

**Lenzi, Chelsea**

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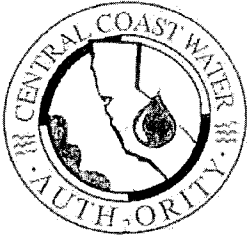
**From:** Lisa F. Watkins <lhw@ccwa.com>  
**Sent:** Friday, February 1, 2019 8:28 AM  
**To:** Lenzi, Chelsea  
**Cc:** Ray Stokes; Stephanie Hastings  
**Subject:** Item for the Board of Supervisors  
**Attachments:** 45807.pdf

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Chelsea, please find attached a letter relating to discussion of the Flood Control and Water Conservation District, Water Supply Contracts.

I am out of the office today, if you have any questions or difficulty with the attachment, please contact me on my cell at 805/680-6716. Thank you for your assistance.

**Lisa Watkins**  
Office Manager  
Central Coast Water Authority  
255 Industrial Way  
Buellton, CA 93427  
805.688.2292 x219  
lhw@ccwa.com



January 31, 2019

Honorable Steve Lavagnino, Chair and  
Members of the Board of Supervisors  
County of Santa Barbara  
101 E. Anapamu Street  
Santa Barbara, CA 93101

Re: Assignment of State Water Contract to Central Coast Water Authority

Dear Chair Lavagnino and Members of the Board of Supervisors:

I am writing in response to the memo of Bill Rosen, Director of Goleta Water District, dated January 17, 2019, opposing assignment of the State Water Contract from the Santa Barbara County Flood Control and Water Conservation District (County) to the Central Coast Water Authority (CCWA). Director Rosen argues that the County should reject approval of the proposed assignment so that it may "supervise" CCWA's delivery of State Water Project water within Santa Barbara County. With all due respect, CCWA and all of its member public agencies, disagree.

**1. All eight members of the CCWA, including the Goleta Water District, approved assignment of the State Water Contract.**

As described in detail in my September 17, 2018 letter to Mr. Tom Fayram and attachments (see Agenda Item Attachment B), assignment of the State Water Contract provides numerous benefits for the County and Santa Barbara County residents and ratepayers. As a result, on October 10, 2017, the Goleta Water District approved amendment of the Joint Exercise of Powers Agreement creating CCWA to authorize CCWA to accept assignment of the State Water Contract. All other members of CCWA have also approved assignment of the State Water Contract. (See Agenda Item Attachment B, Attachment B: First Amendment to Joint Exercise of Powers Agreement.) Thereafter, CCWA's Board of Directors, including Goleta Water District's representative, unanimously approved the proposed Assignment, Assumption and Release Agreement providing for assignment of the State Water Contract to CCWA, CCWA's assumption of all responsibility for, and liability regarding, the State Water Contract, and the full release of the County from all responsibility and liability. (See Agenda Item Attachment B, Attachment C: CCWA Resolution No. 17-04.)

**2. Supervision of CCWA is unwarranted and bad public policy.**

In 1991, the County transferred all financial responsibility for the State Water Contract to CCWA. Since that time, the State of California has delivered State Water Project water to CCWA, which collected, treated and transported the State Water Project water to its member agencies and other CCWA contractors. CCWA's

Ray 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

255 Industrial Way  
Buellton, CA 93427-9565  
(805) 688-2292  
FAX: (805) 686-4700



members and other CCWA contractors have assumed all of CCWA's costs and have passed those costs on to each member's and contractor's customers, the ratepayers. The County has not paid a nickel toward the cost of those deliveries. CCWA is responsible for 100% of the operation and management of the State Water Contract and CCWA's members and their ratepayers are responsible for 100% of the costs. The only retained interest the County has in the State Water Contract is the potential liability in the event of CCWA default. The proposed assignment would release the County from all such liability.

As described in letters from CCWA's members to the County requesting that the County assign the State Water Contract to CCWA, CCWA's management of the State Water Contract has been exemplary. Since 1991, CCWA has never missed a single payment to the State of California, and its financial management and reporting systems have been recognized for their excellence. CCWA has been scrupulous in monitoring and auditing the costs imposed by the State on CCWA, and CCWA has been one of the statewide leaders in efforts to promote accuracy and transparency in the State's cost accounting for the State Water Project. (See Letter from Montecito Water District to Members of the Board of Supervisors, dated January 7, 2010.) In short, as a result of CCWA's expert and prudent management of the delivery of State Water Project water to Santa Barbara County, CCWA has demonstrated that it has the technical, financial and managerial expertise to contract with the State for the delivery of State Water Project water. Additionally, as a result of the fact that CCWA's members have expressly agreed to exercise their common powers as necessary to carry out CCWA's rights and obligations pursuant to the State Water Contract (see Agenda Item Attachment B, Attachment B: First Amendment to Joint Exercise of Powers Agreement, ¶ 1), CCWA has the legal authority to contract directly with the State.<sup>1</sup>

What's more, redundant and unnecessary government is costly to Santa Barbara rate-payers, delays decision-making and is bad public policy. Because the County has no role in the delivery of State Water Project water to Santa Barbara County, there is no basis for the County to continue as the contracting party. On multiple occasions, the County has declared its interest in being relieved of the obligations and liability for the State Water Contract. (See, e.g., 1991 Transfer of Financial Responsibility Agreement.) It is not the County's role to second-guess the discretionary actions of other public agencies. Unlike the County, CCWA's members are directly accountable to the rate-payers who pay for 100% of the costs associated with the State Water Contract. Each of CCWA's members is directly accountable to its customers – the rate-payers. Each member of CCWA's Board of Directors is an elected official of each of CCWA's eight public agency members. As a result, assignment of the State Water Contract would streamline decision-making at the local level by eliminating redundant and unnecessary approvals by the County.

