

State Water Project Contract Amendments



Santa Barbara County Water Agency

Board of Directors

February 2, 2021

Central Coast Water Authority Request

- Approve State Water Project (SWP) Contract Extension (Amendment 20)
 - Including Amendment to Transfer of Financial Responsibility Agreement (TFRA)
- Approve SWP Water Management Amendment (Amendment 21)

Amendment 20

- Extends SWP contract from current expiration in 2038 to 2085.
 - Allows for longer bonding period
 - Provides other financial benefits
- Proposed amendment to Transfer of Financial Responsibility Agreement (TFRA)

Amendment 21

- Authorizes changes to how water may be exchanged or transferred
 - Updated exchange provision
 - Allows direct sale of water from one SWP contractor to another on an annual basis
 - Additional provisions related to storage and carryover

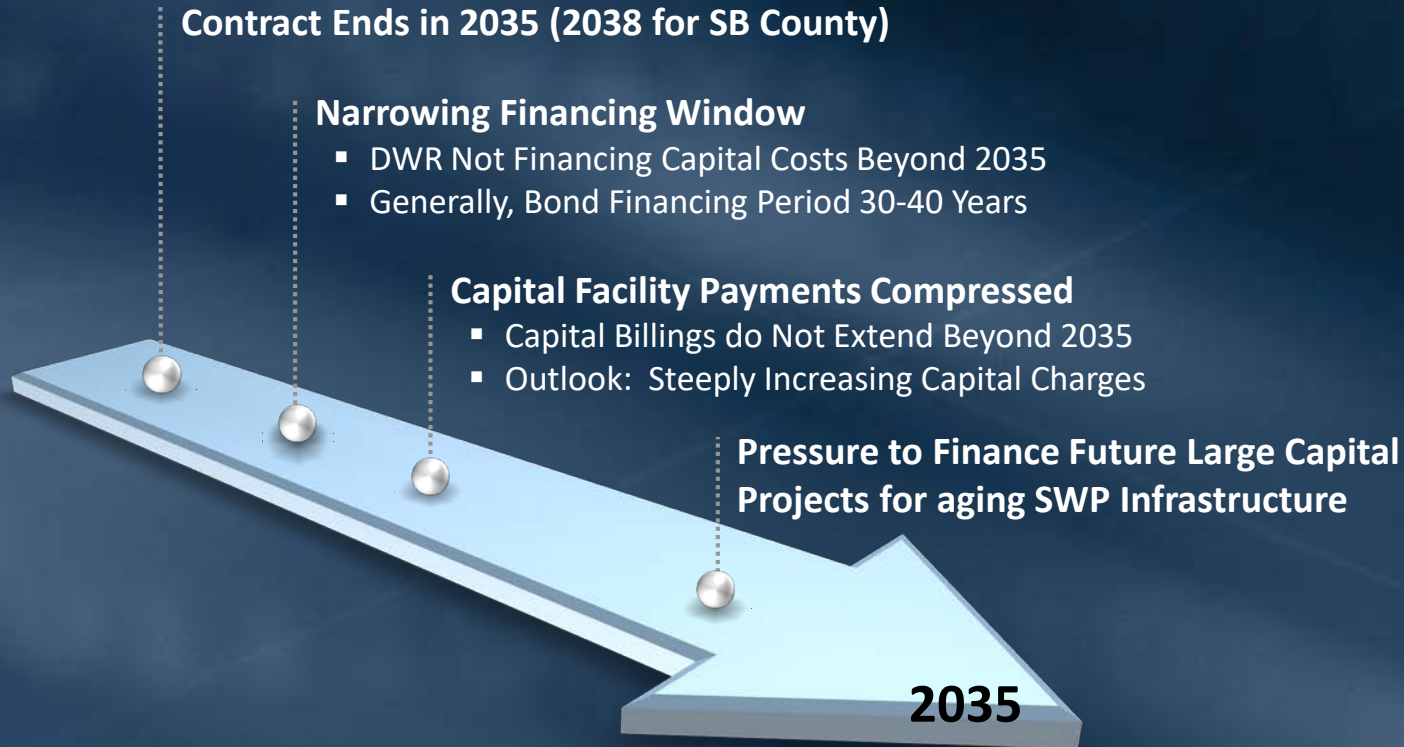


SWP Contract Amendments
No. 20 and 21
(Contract Extension and
Water Management)

