns with the District staff's recommended approach.

First, the District does not have authority to impose conditions on its execution of Amendment No. 21. At the time the Transfer of Financial Responsibility Agreement was executed, the State Water Contract had already been amended 14 times, and future additional amendments were fully anticipated. The District and CCWA expressly agreed that the District's financial obligations under the State Water Contract, as that contract had been amended, "and as it may be amended and supplemented from time to time" in the future, would be completely and fully assumed and satisfied by CCWA.<sup>2</sup> Accordingly, Amendment No. 21, which supplements the State Water Contract by creating new water management tools and enhanced flexibility to respond to changes in hydrology and increasing constraints on the operation of the State Water Project, among other things, is squarely within the scope of the Transfer of Financial Responsibility Agreement.

Second, to the extent CCWA understands the "revenue sharing" concept, CCWA objects to any fee on transfers permitted by the Water Management Amendment. Such a fee would be passed directly on to the CCWA participant that proposes the transfer, and in turn on to the participant's ratepayers, making the cost of State Water Project water even more expensive for the ratepayers and/or negating any potential financial benefits of the sale in the first place. For example, in a year in which a CCWA participant has determined that it has adequate supplies to meet its customers' needs, and that it can better manage the overall costs of its water supply portfolio by transferring a portion of its supply to a third party, the District's fee could make the proposed transfer infeasible, in which case the excess water supply would be wasted if CCWA and/or the participant does not have sufficient storage capacity. Moreover, it is unclear how such a fee could be levied on a proposed transfer legally, how it would be calculated without unfairly penalizing CCWA participants that endeavor to maximize the beneficial use of their water supplies, and for what lawful purpose it could be used. District staff's Agenda Letter suggests that some form of "reimbursement" of the District is required. However, prior to the transfer of all financial obligations of the State Water Contract to CCWA and its participants, the County's *property owners*, more than 85 percent of whom are also the ratepayers, invested in retaining the right to State Water; the District did not.

Lastly, failure to participate in Amendment No. 21 by March 31, 2021 could have immediate adverse impacts on CCWA's participants. Despite this week's rain, water year 2020-21 is anticipated to be a critically dry year, much like 2014 when some of CCWA's participants experienced severe water supply shortages. It is CCWA staff's belief that when the Water Management Amendment becomes effective on January 31, 2021, most State Water Contractors will prefer to negotiate one-way transfers (sales), as opposed to exchanges which require a return of a portion of the water exchanged and are limited in the amount of money the exchanging Contractor may receive. If the transfer provisions included in the Water Management Amendment are not available to

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<sup>2</sup> Transfer of Financial Responsibility Agreement, Recitals A and J.

CCWA, its participants may not be able to get access to supplemental water supplies when they need them.

On behalf of CCWA, thank you in advance for your consideration of this important matter. We look forward to working with the District to ensure the timely execution of Amendment No. 21 (the Water Management Amendment). If you have any questions or require any additional information, please let me know.

Respectfully,



*Eric Friedman, Chair of the Board of Directors*

cc: CCWA Board of Directors  
Ed Andrisek, Vice Chair, City of Buellton  
Farfalla Borah, Goleta Water District  
Jeff Clay, Santa Ynez River Water Conservation District, ID #1  
Shirley Johnson, Carpinteria Valley Water District  
Julian Ariston, City of Guadalupe  
Etta Waterfield, City of Santa Maria  
Floyd Wicks, Montecito Water District  
CCWA Operating Committee  
Mike Alvarado, La Cumbre Mutual Water Company  
Paeter Garcia, Santa Ynez River Water Conservation District, ID #1  
Rose Hess, City of Buellton  
Robert McDonald, Carpinteria Valley Water District  
John McInnes, Goleta Water District  
Pernell Rush, Vandenberg AFB 30 CES/CEOEO 1028  
Shad Springer, City of Santa Maria  
Shannon Sweeney, City of Guadalupe  
Cathy Taylor, City of Santa Barbara  
Nick Turner, Montecito Water District  
Matt van der Linden, City of Solvang  
Mona Miyasato, County Executive Officer, Santa Barbara County  
Matt Young, Water Agency Manager, Santa Barbara County FC&WCD  
Tom Fayram, Water Resources Deputy Director, Santa Barbara County Public Works Dept.  
Johannah Hartley, Deputy County Counsel, Santa Barbara County

## **Attachment 6**

**Ray Stokes**

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**From:** Fayram, Tom <Tfayram@cosbpw.net>  
**Sent:** Tuesday, February 9, 2021 10:21 AM  
**To:** Ray Stokes; 'Hastings, Stephanie'  
**Cc:** Ghizzoni, Michael; Hartley, Johannah; McGolpin, Scott; Frapwell, Jeff; Young, Matthew  
**Subject:** SWP Amendments Call Thursday Feb 11

Hello Ray and Stephanie -

As we discussed, the terms below are what staff collectively believes has a chance for approval at the Board. We believe it is best to move forward with those elements that we all can agree upon. While not the entire approval CCWA seeks, the elements we can agree upon here stand to benefit CCWA and its members financially.

Proposed terms are;

1. To recommend approval of Amendment 20, that CCWA agrees to execute the first amendment to the TFRA, with the provision added that makes CCWA responsible for imposing taxes for a default **IF STATE LAW ALLOWS.**
2. To recommend approval of Amendment 21, provided that CCWA agrees to the provision that;
  - a. Requests to purchase water for importing would be needed to address shortages.
  - b. Requests to sell water out of County would not be considered / approved and in County transfers be sought instead.

If CCWA agrees to these, we can seek Board approval on March 2nd. If not then the matter may not return to the Board on March 2nd. We will discuss this more at our call on Thursday.

Also, as we discussed, if CCWA has an alternative proposal that might meet County Board approval, please provide that in advance of the meeting as well.

Thank you.

Thomas D. Fayram  
Deputy Public Works Director  
County of Santa Barbara Public Works  
805-568-3436

## **Attachment 7**

# County of Santa Barbara

**Mona Miyasato**  
County Executive Officer

105 East Anapamu Street  
Room 406  
Santa Barbara, California 93101  
805-568-3400 • Fax 805-568-3414  
www.countyofsb.org



## Executive Office

Assistant County Executive Officers  
**Nancy Anderson**  
**Jeff Frapwell**  
**Terri Nisich**

February 17, 2021

Mr. Stokes, Executive Director  
Central Coast Water Authority  
255 Industrial Way  
Buellton, CA 93427

**RE: State Water Project Amendments 20 and 21**

Dear Mr. Stokes:

Thank you and Ms. Hastings for taking the time to meet with the Santa Barbara County Flood Control and Water Conservation District (District) staff to discuss State Water Project (SWP) Amendments 20 and 21. Following these discussion District staff is prepared to recommend to the District's Board on March 2<sup>nd</sup> the following:

- Approval of Amendment 20 contingent on the Central Coast Water Authority (CCWA)'s Board of Director's authorizing Ray Stokes to execute the "Agreement Clarifying and Confirming the Term of the Transfer of Financial Responsibility Agreement"; and
- Denial of Amendment 21 at this time as Staff remains concerned with the impact of SWP water sales outside of the County on the District's overall water supplies and water availability.

Staff's recommendation on Amendment 21 allows for a continued dialog with CCWA on the Amendment to allow for additional terms on which SWP transfers and exchanges may be acceptable; however, it is District's staff understanding that based on the time constraints for approval of this amendment, CCWA staff would like the District's Board to take action on the amendment on March 2<sup>nd</sup>.

Staff is willing to meet again to discuss this letter or any additional staff proposals as we are committed to working together to ensure a viable future water supply for the County.

Sincerely,

DocuSigned by:  
  
6BC55F4FB8E3449...

Jeff Frapwell  
Assistant County Executive Officer

## **Attachment 8**



February 18, 2021

Honorable Bob Nelson, Chair and  
Members of the Board of Supervisors  
County of Santa Barbara  
105 East Anapamu Street  
Santa Barbara, CA 93101

Eric Friedman  
Chairman

Ed Andrisek  
Vice Chairman

Ray A. Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

Re: CCWA Requests for Approval of State Water Contract Amendment No. 20  
(The Contract Extension Amendment) and Amendment No. 21 (The Water  
Management Amendment)

Dear Chair Nelson and Members of the Board of Supervisors:

As you recall, on October 28, 2020 and November 3, 2020, respectively, the Central Coast Water Authority (CCWA) requested that the Santa Barbara County Board of Supervisors (Board), acting in its capacity as the governing board of the Santa Barbara County Flood Control and Water Conservation District (District), execute Amendment Nos. 20 (The Contract Extension Amendment) and 21 (The Water Management Amendment) to the State Water Contract on behalf of CCWA. On February 2, 2021, your Board considered CCWA's requests and agreed to continue the matter until March 2, 2021. This correspondence renews CCWA's request to authorize the District to execute both Amendment Nos. 20 and 21 on behalf of CCWA, and also transmits to you the attached letter and resolution, both of which were approved by CCWA at its meeting yesterday, February 17, 2021.

**Background:**

In response to CCWA's above-referenced requests in late 2020, the District – both District staff in its Agenda Letter relating to this matter, published January 21, 2021, and in subsequent correspondence from District staff to me, and your Board at your February 2, 2021 meeting – has raised certain concerns relating to Amendment Nos. 20 and 21. CCWA staff met and conferred with the District's staff on two occasions in an effort to address the District's concerns.

