



October 31, 2016

BY EMAIL

Chair Peter Adam and Members of the Board of Directors
Santa Barbara County Flood Control & Water Conservation District
123 E. Anapamu Street
Santa Barbara, CA 93101

Re: Improving Our County's Water Security

Dear Chair Adam and Members of the Board of Directors:

In my capacity as Executive Director of the Central Coast Water Authority ("CCWA"), I am writing to reiterate my request that your Board support the staff's "Recommended Actions" and to move this reacquisition of state water forward.

There is widespread agreement that future droughts are inevitable, and that our region is susceptible to water shortages because of its location and geography. Santa Barbara County experienced a severe drought from 1986 to 1991 and we are currently in year six of the most recent drought. In both of these recent events, the water shortage caused significant financial hardship to many of our residents, who lost valuable landscaping and have paid substantially higher water bills because water conservation threatened the financial viability of our cities and water districts.

The proposed reacquisition of state water offers a cost-effective way to improve our water security. No new water facilities would be needed. Instead, we would make more efficient use of the water facilities we built in the 1990's to bring state water to our county. The cost for this water security is approximately \$125 per acre foot, which is less than 10% of the cost of the state water we acquired in the 1990's.

At your last hearing on this matter, some members of your Board asked a pertinent question: Will this water security measure create any risk to the County treasury or the County taxpayers? The simple answer is No, for the following reasons:

First, there has NEVER been a payment default by any CCWA contractor in the 25 years the state water project has been part of our water portfolio. The likelihood of a default is miniscule.

Second, the City of Santa Maria will be the largest participant in this water security program. It will pay \$28.5 MM up front to participate and then \$1.5 MM per year. After making such a substantial initial investment, is there any reasonable likelihood that Santa Maria would default in making its annual payments?

Third, in the highly unlikely event that Santa Maria defaults on paying its \$1.5 mm, there will be a reserve held by CCWA to make those payments for 18 months, during which time CCWA will find a buyer for that water. In other words, the ultimate protection for the County will be found in the value of the water itself. There are many agencies around California who have expressed interest in acquiring this water. If Santa Maria should default, there is no doubt that there would be multiple bidders to acquire the water.

Jack Boysen
Chairman

Richard Shaikewitz
Vice Chairman

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
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It bears noting that state water currently services over 90% of the County's residents. The enhanced water security resulting from this program would benefit all of them by providing more water to the County during droughts.

If you balance the risks of a future drought (high) against the risk of a payment default that has an impact on the County (miniscule), the decision becomes clear.

Finally, Santa Maria has agreed that this water security program will be opened up to the other Santa Barbara County state water contractors in the event that Santa Maria does not need all of the water that this program will make available in times of drought. This significant commitment to regional cooperation will be reflected in the contracts that are being prepared for this water security program.

Please support the staff recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray A. Stokes", with a long horizontal flourish extending to the right.

Ray Stokes
Executive Director