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CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 24, 2017

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Introduction Of Ordinance For Assignment Of State Water Project Contract To The Central Coast Water Authority

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Execution of the Second Amendment to the Water Supply Agreement between the City of Santa Barbara and Central Coast Water Authority, and Approving and Authorizing the Execution of the First Amendment to the Joint Exercise of Powers Agreement Creating the Central Coast Water Authority.

EXECUTIVE SUMMARY:

The City of Santa Barbara receives imported water from the State Water Project ("SWP") through a Water Supply Agreement with the Central Coast Water Authority (CCWA). CCWA is a joint powers authority ("JPA") formed in 1991 to finance, construct, manage and operate regional treatment and conveyance facilities that deliver State Water to its member agencies. Councilmember White currently represents the City on the CCWA board of directors.

While CCWA is responsible for financial and operational management of regional SWP facilities, CCWA does not hold the current State Water Contract with the State Department of Water Resources (DWR). The State Water Contract with DWR is held by Santa Barbara County Flood Control and Water Conservation District (County). Staff is recommending that City Council authorize amending the City's agreement with CCWA to provide CCWA certain necessary taxing authority and amending the JPA Agreement to authorize contracting with DWR for the delivery of water from the State Water Project. Amending these agreements are necessary to effectuate the assignment of the State Water Contract from the County to CCWA.

BACKGROUND:

The contract under which water from the State Water Project (SWP) is delivered to Santa Barbara County was first executed in February, 1963 ("1963 Contract"). The contract, as

amended, is referred to as the “State Water Contract.” The parties to the State Water Contract are the State Department of Water Resources (DWR) and the Santa Barbara County Flood Control and Water Conservation District (County).

In 1978, the County sponsored a ballot measure authorizing issuance of bonds to finance construction of an in-county distribution and treatment system for SWP water. The ballot measure was defeated and, following that election, the Santa Barbara County Board of Supervisors (Board) considered whether to terminate the 1963 Contract due to lack of local political support for importation of SWP water. A number of local cities and water districts urged the Board to retain the water and find a way to shift the cost of that water to the local agencies (and their ratepayers). In response, in the mid-1980s, the County executed certain “Water Supply Retention Agreements” with the water purveyors (cities and water districts), whereby the water purveyors agreed to assume the annual costs for 45,486 acre feet per year (AFY) of SWP water. Of the 45,486 AFY, the City’s original share was 3,000 AFY, and was later increased to the current amount of 3,300 AFY when contract rights became available from other jurisdictions.

In 1991, after 5 years of severe drought, elections were held in 14 local jurisdictions to authorize financing to pay for construction of SWP water distribution and treatment facilities. The ballot measures were approved in 11 of the 14 jurisdictions, and those 11 jurisdictions cooperated in forming the Central Coast Water Authority to finance, construct, manage, and operate Santa Barbara’s regional facilities for distribution and treatment of SWP water. They also executed certain “Water Supply Contracts,” whereby the participants transferred their rights under the Water Supply Retention Agreements to CCWA, in return for water service in an amount equivalent to their rights under the Water Supply Retention Agreements. Of the 11 local participants, 8 public agencies are the voting members of the CCWA: City of Buellton, City of Guadalupe, City of Santa Barbara, City of Santa Maria, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, and Santa Ynez River Water Conservation District - Improvement District No. 1.

In November 1991, the CCWA and the County signed a Transfer of Financial Responsibility Agreement (TFRA) under which the CCWA agreed to assume all of the County’s financial obligations under the State Water Contract. The TFRA expresses the County’s and CCWA’s joint interest in securing DWR’s approval to release the County from its obligations under the SWP to the extent those obligations had been assumed by CCWA.