**Amendment No. 20: The Contract Extension Amendment**

Yesterday, CCWA's Board authorized me to send the attached letter agreement confirming that CCWA agrees that the term of the 1991 Transfer of Financial Responsibility Agreement is the same as the term of the State Water Contract, as amended by Amendment No. 20. With this confirmation, I understand from Mr. Jeff Frapwell, Assistant County Executive Officer, that District staff supports execution of Amendment No. 20.<sup>1</sup>

I appreciate District's staff's support of Amendment No. 20 and urge your Board to authorize the District to execute the amendment on March 2, 2017. As I have shared with you in the past, Amendment No. 20 provides numerous and significant financial benefits to CCWA and its participants, none of which will be available without its

<sup>1</sup> February 17, 2021 Letter from J. Frapwell to R. Stokes re. Amendment Nos. 20 and 21.

execution.<sup>2</sup> Therefore, I urge the Board to authorize the District to execute Amendment No. 20 (The Contract Extension Amendment) on March 2, 2021.

### **Amendment No. 21: The Water Management Amendment**

Also yesterday, CCWA's Board adopted Resolution 2021-01, a copy of which is attached for your reference. Resolution 2021-01, which becomes effective upon the effective date of Amendment No. 21 and the Department of Water Resources' and the District's execution of the amendment, provides that CCWA shall require that any proposed transfer outside of the County of Santa Barbara, as may be permitted by the State Water Contract, as amended by Amendment No. 21, shall be subject to a right of first refusal of all of CCWA's participants, on a pro rata basis, on the same terms and conditions as may be offered by a potential out-of-county transferee. Resolution 2021-01 ensures that the water supply needs of all of CCWA's participants are considered before a transfer of any participant's State Water Project (SWP) supply is transferred out of the county, *while at the same time* respecting the rights of each of CCWA's participants to independently manage their respective water supply portfolios, inclusive of their SWP supply, in the manner that each participant has determined is in the best interest of their agency and its customers.

Notwithstanding Resolution 2021-01, I understand that District staff intends to recommend that your Board deny authorization to execute Amendment No. 21.<sup>3</sup> I strongly encourage your Board to reject District's staff's recommendation and to authorize the District to execute Amendment No. 21.

Amendment No. 21 is the product of years of collaborative negotiations among DWR, CCWA and all of the other public water agencies which contract with DWR for the delivery of SWP water (Agencies) to manage water supplies in a changing environment, to enhance flexibility and reliability of SWP water, and to maintain and diversify each Agency's water supply portfolio. Working together, these agencies have developed a program of transfers and exchanges of SWP water supplies that provides greater flexibility to manage SWP water without changing the way the SWP operates, includes mechanisms to ensure greater transparency in water transfers and exchanges, and avoids significant adverse impacts on other Agencies and within an Agency's service area. To date, 26 Agencies have approved Amendment No. 21 and it is expected to become effective at the end of this month.

The District's denial of Amendment No. 21 will not only deprive CCWA and its participants of all of these benefits, but failure to participate in Amendment No. 21 could also have immediate and adverse impacts on CCWA's participants.<sup>4</sup> For example, in the event of a critically dry year, like 2014 when some of CCWA's participants experienced severe water supply shortages, without Amendment No. 21, CCWA participants may not be able to secure supplemental water supplies through exchanges. Likewise, in wet years, one or more CCWA participants may lose SWP water in storage that otherwise could have been transferred to a willing buyer. And

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<sup>2</sup> Contrary to comments made by others, extension of the State Water Contract by other potentially available means does not provide these benefits.

<sup>3</sup> February 17, 2021 Letter from J. Frapwell to R. Stokes re. Amendment Nos. 20 and 21.

<sup>4</sup> The District, as the contracting party to the State Water Contract, will have 60 days from the effective date to execute Amendment No. 21.

finally, one or more of the important, but costly local water supply development projects that one or more of CCWA's participants may elect to pursue in the future, including but not limited to desalination and potable re-use, may not be feasible without the ability to flexibly manage that participant's SWP supplies using the transfer and exchange opportunities provided by Amendment No. 21. As a result, I urge the Board to authorize the District to execute Amendment No. 21 (The Water Management Amendment) on March 2, 2021.

On behalf of CCWA, thank you in advance for your consideration of these important matters. If you have any questions or require any additional information, please let me know.

Respectfully,



Ray A. Stokes  
Executive Director

**Attachments:**

Letter from Ray Stokes to Tom Fayram, dated February 17, 2021  
CCWA Resolution No. 2021-01, adopted February 17, 2021

cc: CCWA Board of Directors  
Eric Friedman, Chair, City of Santa Barbara  
Ed Andrisek, Vice Chair, City of Buellton  
Farfalla Borah, Goleta Water District  
Jeff Clay, Santa Ynez River Water Conservation District, ID #1  
Shirley Johnson, Carpinteria Valley Water District  
Julian Ariston, City of Guadalupe  
Etta Waterfield, City of Santa Maria  
Floyd Wicks, Montecito Water District  
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Mike Alvarado, La Cumbre Mutual Water Company  
Paeter Garcia, Santa Ynez River Water Conservation District, ID #1  
Rose Hess, City of Buellton  
Robert McDonald, Carpinteria Valley Water District  
John McInnes, Goleta Water District  
Pernell Rush, Vandenberg AFB 30 CES/CEOEO 1028  
Shad Springer, City of Santa Maria  
Shannon Sweeney, City of Guadalupe  
Cathy Taylor, City of Santa Barbara  
Nick Turner, Montecito Water District  
Matt van der Linden, City of Solvang  
Mona Miyasato, County Executive Officer, Santa Barbara County  
Jeff Frapwell, Assistant County Executive Officer, Santa Barbara County  
Matt Young, Water Agency Manager, Santa Barbara County FC&WCD  
Tom Fayram, Water Resources Deputy Director, Santa Barbara County Public Works Dept.  
Michael Ghizzoni, County Counsel, Santa Barbara County  
Johannah Hartley, Deputy County Counsel, Santa Barbara County

## **Attachment 9**



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Flood Control  
**Department No.:** 054  
**For Agenda Of:** March 2, 2021  
**Placement:** Departmental  
**Estimated Time:** 45 minutes on  
March 2, 2021  
**Continued Item:** Yes  
**If Yes, date from:** February 2, 2021  
**Vote Required:** Majority

---

**TO:** Board of Directors, Flood Control and Water Conservation District

**FROM:** Department Scott D. McGolpin, Public Works Director, 805-568-3010  
Director(s)  
Contact Info: Thomas D. Fayram, Deputy Public Works Director, 805-568-3436

**SUBJECT:** State Water Project Contract Amendments

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: County Executive Office

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Directors:

Consider the request of the Central Coast Water Authority (CCWA) to approve two Water Supply Contract Amendments as follows:

- a) Consider the request of the Central Coast Water Authority (CCWA) to approve Amendment 20 (Contact Extension Amendment) to the State Water Project (SWP) Contract as follows;
  - i. Approve and authorize the Public Works Director or his designee to execute Amendment 20 (Contract Extension) to the SWP Contract contingent upon CCWA's acknowledgement by an action of its Board that the Transfer of Financial Responsibility Agreement (TFRA) remains in full force; and
  - ii. Approve and authorize the Public Works Director or designee to sign the Agreement Confirming the Term of the Transfer of Financial Responsibility Agreement; and
  - iii. Certify that the Board, acting as a Responsible Agency, has reviewed and considered the information and environmental effects contained in the Final Environmental Impact Report (FEIR) for Amendment 20 to the SWP Contract, and that the California Department of Water Resources (DWR) as Lead Agency found no significant impacts and is the custodian of the records located at <https://ceqanet.opr.ca.gov/2014092036/2>;

- b) Consider the request of the CCWA to approve Amendment 21 (Water Management Amendment);
- i. Reject Amendment 21 at this time because CCWA has not addressed the concerns of out of District transfers and the impacts on water supply for sales of water out of the County; and
  - ii. Direct staff to continue to work with CCWA staff and return to your Board at a future date if mutually agreeable terms can be reached related to Amendment 21.
- c) Determine that the proposed actions are not a project under the California Environmental Quality Act, pursuant to Guidelines Section 15378(b)(5), organization or administrative activities that will not result in a direct or indirect physical change in the environment.

**Summary Text:**

This item is on the agenda to consider Amendment Nos. 20 and 21 to the State Water Project Agreement. On February 2, 2021, your Board continued this item to the March 2, 2021 Board Agenda to allow CCWA and District staff the ability to meet to find elements of the proposed amendments that could be mutually agreeable to each Board.

The respective staff met on two occasions, had multiple additional dialog on the issues, and CCWA's Board held a special meeting on February 17<sup>th</sup> to discuss the concerns raised at the prior Board hearing. In regards to Amendment 20 (Contract Extension), CCWA, District staff, and Counsel agreed to recommend the Agreement Confirming the Term of the Transfer of Financial Responsibility Agreement proposed by CCWA to clarify that the term of the TFRA extends to match the term of the SWP Contract, as amended and extended by executing Amendment 20. Approval of Amendment 20 will allow CCWA's members to enjoy financial benefits, as detailed in CCWA's presentation on February 2, 2021, and will assist with assuring a long term water supply source for the County and its residents.