Amendment No. 20

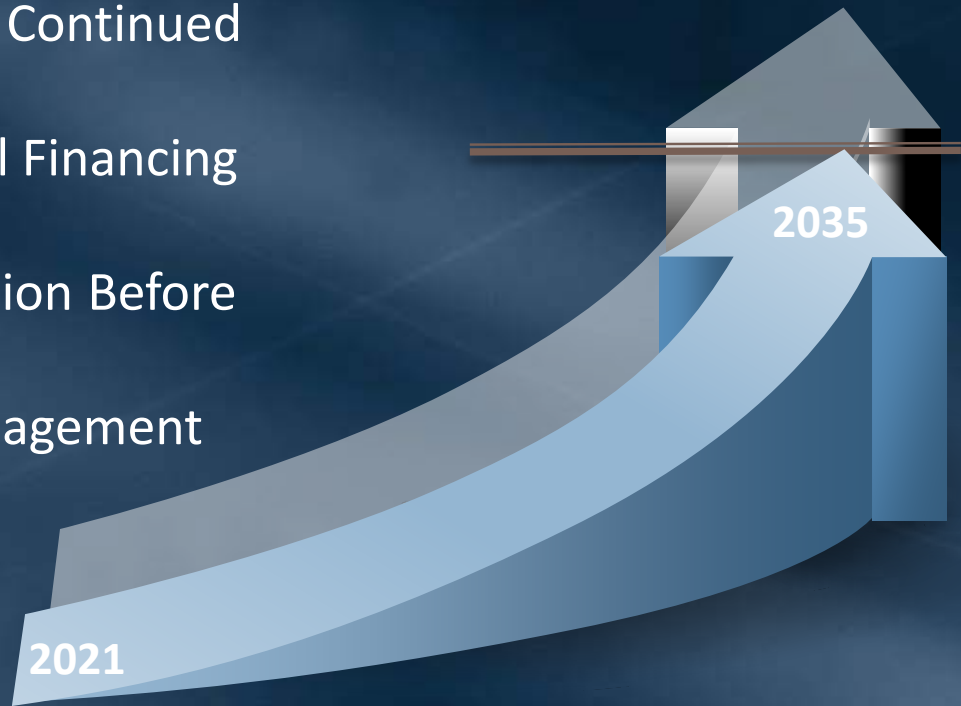
State Water Project Contract Extension

How We Got Here



Purpose of Contract Extension

1. Obtain Commitment for Continued Service Beyond 2035
2. Ability to Provide Capital Financing Beyond 2035
3. Ease Financial Compression Before 2035
4. Enhanced Financial Management Flexibility and Tools



Address Contract Term

- 50 Year Extension
- New Expiration Date: 2085



Direct Financial Benefits to CCWA

- Amendment eliminates interest on CCWA's over/under payments
- Currently, CCWA pays interest on over/under payments at 4.610% (project interest rate)
- For calendar years 2016, 2017 and 2018, CCWA paid \$1.4 million in interest for DWR billing delays to CCWA

Trans Min OMP&R	Interest Charges by Year			TOTAL
	2017	2018	2019	
2016 (Over)/Under Interest	320,882	311,866	456	633,205
2017 (Over)/Under Interest		(16,676)	727,573	710,896
2018 (Over)/Under Interest			62,661	62,661
Total	\$ 320,882	\$ 295,190	\$ 790,689	\$ 1,406,761

