

Attachment No. 4



July 30, 2014

Mr. Tom Fayram
Santa Barbara County
Deputy Public Works Director
123 E. Anapamu St.
Santa Barbara, CA 93101

RE: Santa Barbara County Board of Supervisors Approval for Water Exchange
between Central Coast Water Authority and Mojave Water Agency

Dear Mr. Fayram:

The Central Coast Water Authority (CCWA) has executed the attached letter of intent which outlines the terms of a proposed 1,000 acre-foot (AF) exchange of State water from Mojave Water Agency (MWA) to CCWA on behalf of three CCWA member agencies as follows:

- City of Santa Barbara: 536 AF
- Montecito Water District: 416 AF
- La Cumbre Mutual Water Co: 48 AF

Generally, the exchange calls for the following:

- Balanced exchange of 500 AF from MWA to CCWA plus \$400/AF, or \$200,000. CCWA must return the 500 AF to MWA no later than December 31, 2019.
- 500 AF unbalanced 2.25 to 1 AF exchange. CCWA receives 500 AF and must return 1,125 AF to MWA no later than December 31, 2024.

Again, the attached letter of intent provides a more detailed description of the various terms of the exchange.

I am requesting that you schedule consideration and approval of this exchange by the Santa Barbara County Board of Supervisors at their August 26, 2014 meeting.

Thank you for your assistance in this matter. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray A. Stokes", is written over a horizontal line.

Ray A. Stokes

Executive Director

RAS

Attachment

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





July 21, 2014

Mr. Kirby Brill
General Manager
Mojave Water Agency
13846 Conference Center Drive
Apple Valley Ca. 92307

**RE: STATE WATER PROJECT WATER EXCHANGE
LETTER OF INTENT**

Jack Boysen
Chairman

Richard Shaikewitz
Vice Chairman

Ray Stokes
Executive Director

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General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Soleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

San Cumbre Mutual
Water Company

Dear Mr. Brill:

The purpose of this letter of intent ("LOI") is to set forth the general terms and conditions to be included in an agreement providing for the exchange of State Water Project ("SWP") water between Mojave Water Agency (MWA) and the Central Coast Water Authority (CCWA) (hereinafter, "Agreement"). It is anticipated the Department of Water Resources (DWR) will prepare the Agreement for review, approval and execution of the parties, as more fully described herein. It is intended that the Agreement will set forth in greater detail the terms and conditions of this LOI and such other terms and conditions as are mutually agreed upon by the parties, and will also provide for DWR's approval and agreement to convey the SWP water to be exchanged. Neither CCWA nor MWA is bound in any way to proceed with the exchange contemplated herein until final and completed documents are executed by the parties.

- 1. Parties.** The parties to the Agreement will be DWR, MWA and the Santa Barbara County Flood Control and Water Conservation District (SBCFCWCD), on behalf of CCWA. SBCFCWCD holds the Water Supply Contract with DWR for Santa Barbara County. All references to CCWA herein are to SBCFCWCD, on behalf of CCWA.
- 2. Description.** Due to prolonged drought conditions and low SWP allocations CCWA currently needs supplemental water to meet its 2014 water supply needs. MWA has a SWP contract for eighty-two thousand eight hundred (82,800) acre-feet of SWP Table A. CCWA proposes to acquire, through an exchange, one thousand (1,000) acre-feet of MWA's SWP supply (the "Water"). MWA has projected that the exchange Water can be made available to CCWA during their period of critical need in 2014 due to water management programs implemented by MWA.
- 3. Purpose of Exchange.** CCWA needs additional water supply to meet critical demands in 2014. CCWA has a SWP Table A contract of 45,486 acre-feet. Due to severe drought and inadequate SWP allocated supply, certain CCWA member agencies are experiencing a shortfall in water supplies to meet their estimated demand in 2014. On April 11, 2014, the DWR Director Mark Cowin issued a Drought Emergency request to State Water Contractors encouraging collaboration between SWC's to implement extraordinary one year transfers or multi-year exchanges to help facilitate innovative water management program between contractors.