In regards to Amendment 21 (Water Management), CCWA initially represented that their position was to only accept full approval of Amendment 21 without conditions. However on February 17, 2021, CCWA's Board adopted a resolution establishing a first right of refusal to local water purveyors under the same terms and conditions for any water sale outside the County. Although this resolution appears to address some of the concerns raised on February 2<sup>nd</sup>, as out of County water sales would be allowed without any other conditions, and with the uncertainty these sales would impose on total County water supplies, and without time to further discuss this with CCWA, staff is recommending the Board not approve Amendment 21 at this time. Instead, staff is recommending that the Board direct staff to continue a dialog with CCWA to address concerns of transferring water outside the County. Staff will seek further discussions with CCWA and will return to your Board in the future should there be an agreement to present to your Board.

**Background:**

The District entered into a contract with DWR in 1963 to receive an allocation of up to 57,700 acre-feet per year (AFY) of water from the State Water Project. The District then began making annual payments to DWR for its share of the capital costs of the project.

The SWP is an important element of the County's overall water supplies and deliveries of SWP water helps offset use/overuse of groundwater and compliments other local supplies. Delivery of high quality

water (low in Total Dissolved Solids) provides additional benefits to water purveyors as well. As other existing supplies, such as surface reservoirs, are now and will continue to deliver far less water than originally developed. For example, the Cachuma Project now has shown its inability to provide its original planned allocations through a drought period.

In the early 1980s, after an unsuccessful bond election to pay for local facilities, several water purveyors opted to assume responsibility for payment for 45,486 AFY of the District's allocation through a series of Water Supply Retention Agreements (WSRAs). Up until approximately 1986 the District made all payments to DWR for the capital costs of the SWP.

In 1991, CCWA was formed by various water purveyors to manage the delivery of State Water to Santa Barbara County. Under the management of CCWA, the Coastal Branch connection to the SWP was studied, as required by CEQA, and completed in 1995 with a design capacity of 39,078 AFY. Since then, CCWA has operated the Coastal Branch and distributed water to its member water purveyors. In addition, with the execution of the Transfer of Financial Responsibility Agreement (TFRA) with the District, CCWA has been responsible for fiscal matters relating to State Water, including all the payments to DWR and protecting the District in the event that one or more of its member units fail to meet its financial obligations. To date neither CCWA nor the District have ever defaulted on SWP payments.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

Narrative:

Management of the water supply agreements are ongoing programs and staff time is included every year in the budget in the Water Resources Division of the Public Works Department. However, pursuant to the TFRA costs relating to management of the SWP are reimbursed by CCWA.

**Special Instructions:**

Direct the Clerk of the Board to email the minute order of these actions to [clopez@cosbpw.net](mailto:clopez@cosbpw.net).

**Authored by:**

Thomas D. Fayram, Deputy Public Works Director, (805) 568-3436

cc: Jeff Frapwell, Assistant CEO

## **Attachment 10**

**Ray Stokes**

---

**From:** Ray Stokes  
**Sent:** Monday, March 15, 2021 10:44 AM  
**To:** 'Fayram, Tom'; Frapwell, Jeff; Young, Matthew; McGolpin, Scott  
**Cc:** Hartley, Johannah; Ray Stokes  
**Subject:** RE: Summary of Phone Call on March 5, 2021

Hi Tom:

Thanks for your email in response to my March 8, 2021 email summarizing the major points we discussed on our phone call on Friday, March 5, 2021 regarding the conditions the SBCFCWCD (District) is requesting from CCWA in order for the District Board to execute Amendment No 21, the "Water Management Amendment."

My email and your follow-up response identify the high-level concepts we discussed, but lack any specific details for the CCWA Board of Directors to consider. In order for the CCWA Board to fully understand the specifics of conditions the District Board seeks to impose in exchange for execution of the Amendment, we need to have a fully detailed written agreement for consideration by the CCWA Board. District staff and Board have proposed numerous conditions over the past two months and we do not know which of those conditions the District is still proposing, whether there are additional conditions, or any of the details. Consequently, as several members of CCWA's Operations Committee stated during last week's meeting, it's very important that we have a written agreement for consideration by the CCWA Board that fully encompasses ALL the conditions the District Board is seeking.

As you're aware, the 60-day time period to execute the Water Management Amendment expires on April 29, 2021, and so it's vitally important we receive your proposed written agreement as soon as possible.

Thank you.

Ray A Stokes  
 Executive Director  
 Central Coast Water Authority  
 255 Industrial Way  
 Buellton, CA 93427  
 Cell: 805-698-5923

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**From:** Fayram, Tom [mailto:Tfayram@cosbpw.net]  
**Sent:** Friday, March 12, 2021 1:43 PM  
**To:** Ray Stokes <RAS@ccwa.com>; Frapwell, Jeff <jFrapwell@countyofsb.org>; Young, Matthew <mcyoung@cosbpw.net>; McGolpin, Scott <Mcgolpin@cosbpw.net>  
**Cc:** Hartley, Johannah <jhartley@co.santa-barbara.ca.us>  
**Subject:** RE: Summary of Phone Call on March 5, 2021

Hello Ray,

Thank you for your email below. In consultation with the District team, we believe your email captures the high level concepts. Each point may have more substantive details and definitions, which we will need to address. Perhaps amongst others; - defining the local water source (we agree the SB Desal plant has a case to be counted); - Setting a price point on the sale to local partners (no profit); - defining water for development; - and also linking the sale outside

county to both the local offering AND the criteria of link any sale outside the County (after first offering in County) to a local project offset.

You asked about any more conditions, and while we recognize the email you sent captures the items discussed, we also recognize things can evolve and change. We also heard that there may be some new issues that came up at the Operations Committee meeting that may have to be worked out as well (like water banking, etc).

We will look forward to hearing from you to start working with you to better define these principles.

Thank you.

Thomas D. Fayram  
Deputy Public Works Director  
County of Santa Barbara  
805-568-3436  
[www.countyofsb.org/pwd](http://www.countyofsb.org/pwd)

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**From:** Ray Stokes <[RAS@ccwa.com](mailto:RAS@ccwa.com)>  
**Sent:** Monday, March 8, 2021 3:36 PM  
**To:** Fayram, Tom <[Tfayram@cosbpw.net](mailto:Tfayram@cosbpw.net)>; Frapwell, Jeff <[jFrapwell@countyofsb.org](mailto:jFrapwell@countyofsb.org)>; Young, Matthew <[mcyoung@cosbpw.net](mailto:mcyoung@cosbpw.net)>; McGolpin, Scott <[Mcgolpin@cosbpw.net](mailto:Mcgolpin@cosbpw.net)>  
**Cc:** Ray Stokes <[RAS@ccwa.com](mailto:RAS@ccwa.com)>  
**Subject:** Summary of Phone Call on March 5, 2021

**Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.**

Hi All:

Thanks for the call last Friday to discuss the SWP Contract Water Management Amendment.

Here's my summary of our discussion:

Overall SB County Board Concerns:

1. There is a valid need for CCWA to be able to purchase water in the future and exchanges will not meet that need.
2. Open to a sale of State water if there is a corresponding amount of water that has been developed locally. In other words, no net water going out of SB County.
3. CCWA Right of First Refusal: Sellers should not make a profit on sales to other CCWA project participants.
4. Joan Hartman concern: she is concerned about the destination of the water sold; doesn't want water used for new development.

District's proposed conditions on approval of Amendment #21:

Prior to SB County BOS approval, District and CCWA enter into an agreement that provides:

1. Purchases: all purchases allowed
2. Exchanges: water for like amount of water only – i.e., no net loss of water

3. Sales: sales out of county only if participant has already developed an equivalent amount locally. In other words, the local water supply source (e.g., potable reuse) has to already be producing water for a sale of state water to be allowed out of the county

Any other terms/conditions?

Please let me know if I have characterized anything incorrectly. I intend to take these concerns and proposal to my Board at its meeting on March 25, 2021.

Ray A Stokes  
Executive Director  
Central Coast Water Authority  
255 Industrial Way  
Buellton, CA 93427  
Cell: 805-698-5923



## CENTRAL COAST WATER AUTHORITY

### MEMORANDUM

March 16, 2021

**TO:** CCWA Board of Directors

**FROM:** Lisa M. Long  
Controller 

**SUBJECT:** CCWA FY 2021/22 Preliminary Budget

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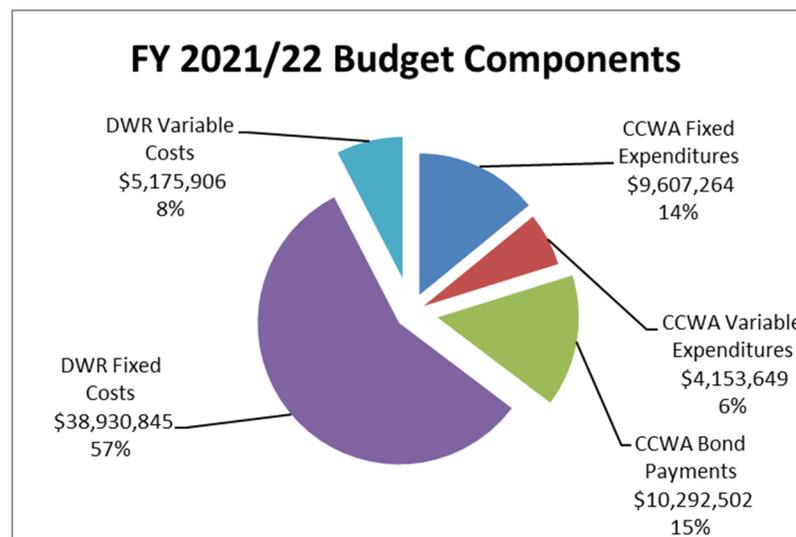
#### SUMMARY

The Preliminary FY 2021/22 Budget document has been posted for review at the CCWA website [www.ccwa.com](http://www.ccwa.com) under the Major Reports tab. This memorandum provides an overview of the preliminary budget and highlights significant changes between it and the Final FY 2020/21 Budget. Staff will provide an overview of the Preliminary FY 2021/22 Budget at the March 11, 2021 Operating Committee meeting, and will be providing an overview at the March 25, 2021 CCWA Board Meeting.