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<sup>1</sup> Director Rosen states that assignment of the State Water Contract "may require assignment of water agency taxing authority." CCWA has the power to levy a tax or assessment on all properties within the jurisdiction of CCWA as may be necessary to fulfill the obligations of the State Water Contract. (See Agenda Item Attachment B, Attachment B: First Amendment to Joint Exercise of Powers Agreement, ¶ 1.) No assignment of water agency taxing authority is contemplated or required.

**3. CCWA's voting structure is of no consequence to assignment, it is the prerogative of CCWA's members, and it has worked without incident since 1991.**

The proposed assignment does not alter the governance or accountability of CCWA in any way. Other than the substitution of CCWA for the County, the proposed assignment makes no changes to the manner or method by which State Water Project water will be delivered to Santa Barbara County or is paid for. It also makes no changes to the governance or day-to-day operation of CCWA. CCWA will continue to act at the direction of and for the benefit of its members. For example, it will continue to pass all costs of the State Water Contract on to its members in proportion to their respective interests. As such, the City of Santa Maria will continue to pay the largest share of all State Water Project costs.

Director Rosen's contention that Santa Maria has, and therefore will, dominate CCWA's decision-making, to the detriment of other members, is not supported by CCWA's long history of governance. In CCWA's 27 years, hundreds of issues related to the State Water Project have been presented to the CCWA Board. Only one of those resulted in a divided Board, and in that instance the City of Santa Maria – acknowledging its primary interest in the issue – agreed to accept full responsibility for all costs associated with the action. This occurred at CCWA's Board meeting held January 26, 2012.

The voting percentages of each of CCWA's members are well known, understood and a matter of contract.<sup>2</sup> Nevertheless, the CCWA members may agree to modify those voting percentages at any time. Assignment of the State Water Contract is just one of many decisions that the CCWA Board of Directors has and will make regarding the delivery of State Water Project water to Santa Barbara County ratepayers. Again, the CCWA Board voted unanimously in favor of assignment.

**4. Assignment of the State Water Contract is beneficial for the County, Santa Barbara residents, and the rate-payers who fund the delivery of State Water Project water to Santa Barbara County.**

Director Rosen argues that assignment will result in fundamental adverse changes in the delivery of State Water to Santa Barbara County. Nothing could be farther from the truth.

First, assignment of the State Water Contract simply substitutes CCWA for the County as the contracting party. Since 1991, CCWA has been responsible for all operational and financial aspects of the State Water Contract. For all intents and

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<sup>2</sup> Director's Rosen's statements regarding the specific voting powers of each of CCWA's members are not accurate. For example, the Goleta Water District holds 17.20% of the voting percentage, not 5%, as stated in Director Rosen's letter. (See, e.g., Agenda Item Attachment B, Attachment C: CCWA Resolution No. 17-04 [listing the voting percentages of each member agency].)

purposes, assignment of the State Water Contract to CCWA will be invisible to Santa Barbara County residents and businesses.


Second, the only changes that will result from assignment are entirely beneficial. As I noted in my letter to the County requesting assignment, assignment aligns State Water Contract decision-making authority with financial and operational responsibility by making CCWA fully and solely responsible for the State Water Contract and releasing the County from all such liability.

Third, Director Rosen assertion that assignment would permit CCWA to sell water to third parties, impliedly to the detriment of Santa Barbara County residents and rate-payers, is false. Assignment of the State Water Contract will require that CCWA will step into the shoes of the County. CCWA will be subject to the same terms and conditions as currently apply to the County. The State's approval will continue to be required for certain changes. Currently, each CCWA member makes its own decisions about (a) how much State Water to purchase in any year, and (b) whether to participate in purchasing water from other parties in times of drought. Contract assignment will not change this. Currently, each CCWA member makes its own decisions about providing water service for land uses and development within its jurisdiction. Contract assignment will not change this. Currently, each CCWA member may transfer its State Water Project allocation to another CCWA member without County approval. Contract assignment will not change this. Currently, each CCWA member must obtain the State's approval to sell State Water Project Table A allocation outside of the County. Contract assignment will not change this. Moreover, state law governs the use of available capacity in CCWA and member agency facilities. CCWA and its Members are bound by that law.

Lastly, assignment of the State Water Contract ensures that the County and the residents of Santa Barbara County who do not receive State Water Project Water are relieved of all potential liability for the State Water Contract. (See Agenda Item Attachment B [listing the numerous benefits of the assignment].) Contrary to Director's Rosen's allegations, it is the status quo that presents continued threat of liability for the County and for Santa Barbara County residents who do not receive State Water Project water.

CCWA has expertly and prudently managed the State Water Contract for 27 years and it will continue to do so as the contracting party for State Water Project water.

Respectfully,

  
Ray Stokes  
Executive Director