Since 1991, there have been periodic efforts to secure the DWR’s approval of assignment of the State Water Contract to CCWA, as envisioned by the TFRA. DWR was unwilling to consent to the assignment due to the requirement in Article 34 of the SWC that if in any year sufficient funds are not raised, the governing body (in that case the County) shall levy a tax or assessment upon all property not exempt from taxation sufficient to provide payment under the contract. Prior to 2015, there had been some uncertainty as to whether the CCWA, a joint powers authority, could satisfy the requirements of Article 34 of the State Water Contract to levy a property tax. That uncertainty was removed when

Government Code section 6502 was amended in 2015 to clarify that a joint powers authority has all powers common to the contracting parties, including, but not limited to, the authority to levy a fee, assessment, or tax. With the power of taxation common to its member agencies, DWR is now willing to consider assignment of the State Water Contract from the County to CCWA.

Accordingly, on June 22, 2017, the CCWA's Board of Directors voted unanimously to direct its legal and policy staff to pursue assignment of the State Water Contract. In order to allow the assignment of the State Water Contract to CCWA, the following approvals are required:

- 1) Each CCWA member agency, including Santa Barbara City Council, must approve: (A) an amendment of the Joint Exercise of Powers Agreement, and (B) an amendment of the Water Supply Agreement (collectively, the "Amendments"); and
- 2) The County, CCWA, and DWR must all agree to release the County from its current obligations and assign the contract to CCWA. CCWA is preparing a proposed Assignment, Assumption, and Release Agreement for this purpose.

All CCWA member agencies, including the City of Santa Barbara, have been asked to consider the Amendments by October 25, 2017. CCWA intends to consider the assignment of the State Water Contract at its regular Board meeting on October 26, 2017. The next step would be the DWR and County approvals. The CCWA staff have been working closely with both the DWR and the County and at this time, approval by all parties is anticipated.

DISCUSSION:

Staff is recommending that City Council support the assignment of the State Water Contract to the CCWA. The current structure includes the DWR, County, CCWA, and local water agencies. With CCWA as the contract holder, it would streamline the bureaucratic structure from 4 governmental agencies down to 3 governmental agencies, and it would provide decision-making authority to those agencies that have direct financial and management responsibility for matters related to the State Water Project (DWR, CCWA, and local water agencies).

The CCWA is a joint powers agency made up of water purveyors, and the City has direct representation on its governing board. The CCWA is the lead regional agency responsible for the financial and operational aspects of SWP water delivery in the Santa Barbara area. For decades, the CCWA has been successfully managing regional water treatment and conveyance facilities on behalf of its member agencies, and was instrumental during the recent drought in managing and coordinating the effort to secure supplemental water purchases and groundwater banking opportunities. Given CCWA's financial and operational management responsibilities, CCWA has an important role in decision-making on matters related to the State Water Project.

In comparison, the County does not provide service to convey, treat, or distribute water supply; nor does the County have any water customers. As such, the County does not have experience managing water supply nor direct fiduciary responsibility to water rate payers. With CCWA as the State Water Contract holder, local decision-making related to the State Water Project would be aligned with financial and operational management responsibility.

In order to assign the SWC to CCWA, the City Council must adopt the ordinance to approve the Amendments. The ordinance authorizes the following:

- **First Amendment to the Joint Exercise of Powers Agreement:** The proposed amendment provides CCWA with the necessary power to contract directly with DWR for the delivery of water from the State Water Project and the right to levy a tax or assessment on all properties within the jurisdiction of CCWA not exempt from taxation. The First Amendment is attached as Exhibit A to the Ordinance. For reference, a copy of the existing 1991 Joint Exercise of Powers Agreement creating the Central Coast Water Authority is provided in the City Clerk reading file and City Council's reading file.
- **Second Amendment to the Water Supply Agreement:** The purpose of amending the Water Supply Agreement is to authorize CCWA to levy a tax or assessment, if in any year, CCWA fails or is unable to raise sufficient funds by other means to provide for all payments that are due to DWR under the SWC. The Second Amendment is attached as Exhibit B to the Ordinance. For reference, a copy of the existing 1991 Water Supply Agreement and First Amendment are provided in the City Clerk reading file and City Council reading file.