#### DISCUSSION

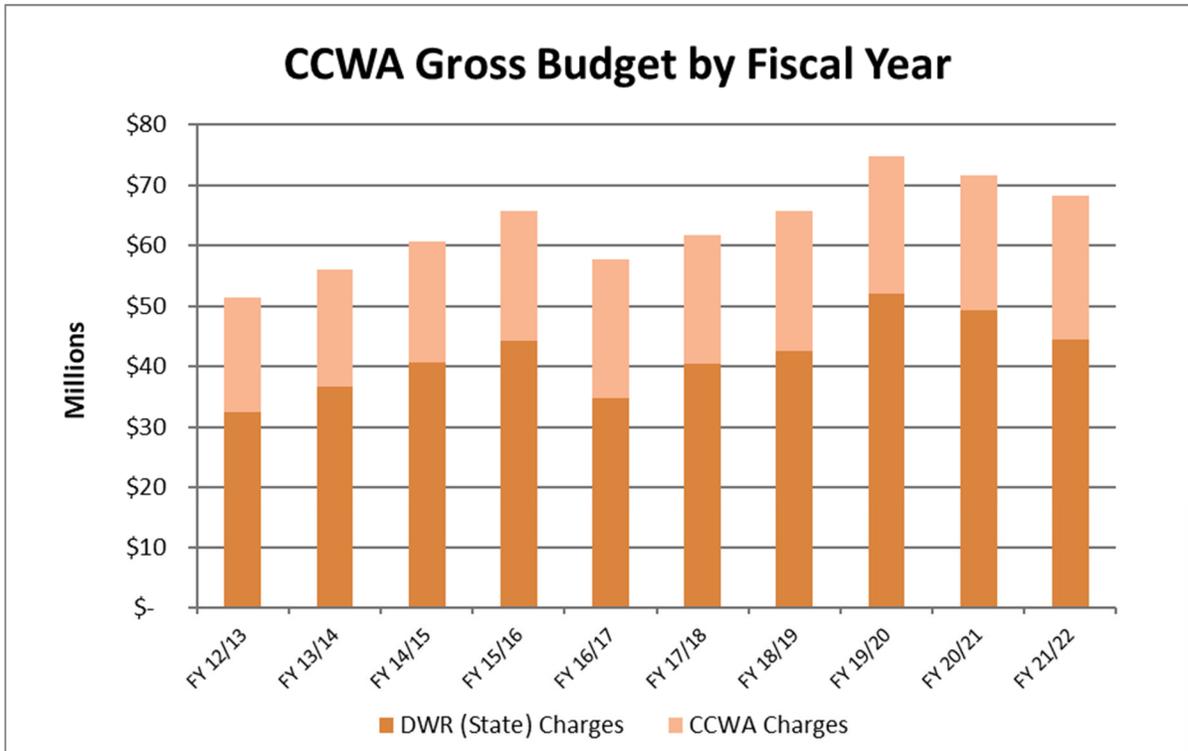
The FY 2021/22 Preliminary Budget calls for total project participant payments of \$68.02 million compared to the FY 2020/21 budget of \$71.09 million, a \$3.07 million decrease.

The following graph shows the various components of the FY 2021/22 Preliminary Budget and subsequent table compares the Preliminary FY 2021/22 Budget and the Final FY 2020/21 Budget:



Budget Item	Final FY 2020/21 Budget	Preliminary FY 2021/2022 Budget	Increase (Decrease)
<b>CCWA Expenses</b>			
CCWA Operating Expenses - Fixed	\$ 7,467,814	\$ 7,850,320	\$ 382,506
CCWA Operating Expenses - Variable	2,618,077	4,153,649	1,535,573
Revenue Bond Debt Service Payments	10,274,767	10,292,502	17,735
Capital/Non-Capital Projects	1,956,528	1,322,060	(634,468)
Total CCWA Expenses:	22,317,186	23,618,531	1,301,345
<b>Pass-Through Expenses</b>			
DWR Fixed Costs	43,237,081	38,930,845	(4,306,236)
DWR Variable Costs	5,449,707	5,175,906	(273,800)
Warren Act and Trust Fund Payments	538,969	434,884	(104,085)
Total Pass-Through Expenses:	49,225,756	44,541,636	(4,684,121)
Subtotal Gross Budget:	71,542,943	68,160,167	(3,382,776)
CCWA (Credits) Due	(452,559)	(142,214)	310,345
TOTAL:	\$ 71,090,383	\$ 68,017,953	\$ (3,072,431)

The following graph shows the CCWA and DWR gross budget (without CCWA credits) for the past ten years.



## CCWA Operating Expense Budget

The Preliminary FY 2021/22 CCWA operating expense budget totals \$12,003,969 which is \$1,918,078 more than the FY 2020/21 operating expense budget, or a 19.02% increase.

The following table shows the allocation between the fixed and variable CCWA O&M expenses for FY 2021/22 and FY 2020/21.

	<b>Final FY 2020/21 Budget</b>	<b>Preliminary FY 2021/2022 Budget</b>	<b>Increase</b>	<b>Percentage Change</b>
Fixed O&M	\$ 7,467,814	\$ 7,850,320	\$ 382,506	5.12%
Variable O&M	2,618,077	4,153,649	1,535,573	58.65%
Total:	<u>\$10,085,891</u>	<u>\$12,003,969</u>	<u>\$ 1,918,078</u>	<u>19.02%</u>

The following is a list of the major highlights of the operating expense budget. Additional highlights and detailed explanations are available in the departmental sections of the preliminary budget.

### Water Deliveries

Total requested water deliveries for FY 2021/22 are 31,007 acre feet compared to the FY 2020/21 requested deliveries of 33,626 acre feet, a decrease of 2,619 acre-feet.

### Personnel Expenses

Personnel expenses are increasing by about \$98,953 which includes the following changes from the prior year:

- The FY 2020/21 total salaries and wages budget for all departments is increasing \$82,685 as compared to the prior fiscal year budget, representing an increase of 2.58%.
- CalPERS retirement expenses are increasing by approximately \$8,097. The combined CCWA paid employer, employee and unfunded actuarial liability contribution rates for the FY 2021/22 total 30.20% as compared to the prior year amount of 27.823%, for a combined increase of 2.377%.
- Health insurance, dental/vision plan expenses and cafeteria plan benefits combined are increasing by about \$26,851 due to; 1) The 2021 CalPERS health insurance plan with the lowest premiums increased by 5.62% over the 2020 premiums, as opposed to the increase of 5% budgeted for the calendar year 2021. The 2021 health allowances have remained at same levels used in 2020; 2) The FY 2021/22 Budget also includes an estimated 5% increase in the health insurance premiums effective January 1, 2022. The health plan estimates are based on the elections of each employee at the time the budget is prepared.

- Workers' Compensation costs are decreasing by \$19,135 due to an 11% reduction in the Experience modification rate for CCWA.
- The FY 2021/22 Budget includes a \$149,952 deposit into the Retiree Benefit Trust Program, a decrease of \$6,851 for FY 2021/22 over the FY 2020/21 budget amount of \$156,803. This decrease is based on actuarial assumptions for the required minimum contribution under PEMHCA and the additional vested portion of retiree only premiums for employees who are 62 years of age or older and retire from CCWA having completed at least 10 years of CCWA service.

#### Supplies and Equipment

Supplies and equipment are decreasing by \$470,400 based primarily on the reduced cost of chemicals needed. Estimates are based on historical data and the costs of treatment are directly related to changes in water quality.

#### Monitoring Expenses

Monitoring expenses are only increasing by \$11,193 due to a for additional lab supplies and equipment as identified by the Senior Chemist.

#### Repairs and Maintenance

Repairs and maintenance costs are decreasing nominally, by about \$950 due to reduced HVAC-related costs.

#### Professional Services

Professional Services are increasing by \$191,062 due primarily to an increase of \$25,000 budgeted for Santa Barbara County staff time regarding State water issues, and an increase of about \$150,000 for legal services.

#### General and Administrative

General and Administrative costs are decreasing by about \$15,250 due to decreased meetings and travel costs.

#### Utilities

Utility expenses are increasing by about \$2,033,777 largely due to PG&E rate increases and demand charges.

### Other Expenses

Other expenses are increasing by about \$69,193 due to increased insurance costs and computer expenses.

