



CITY OF SANTA MARIA
OFFICE OF THE MAYOR
AND CITY COUNCIL

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110 EAST COOK STREET, ROOM 11 • SANTA MARIA, CA 93454-5190 • 805-925-0951 • FAX 805-349-0657 • www.cityofsantamaria.org

January 28, 2021

Santa Barbara County
Flood Control and Water Conservation District
130 East Victoria Street, Suite 200
Santa Barbara, CA 93101
VIA EMAIL (County Clerk of the Board, sbcob@countyofsb.org)

**SUBJECT: SANTA BARBARA FLOOD CONTROL AND WATER CONSERVATION
DISTRICT'S PROPOSED CONDITIONS TO AMENDMENT NOS. 20
AND 21 OF THE STATE WATER CONTRACT**

Dear County Board of Supervisors:

The City of Santa Maria ("City") requests the Santa Barbara County Flood Control and Water Conservation District ("District") execute Amendment 20 and Amendment 21 as requested by the Central Coast Water Authority without the conditions recommended by District staff. The conditions recommended by District staff are detrimental to the residents of the District, inappropriate, and unnecessary.

The Central Coast Water Authority ("CCWA") Board, represented by members elected by voters across Santa Barbara County, unanimously recommended the execution of Amendments 20 and 21 to the District. The Boards and the City Councils represented by CCWA embody most constituents within each Santa Barbara County Supervisorial District and approximately 85 percent of the District population overall.

With respect to Amendment 20 (Contract Extension), the recommended condition from District staff that the Transfer of Financial Responsibility Agreement ("TFRA") be amended to require CCWA to "impose a tax" to fulfill all obligations to the District is not acceptable. The District is the contracting party with the Department of Water Resources ("DWR"), not CCWA. Therefore, the requirement to levy a property tax for payment default is the legal responsibility of the District. If the District continues to be the contracting party with DWR, the District is responsible for levying a tax to remedy a default. If the District does not want that obligation, a remedy is to remove itself as the contracting party with DWR and allow CCWA to take assignment of the contract along with all responsibilities, including levying a tax, if necessary.

The CCWA Board unanimously agreed to accept assignment of the State Water contract and release the District from all liability in 2017 and garnered DWR's approval in 2018. Despite continued requests from CCWA, the District has yet to consider final action on the matter.

A second reason this District staff condition cannot be implemented is the CCWA Joint Powers Authority ("JPA") authorizes the power to levy a tax only if CCWA is the contracting party. For this provision of the JPA to be valid, the District would be required to approve the assignment of the State Water Contract to CCWA. If the District assigns the contract, then this District staff condition to amend the TFRA would be unnecessary as the District no longer would have any potential financial responsibility for the State Water Contract. However, yet again, the District has chosen not to consider final action on contract assignment and is consequently the party legally responsible for levying a tax to remedy a default.

It is important to note that by placing this unnecessary and unachievable condition of approval on Amendment 20 (Contract Extension), the District is placing an increased financial burden on its constituents. As noted in the Board of Supervisors Agenda Letter, contract extension will result in an estimated savings of over \$500,000 per year for rate payers in the District. Also as noted in the Board Letter, rate payers in the District will benefit from contract extension through the reduction of costs related to the payment of the project interest rate of 4.61 percent with a savings of \$1.4 million in recent payments alone. Without the execution of Amendment 20, these are two examples of real and unnecessary costs that those in the District will be required to pay through higher water rates.

Amendment 21 (Water Management Amendments) was negotiated between all the State Water Contractors and DWR. The Water Management Amendments ("WMAs") are intended to provide flexibility to meet diverse and evolving water demands. This amendment and its inherent flexibility are necessary to provide the tools required for water purveyors to manage critical water resources to meet existing and future water demands. The WMAs have provisions that were vetted by all State Water Contractors and DWR to provide safeguards with respect to ensuring water purveyors maintain an adequate water supply with each transfer. In addition to the safeguards already included in the WMAs, each water purveyor is required to assess reliability of water sources and implement water management strategies to meet water supply requirements. Documentation of that analysis must then be provided by each purveyor to DWR through Urban Water Management Plans.

Moreover, each transfer between State Water Contractors will require verification with DWR that the transferor has adequate supply to meet local needs prior to approval of the transfer by DWR. Adding additional and unknown requirements for approval by the District will hinder the ability of CCWA members to use and manage water supplies as required by DWR putting the drinking water supply of residents in Santa Barbara County at risk. Simply put, it would be a detriment to a water purveyor's ability to receive additional water in times of need.

Lastly, the recommended condition from District staff that a "revenue sharing" component be included between CCWA and the District is infeasible and inappropriate. The costs for State Water have always been paid by either property owners or rate payers not by other funding sources. State Water costs prior to CCWA were paid by property owners via assessment by the District. Since the creation of CCWA, these same properties have been paying the costs of State Water via water rates. The District's insistence on revenue sharing is the equivalent of a double payment. Property owners paid these costs once through assessment and now would be expected to pay the costs again through water rates. This places an undue and unnecessary burden on constituents.

This issue is even further exacerbated when considering Suspended Table A. The District has indicated it wants full reimbursement for all previous costs associated with Suspended Table A. Those costs too were already paid by property owners through assessments by the District. The District now wants the property owners to pay those costs a second time through water rates. By "revenue sharing," those same constituents would be paying those costs a third time to the District. This is clearly an excessive and an exploitative expectation of any constituent.

There have been five previous amendments to the State Water Contract recommended by CCWA and executed by the District, without additional conditions. These two amendments should be no different.

There is no legal, financial, or moral basis for adding conditions to either of the Amendments. Considering the long and successful relationship between the District and CCWA, the City appreciates the District's attention to this matter and requests that Amendments 20 and 21 be executed without delay and without the additional conditions recommended by District staff.



ALICE M. PATINO
Mayor