Project Participant	Percentage	(Over) Under Interest 2017 to 2019
Guadalupe	1.39%	\$ 19,536
Santa Maria	40.90%	575,424
Golden State Water Co.	1.26%	17,760
VAFB	13.89%	195,360
Buellton	1.46%	20,531
Santa Ynez (Solvang)	3.68%	51,780
Santa Ynez	1.37%	19,260
Goleta	12.69%	178,551
Morehart	0.50%	7,104
La Cumbre	2.52%	35,520
Raytheon	0.13%	1,776
Santa Barbara	7.57%	106,560
Montecito	7.57%	106,560
Carpinteria	5.05%	71,040
Subtotal:	100.00%	\$ 1,406,761

Direct Financial Benefits to CCWA

- Increase in Rate Management Credits (RMC):
 - Increases RMC by \$7.5 million/year
 - CCWA's share of additional RMC through 2035 is about \$564,000 per year (7.52% of additional \$7.5 million in RMC)
 - Total additional RMC through 2035: ~\$8,460,000

**CCWA Share of Additional Rate Management Credits
Provided under terms of the Contract Extension and Amendment**

Project Participant	RMC Percentage	Additional RMC Each Year ⁽¹⁾	Through 2035 (15 Years)
Guadalupe	1.40%	\$ 7,906	\$ 118,583
Santa Maria	41.29%	232,854	3,492,806
Golden State Water Co.	1.27%	7,187	107,803
VAFB	14.02%	79,055	1,185,829
Buellton	1.47%	8,308	124,622
Santa Ynez (Solvang)	3.76%	21,214	318,214
Santa Ynez	1.35%	7,636	114,536
Goleta	11.86%	66,884	1,003,257
Morehart	0.51%	2,875	43,121
La Cumbre	2.55%	14,374	215,605
Raytheon	0.13%	719	10,780
Santa Barbara	7.65%	43,121	646,816
Montecito	7.65%	43,121	646,816
Carpinteria	5.10%	28,747	431,211
Total	100.00%	\$ 564,000	\$ 8,460,000

(1) Additional rate management credits based on \$7.5 million per year times the CCWA share of RMC of 7.52%.

Amendment No. 21

Water Management Contract Amendment

Goal and Benefits of Amendment No. 21

- Goal:
 - Supplement and clarify terms of the SWP contract
 - Greater water management flexibility
 - Facilitate transfers and exchanges of SWP water
- Desired Benefits:
 - Create greater flexibility to manage SWP water
 - Provide additional water management tools

Exchanges

- Exchange = SWP water exchanged between two SWP Contractors with a return of all or a portion of the exchanged water within 10 years
- Amend existing Contract to:
 - Confirm exchange provisions for water exchanges between SWP Contractors
 - Set exchange ratios based on water allocation, up to 5 to 1
 - Set the maximum cost compensation for an exchange
 - Allow the exchange to be effectuated over ten years

Transfers

- Transfer = sale of SWP water from one Contractor to another
- Adds a new Contract provision that:
 - Creates new flexibility for non-permanent transfers
 - Allows the SWP Contractors to set the compensation terms
 - Requires certain conditions be met to avoid harm to SWP operations and other contractors
 - Continues to require DWR approval

Other Provisions

- Allows for groundwater stored outside a Contractor's service area to be transferred or exchanged without first returning to the Contractor's service area – improves efficiency and flexibility
- Allows up to 50% of “carryover water” stored in San Luis Reservoir to be transferred or exchanged - avoids losses and maximizes use of supply
- Adds provisions to provide transparency
- Adds a dispute resolution process if a Contractor claims a transfer or exchange will cause them harm

Summary of Benefits

- Creates new tools and enhances flexibility to respond to changes in hydrology and increasing constraints on DWR's operation of the SWP
- Increases certainty for water managers by clarifying existing practices and providing rules for implementing transfers and exchanges
- Ensures transparency of transfers and exchanges and avoidance of harm
- May increase opportunities for and benefits associated with conjunctive management of surface and groundwater supplies in the state

CEQA Compliance

- DWR certified its Final EIR, adopted Findings of Fact and Statement of Overriding Considerations and approved the amendment
- CCWA independently reviewed the CEQA record and on CCWA made its own Findings of Fact and Statement of Overriding Considerations for those impacts and considerations within its jurisdiction
- On November 3, 2020, CCWA filed its Notice of Determination

Questions?