Approximately 44% of the operating expense budget represents personnel expenses. This is followed by 27% for utilities, 11% for supplies and equipment, and 6% for professional services, with the balance being comprised of other expenses.

### **CCWA Capital Improvement & Non-Capital Projects**

The Preliminary FY 2021/22 Budget includes \$1,322,060 for capital and non-capital improvement projects, a \$634,468 decrease over the prior year amount. All capital improvement and non-capital projects are funded on a current basis from project participant assessments.

Please refer to the “*Projects*” section of the Preliminary FY 2021/22 Budget for additional information on the budgeted capital improvement projects.

### **Regional Water Treatment Plant Allocation and Santa Ynez Exchange Agreement Modifications**

The Preliminary FY 2021/22 fixed, capital and variable regional water treatment plant allocation expense and corresponding credit is \$1,377,658 or \$35.25/AF for all Project Participants. The Preliminary FY 2021/22 fixed, capital and variable Santa Ynez exchange agreement modifications total \$563,401, or \$215/AF. The capital retreatment allocation has been reduced to reflect the payment in full of the CCWA bonds on October 1, 2021.

Please refer to the Water Treatment Plant section of the Budget for additional information on the regional water treatment plant allocation and Santa Ynez exchange agreement modifications.

### **CCWA 2016A Revenue Bond Debt Service**

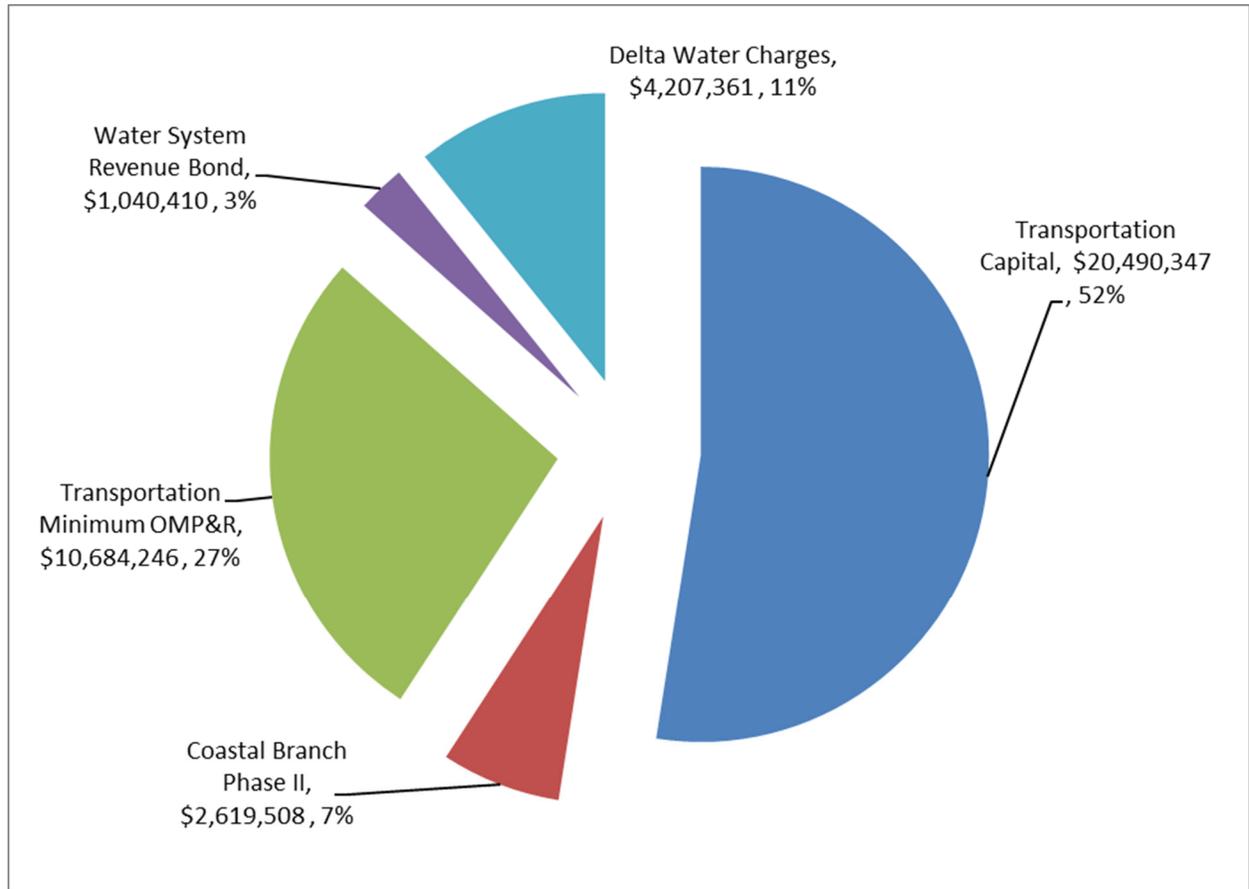
CCWA 2016A revenue bond debt service for FY 2021/22 totals \$10.29 million, which is \$17,735 higher than the prior year amount. The final principal and interest payment for the CCWA 2016A revenue bonds will be made on October 1, 2021.

## Warren Act and Trust Fund Payments

The Preliminary FY 2021/22 Budget includes \$434,884 for Warren Act and Trust Fund MOU payments based on \$58 per acre foot for 7,498 acre feet of water to be delivered to Cachuma Lake.

## DWR FIXED COSTS

The DWR fixed costs are comprised of the following cost components:



The FY 2021/22 DWR fixed charges total \$38,930,845 which is \$4,306,236 lower than the FY 2020/21 Budget. The reasons for the cost component variances are described later in this report.

## Transportation Capital

The Transportation Capital cost component covers the use of facilities to transport water to the vicinity of each State water contractor turnout. Generally, the charge represents each contractor's proportionate share of the reimbursable capital costs and fixed operating costs.

The FY 2021/22 Transportation capital charges are increasing by \$1,146,504 due to the following:

<b>Transportation Capital Budget-to-Budget Changes</b>			
	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>Change</b>
Calculated Component	\$ 23,132,541	\$ 23,455,581	\$ 323,040
Rate Management Credits	(2,515,069)	(2,515,020)	49
Prior Year amount due	108,233	356,134	247,901
Prior Year Overcollection Credit	(1,361,652)	(791,837)	569,815
Other Adjustments	(20,209)	(14,511)	5,698
<b>Total:</b>	<b>\$ 19,343,843</b>	<b>\$ 20,490,347</b>	<b>\$ 1,146,504</b>

### **Coastal Branch Extension-Transportation Capital Reach 37 and 38**

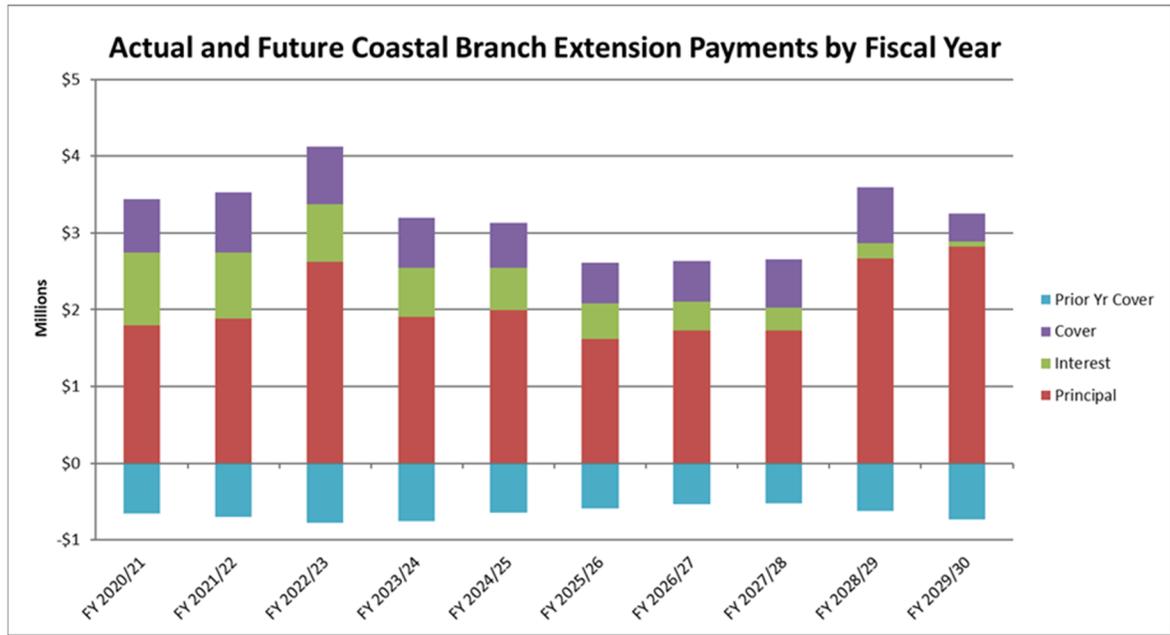
This represents the debt service for the Coastal Branch Extension bonds issued by DWR for the Coastal Branch Extension facilities in Santa Barbara County south of the Santa Maria River. CCWA is solely responsible for repayment of the debt service on these bonds to DWR. The charges are allocated according to DWR's actual construction costs for the project with 51.84% allocated to Reach 37 and 48.16% allocated to Reach 38.