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

4. Required Approvals The exchange of the Water is internal to the SWP and covered by the SBCFCWCD and MWA Water Supply Contracts, as well as DWR's current licenses and permits. The exchange and conveyance of the Water requires the approval of DWR. All parties to the Agreement must approve the Agreement. The exchange of SWP Table A is subject to the California Environmental Quality Act.
5. Type of Exchange. This exchange is to be divided into two (2) 500 AF segments as follows:
 - a. 500 AF at 1:1 balanced exchange:
 - i. CCWA pays MWA \$400/AF to reimburse MWA costs for a total of \$200,000.
 - ii. This water (500 AF) shall be returned no later than December 31, 2019.
 - b. 500 AF at 2.25:1 unbalanced exchange:
 - i. If CCWA returns the water in a year in which the DWR delivery allocation percentage is 20% or greater, DWR shall bill directly to CCWA the then current DWR Variable OMP&R and Off-Aqueduct Costs from Reach 1 through Reach 22B (currently estimated to be around \$243/AF for calendar year 2014).
 - ii. If CCWA returns the water in a year in which the DWR delivery allocation percentage is less than 20%, DWR shall invoice MWA for delivery of the water to their turnout in which the delivery occurs.
 - iii. This water (1125 AF) shall be returned no later than December 31, 2024.
6. Delivery of Water. The Water will be delivered as part of the SWP contract between SBCFCWCD (on behalf of CCWA) and DWR. CCWA shall make all necessary arrangements with DWR for the conveyance of the Water to CCWA's service area.
7. Term. The term of the agreement shall be for a period of 10 years ("Term"). It is anticipated that the Term will begin in 2014 and end in 2024.
8. Return Water. CCWA agrees to return the Water to MWA in varying amounts based on the DWR delivery allocation percentage as follows:

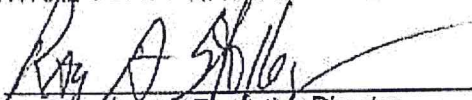
Allocation	40%	45%	50%	55%	60%	65%	70%	75%
Return of Transfer	10%	20%	30%	45%	60%	75%	90%	100%

CCWA reserves the discretion to return the Water in amounts greater than set forth in this return table, to the extent of its obligation. To the extent that Water cannot be returned to MWA pursuant to the return table above, CCWA shall provide an equivalent alternative replacement supply at its cost and expense or upon mutual agreement between both parties, execute an option to extend the Agreement.

9. SWP Fixed Costs. Except where specifically agreed to regarding the unbalanced exchange (4 (b) above), each party shall assume its own financial obligations for SWP variable and off-aqueduct costs incurred when it takes delivery pursuant to this Agreement
10. Transaction Costs. Each party shall be responsible for its legal and consulting costs prior to and for the term of the Agreement. To the extent that a third-party initiates a claim, CCWA and MWA shall share equally in the costs to defend the claim.
11. Preparation of Agreement. Following MWA acceptance of the terms and conditions contained herein, CCWA will request DWR to prepare and deliver to MWA, CCWA and SBCFCWCD a draft of the Agreement that will incorporate the terms and conditions of this LOI, and such other terms and conditions relating to the exchange of the Water as may be required by the parties. By execution of this LOI, CCWA and MWA agree to negotiate and cooperate in good faith to finalize any and all documents and to obtain the approvals required to effectuate the exchange described in this LOI.
12. Authority. Each of the undersigned individuals, by execution of this LOI on behalf of CCWA and MWA, as applicable, represents and warrants to the other that such individual has the legal power, right and actual authority to execute this LOI.
13. If the foregoing meets with your approval, please indicate your acceptance by executing the copy of this LOI that has been enclosed and delivering it to:

Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427
Attn: Ray Stokes, Executive Director


CENTRAL COAST WATER AUTHORITY

By: 
Ray Stokes, Executive Director

Date: 7-21-14

AGREED AND ACCEPTED:

Mojave Water Agency

By: 
Kirby Brill, General Manager

Date: 7-22-14