Coastal Branch Extension debt service payments for FY 2021/22 total \$2,602,748, which is \$32,413 higher than the prior year amount due to the following:

<b>Coastal Branch Extension Debt Service</b>			
	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>Change</b>
Principal Payments	\$ 1,789,404	\$ 1,880,463	\$ 91,059
Interest Payments	954,146	863,375	(90,771)
Bond Cover	697,270	778,722	81,452
Rate Management Credits	(162,457)	(162,454)	3
Return of Prior Year Cover	(653,554)	(697,270)	(43,716)
Prior year amount due (credit)	(54,474)	(60,088)	(5,614)
<b>Total:</b>	<b>\$ 2,570,334</b>	<b>\$ 2,602,748</b>	<b>\$ 32,413</b>

### **Principal, Interest and Bond Cover Changes**

Over the years, DWR has refinanced some of the original bonds used to finance these facilities and the resulting debt service repayment fluctuates significantly between years as can be seen in the following graph.



In addition to the revenue bond principal and interest, DWR also collects bond cover or an additional 25% of revenue bond payments as an additional security for the bond holders. DWR holds one year of bond cover and then returns the prior year bond cover payments as credits.

**Transportation Minimum OMP&R**

Transportation Minimum OMP&R charges are the operations and maintenance costs incurred by DWR to operate the State Water Project that generally do not depend on or vary with the quantities of water delivered to CCWA.

For FY 2021/22, total Transportation Minimum OMP&R charges are \$10,684,247, which is \$5,415,100 less than the prior year amount due to the following:

<i>Transportation Minimum OMP&amp;R</i>			
	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>Change</b>
Calculated Component	\$ 14,376,734	\$ 11,410,855	\$ (2,965,879)
Prior Year (Over)/Under Collection	1,701,987	(726,608)	(2,428,595)
Prior Year Amount Due (Credit)	20,626	-	(20,626)
<b>Total:</b>	<b>\$ 16,099,347</b>	<b>\$ 10,684,247</b>	<b>\$ (5,415,100)</b>

DWR estimates the calendar year charges for each Contractor and then reconciles or “trues-up” the actual charges incurred in the following year(s) resulting in either an over or under-payment of charges.

### **Water System Revenue Bond Surcharge**

The Water System Revenue Bond Surcharge (WSRB) represents the difference between the capital payments to DWR from the Contractors and the actual revenue bond debt service payments paid by DWR. For FY 2021/22, the WSRB is \$187,379 lower than the prior year amount.

### **Delta Water Charge**

The Delta Water Charge is a unit charge applied to each acre-foot of State water Table A. The unit charge covers repayment of all outstanding reimbursable costs of the DWR Project Conservation Facilities with appropriate interest, by the end of the State water contract repayment period in 2035.

The FY 2021/22 Delta Water Charge totals \$4,207,361, which is \$144,923 higher than the prior year amount for the following reasons.

<i>Delta Water Charge</i>			
	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>Change</b>
Rate per acre-foot	\$ 91.60	\$ 95.55	\$ 3.95
Delta Water Charge	4,166,640	4,346,321	179,681
Rate Management Credits	(138,960)	(138,960)	-
Replacement Deposits	-	-	-
Prior year amount due (credit)	34,758	-	(34,758)
Total:	\$ 4,062,438	\$ 4,207,361	\$ 144,923

As the table above shows, the FY 2021/22 rate per acre-foot totals \$95.55, which is \$3.95/AF more than the prior year amount.

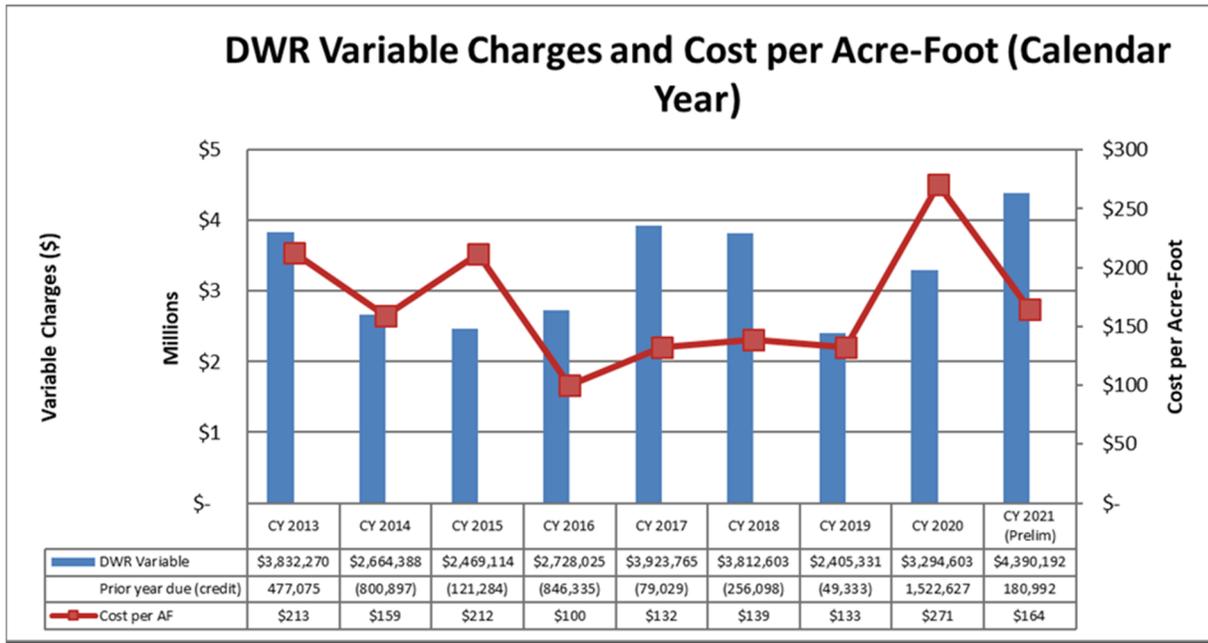
The FY 2021/22 rate includes an estimated \$20.00/AF increase for calendar year 2022 for potential other conservation and delta related facilities (\$10.00/AF on a fiscal year basis).

### **DWR VARIABLE COSTS**

The DWR variable charges are comprised of the following two cost components:

- Off-Aqueduct Charge
- Variable OMP&R

The following graph shows the nine-year history of the actual and estimated DWR variable costs and cost per acre-foot for each calendar year.



The DWR variable charges for FY 2021/22 total \$5,175,906 which is \$273,800 lower than the budgeted FY 2020/21 variable charges.

### **Variable OMP&R Charges**

Variable OMP&R costs basically represent power costs to pump the water and represent costs that are based on and vary with the amount of State water deliveries.

For 2021/22, the variable OMP&R charges total \$5,175,453, which is \$221,710 less than the prior year amount. The budget is based on estimated water deliveries of 27,907 acre-feet.

The cost per acre-foot for water deliveries in FY 2021/22 is estimated to be \$209.67/AF.

### **Variable Cost Per Acre-Foot Analysis**

The Preliminary FY 2021/22 variable cost per acre-foot for Table A water is \$266.08 for the North County project participants and \$652.66 for South Coast project participants.

The Preliminary Budget for FY 2021/22 reflects 2,626 AF in exchange deliveries between Santa Ynez ID#1 and the South Coast exchange participants. The large increase in the estimated cost per acre-foot for South Coast project participants is due to demand charges from PG&E, coupled with lower pumping demand. CCWA staff has been researching this and will be proposing a plan to mitigate these higher costs.

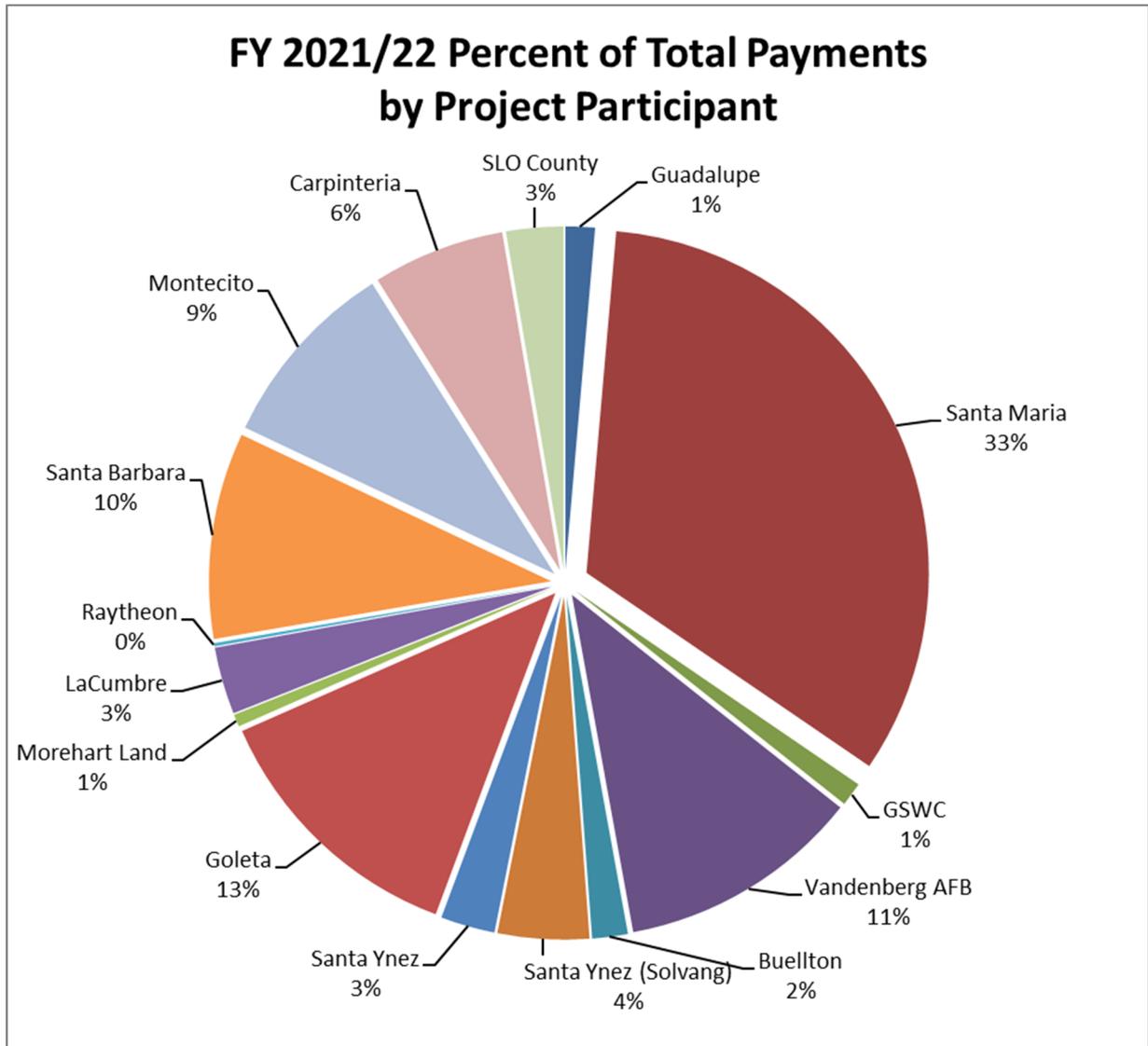
### **Total Payments Comparison by Project Participant**

The following table shows the total budgeted payments by project participant for FY 2020/21 and total payments shown on the FY 2021/22 Preliminary Budget and the corresponding increase or (decrease).

Project Participant	Total		Change FY 2020/21 to FY 2021/2022
	Payments FY 2020/21	Payments FY 2021/2022	
Guadalupe	\$ 1,024,987	\$ 942,412	\$ (82,576)
Santa Maria	24,482,141	22,543,108	(1,939,033)
Golden State Water Co.	814,912	760,732	(54,180)
Vandenberg AFB	8,416,174	7,808,033	(608,141)
Buellton	1,195,302	1,142,283	(53,019)
Santa Ynez (Solvang)	3,108,313	2,931,883	(176,430)
Santa Ynez	2,122,143	1,745,823	(376,320)
Goleta	8,657,304	8,653,843	(3,461)
Morehart Land	395,661	392,983	(2,678)
La Cumbre	2,147,637	2,154,533	6,896
Raytheon	103,192	100,517	(2,675)
Santa Barbara	6,499,446	6,608,425	108,979
Montecito	6,050,892	6,150,036	99,144
Carpinteria	4,195,681	4,243,850	48,170
Shandon	25,975	25,655	(320)
Chorro Valley	1,285,327	1,277,595	(7,732)
Lopez	565,296	532,741	(32,555)
<b>TOTAL:</b>	<b>\$ 71,090,383</b>	<b>\$ 68,014,453</b>	<b>\$ (3,075,931)</b>

## FY 2021/22 Total Payments by Percentage

The following chart shows the percentage of total payments for FY 2021/22 by project participant.



## Budget in Brief

Attached to this report is a "FY 2021/22 Preliminary Budget in Brief" which provides a snapshot of each major component of the proposed FY 2021/22 Preliminary Budget.

## Budget Items Not Included in the Preliminary Budget

The following is a partial list of the items that are not included in the preliminary budget but will be included in the final budget.

- Ten Year Financial Plan
- Budget transmittal letter
- Appendix to the budget

- Miscellaneous charts and graphs
- Significant Accomplishments, Goals and Performance Measures

If you have specific questions that can be addressed before the meeting, please call me at 805-688-2292, extension 223.

LML



# Central Coast Water Authority FY 2021/22 Proposed Final Budget in Brief

## FY 2021/22 BUDGET SUMMARY

	FY 2020/21	FY 2021/22	Increase
	Budget	Budget	(Decrease)
CCWA Operating Expenses	\$ 10,085,891	\$ 12,003,969	\$ 1,918,078
DWR Fixed and Variable Costs	48,686,788	44,106,752	(4,580,036)
Capital Improvement & Non Capital Projects	1,956,528	1,322,060	(634,468)
Warren Act Charges	538,969	434,884	(104,085)
Debt Service Payments	10,274,767	10,292,502	17,735
Subtotal	71,542,943	68,160,167	(3,382,776)
CCWA Credits	(452,559)	(142,214)	310,345
<b>TOTAL :</b>	<b>\$ 71,090,383</b>	<b>\$ 68,017,953</b>	<b>\$ (3,072,431)</b>

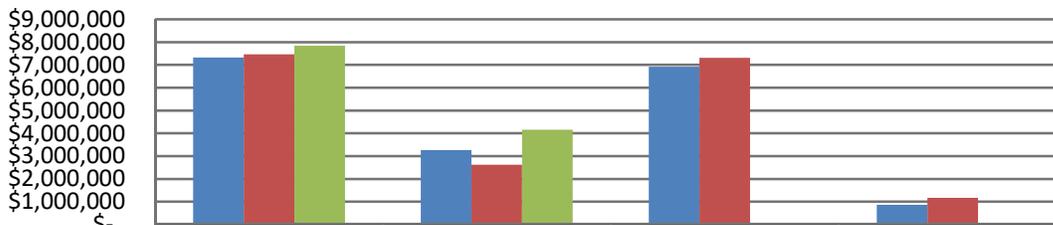
\$3.38 million decrease in the gross budget, excluding CCWA credits

## CCWA OPERATING EXPENSES

	FY 2020/21	FY 2021/22	Increase
	Budget	Budget	(Decrease)
Personnel	\$ 5,221,432	\$ 5,320,385	\$ 98,953
Office Expenses	21,300	21,300	-
Supplies & Equipment	1,845,711	1,375,311	(470,400)
Monitoring Expenses	106,215	117,408	11,193
Repairs & Maintenance	293,760	292,810	(950)
Professional Services	493,223	684,785	191,562
General & Administrative	322,412	307,162	(15,250)
Utilities	1,143,895	3,177,673	2,033,777
Other Expenses	637,942	707,135	69,193
<b>Total Operating Expense</b>	<b>\$ 10,085,891</b>	<b>\$ 12,003,969</b>	<b>\$ 1,918,078</b>

Total operating expense increase of \$1.9million inclusive of the following factors: \$98.9k increase in personnel; \$191k increase in professional services related to legal services for the SWP Contract Assignment and Reacquisition of Suspended Table A Water; G&A is lower by \$15k for decreased dues and travel; \$69k increase in other expenses due to anticipated increase in insurance costs and increased computer expenses; \$470k decrease in Supplies and Equipment related to reduced chemical costs, and \$2.0 million in increased Utilities due to increase in PG&E rates.

## Operating Expenses Fixed and Variable Expenses



	Fixed Budget	Variable Budget	Fixed Actual	Variable Actual
■ FY 2019/20	\$7,329,248	\$3,259,787	\$6,919,027	\$863,622
■ FY 2020/21	\$7,467,814	\$2,618,077	\$7,317,970	\$1,179,507
■ FY 2021/2022	\$7,850,320	\$4,153,649		

## DWR FIXED AND VARIABLE CHARGES

DWR Fixed cost decrease of \$4.3 million due to reduced Transportation Minimum costs of \$5.4 million and reduced Water System Revenue Bond costs, combined with an increase of \$1.1 million in Transportation Capital costs and a net \$132k increase in all other DWR Fixed charges

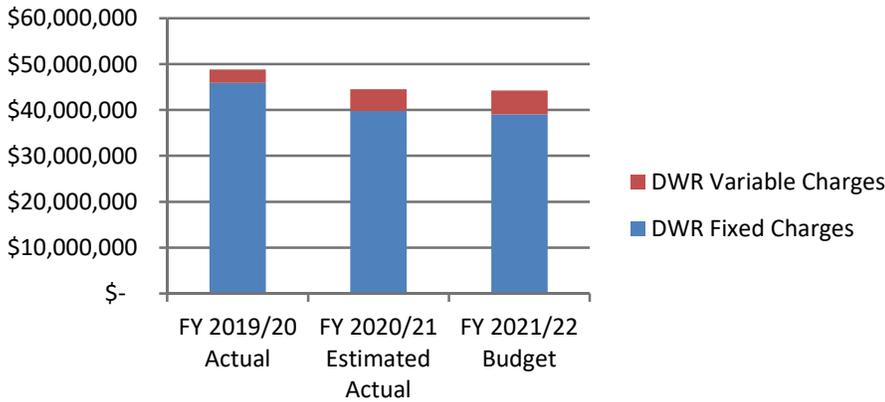
DWR Variable cost decrease of \$0.2 million over FY 2020/21 is largely due to an decrease in the estimated Variable OMP&R costs for calendar years 2021 and 2022.

Transportation Capital  
Coastal Branch Phase II  
Transportation Minimum OMP&R  
Water System Revenue Bond  
Delta Water Charge  
Subtotal Fixed DWR Charges

Off-Aqueduct Charges  
Variable OMP&R  
Subtotal Variable DWR Charges  
DWR Account Investment Income  
**Total DWR Charges**

	FY 2020/21	FY 2021/22	Increase
	Budget	Budget	(Decrease)
Transportation Capital	\$ 19,343,843	\$ 20,490,347	\$ 1,146,504
Coastal Branch Phase II	2,632,194	2,619,508	(12,686)
Transportation Minimum OMP&R	16,099,347	10,684,247	(5,415,100)
Water System Revenue Bond	1,227,790	1,040,410	(187,379)
Delta Water Charge	4,062,438	4,207,361	144,923
<b>Subtotal Fixed DWR Charges</b>	<b>43,365,611</b>	<b>39,041,872</b>	<b>(4,323,739)</b>
Off-Aqueduct Charges	70,544	18,454	(52,090)
Variable OMP&R	5,379,162	5,157,453	(221,710)
<b>Subtotal Variable DWR Charges</b>	<b>5,449,707</b>	<b>5,175,906</b>	<b>(273,800)</b>
DWR Account Investment Income	(128,530)	(111,027)	17,503
<b>Total DWR Charges</b>	<b>\$ 48,686,788</b>	<b>\$ 44,106,752</b>	<b>\$ (4,580,036)</b>

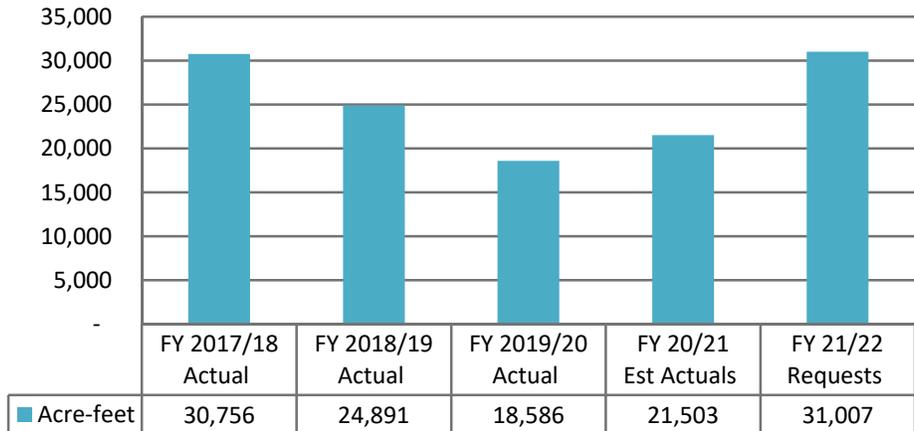
### DWR Fixed and Variable Charges



The significant fluctuations in DWR fixed costs year-to-year is due to the DWR Transportation Minimum OMP&R cost component and its calculation for annual over and under-collections. Historically, the Transportation Minimum cost component of DWR SOC has been the most volatile DWR charge. The volatility is partly based on DWR's SOC being based on estimates and then reconciling or preparing a "true-up" based on the actual costs incurred.

DWR Delivery Allocation Percentage	
Calendar Year	Percentage
2010	50%
2011	80%
2012	65%
2013	60%
2014	5%
2015	20%
2016	60%
2017	85%
2018	35%
2019	75%
2020	20%
2021 (initial)	10%

### Water Deliveries and Requests

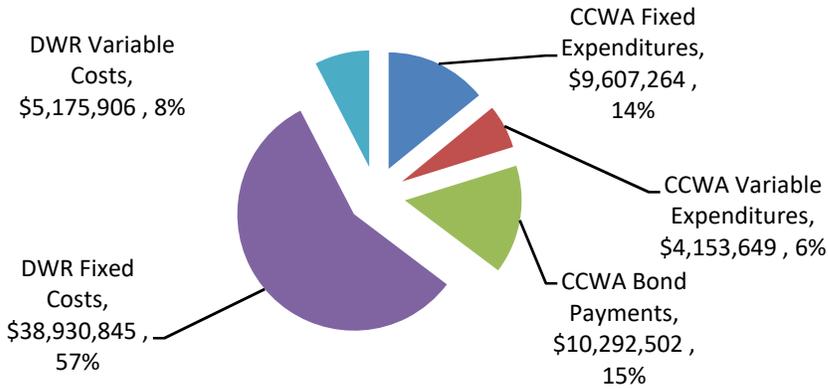


## OTHER EXPENDITURES

	FY 2020/21 Budget	FY 2021/22 Budget	Increase (Decrease)
Debt Service Payments	\$ 10,274,767	\$ 10,292,502	\$ 17,735
Capital Improvement & Non-Capital Projects	1,956,528	1,322,060	(634,468)
Warren Act Charges	538,969	434,884	(104,085)
<b>Total Other Expenditures</b>	<b>\$ 12,770,264</b>	<b>\$ 12,049,446</b>	<b>\$ (720,818)</b>

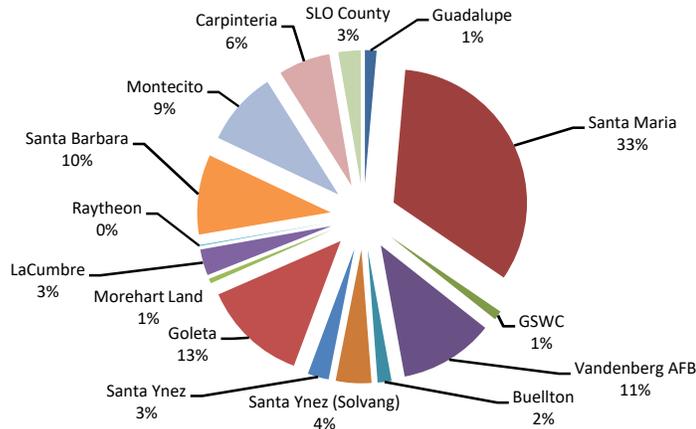
\$0.6 million decrease in Capital & Non-Capital Projects; \$17k increase in debt service payments; \$0.1 million decrease in Warren Act Charges.

### FY 2021/22 Budget Components



**80% of the CCWA Budget is outside of the direct control of CCWA.**  
DWR costs comprise 65% of the total CCWA Budget with another 15% representing the CCWA revenue bond debt service payments

### FY 2021/22 Percent of Total Payments by Project Participant



#### FY 2021/22 Variable Cost Per Acre-Foot

##### Table A Water

North Santa Barbara County	\$ 266.08
South Santa Barbara County	\$ 652.66

##### Santa Ynez Exchange Water

Santa Ynez ID#1	\$ 214.55
South Coast Exchange Participants	\$ 166.51

For more information, please contact the Central Coast Water Authority at (805) 688-2292 or visit our website at: [ccwa.com](http://ccwa.com)





**CENTRAL COAST WATER AUTHORITY**

**MEMORANDUM**

March 15, 2021

**TO:** CCWA Board of Directors

**FROM:** Lisa M Long  
Controller 

**SUBJECT:** FY 2019/20 Continuing Disclosure Annual Report for Ratification

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**SUMMARY**

The FY 2019/20 Continuing Disclosure Annual Report was submitted to the CCWA Revenue Bond Trustee prior to the due date of March 25, 2021, and is available online at [ccwa.com](http://ccwa.com). If you require a hard copy, please contact Lisa Watkins at [lfw@ccwa.com](mailto:lfw@ccwa.com). Hard copies have been included in the Board members' packets.

Please refer to the transmittal letter in the front of the document for the highlights of the report. Additionally, staff will present an overview of the report at the March 25, 2021 Board meeting and request ratification of the report.

**RECOMMENDATION**

That the CCWA Board of Directors ratify the CCWA FY 2019/20 Continuing Disclosure Annual Report.

LML

Enclosure

**Lisa F. Watkins**

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**From:** Norma Estrada <NEstrada@SantaBarbaraCA.gov>  
**Sent:** Monday, February 1, 2021 5:04 PM  
**To:** Lisa F. Watkins  
**Cc:** Sarah Gorman  
**Subject:** 2021 Council Liaison Appointment

Hello, Peter,

This email is to let you know that on January 12, 2021, Councilmembers Sneddon and Friedman were reappointed as the Council Liaison and Alternate for CCWA. Their contact information is [efriedman@santabarbaraca.gov](mailto:efriedman@santabarbaraca.gov); [ksneddon@santabarbaraca.gov](mailto:ksneddon@santabarbaraca.gov).

Should you have any questions or concerns, please do not hesitate to contact us at [Clerk@SantaBarbaraCA.gov](mailto:Clerk@SantaBarbaraCA.gov).

Thank you,



**Norma Welche**  
*Deputy City Clerk*  
CITY OF SANTA BARBARA, City Administrator's Office  
805-564-5309x4300 | [NEstrada@SantaBarbaraCA.gov](mailto:NEstrada@SantaBarbaraCA.gov)  
[SantaBarbaraCA.gov](http://SantaBarbaraCA.gov)