By approving the Amendments, the City would be giving CCWA the same power currently existing with the County to levy a property tax on property within the City of Santa Barbara in the event CCWA were unable to make payments to DWR under the State Water Contract. Before CCWA exercises its power to impose a tax, however, there are several other remedies provided in the SWC that must first be exercised. These remedies are existing and are not affected by the assignment from the County to CCWA. First, is the so-called "step up" provision whereby other CCWA member agencies within the defaulting agency's "step up" group (generally divided between north and South County) would pay up to 25% of their annual State Water payment and temporarily receive the defaulting agency's water until the defaulting agency has recovered financially. Second, CCWA may terminate the water supply agreement with the defaulting agency and permanently sell the rights to another agency. In the event that the non-payment of a defaulting member agency cannot be cured by these two remedies, and a member agency's non-payment causes CCWA itself to default in payment to DWR, the third and final remedy, under current agreements, is for the County to levy a property tax or assessment, to the extent necessary to ensure payment to DWR. Under the existing structure, the property tax would be levied on all County residents, including those areas that are not connected to the State Water Project (e.g. Lompoc, Cuyama, etc.).

Under the proposed structure, the County would be relieved from its obligations to levy a property tax or assessment if CCWA is in default on its payments to DWR. Instead, CCWA (after the first and second remedies described above are implemented and still fail to produce sufficient funds), as the contracting party, would be required to comply with Article 34 of the State Water Contract and levy a tax or assessment on all property not otherwise exempt from taxation within its jurisdiction. CCWA's jurisdiction, includes all properties within the boundaries of the City and other CCWA member agencies. It is important to note that CCWA, like the City, will not have the authority to impose a tax on properties located outside of the City boundaries or outside of the boundaries of other member agencies. In the event a tax is levied, the City may consider some other mechanism to attain equality between in-City and out-of-City water customers.

It is important to understand that it is not the intent of CCWA to levy a tax or assessment. Article 34 of the State Water Contract already requires the contracting party (now the County) to levy a tax or assessment in the event of a default by CCWA, and only after all other remedies have been exhausted. This has never occurred in the history of CCWA. By assigning the State Water Contract to the CCWA, all of the existing remedies remain in place and the CCWA would step into the shoes of the County, relieving the County of its obligations. Furthermore, assigning the State Water Contract to CCWA would streamline the bureaucratic structure and provide for decision-making that is aligned with fiduciary responsibility for matters related to the State Water Project.

ENVIRONMENTAL:

As the lead agency under the California Environmental Quality Act (CEQA), CCWA has determined that the State Water Contract assignment and all related actions, including approval of the Amendments, are exempt from CEQA under CEQA Guidelines section 15061, and categorically exempt under CEQA Guidelines Section 15320. The Amendments involve an administrative change that will not result in physical changes or environmental effects. The City Environmental Analyst has confirmed that City actions approving the contract Amendments would be exempt from further CEQA environmental review.

PREPARED BY: Kelley A. Dyer, Water Supply Manager/cmw

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING AND AUTHORIZING EXECUTION OF THE SECOND AMENDMENT TO THE WATER SUPPLY AGREEMENT BETWEEN THE CITY OF SANTA BARBARA AND CENTRAL COAST WATER AUTHORITY AND APPROVING AND AUTHORIZING EXECUTION OF THE FIRST AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT CREATING THE CENTRAL COAST WATER AUTHORITY

WHEREAS, in 1963, following the voters' 1960 approval of the California Water Resources Development Bond Act, the Santa Barbara County Flood Control and Water Conservation District (County) and the Department of Water Resources (DWR), acting on behalf of the State of California, executed that certain agreement dated February 26, 1963, for the supply of State Water Project (SWP) water to Santa Barbara County (State Water Supply Contract);

WHEREAS, beginning in 1982, the County entered into a series of "Water Supply Retention Agreements" with various cities, water districts, and other retailers and end users of water in Santa Barbara County (Participant(s)) for the purpose of shifting responsibility for the costs associated with the State Water Supply Contract from the County to the Participants;

WHEREAS, in 1991, the City of Santa Barbara (City) and seven (7) other public agencies that provide retail water supply service within Santa Barbara County (collectively, Members), all of whom were Participants, formed the Central Coast Water Authority (CCWA) as a Joint Powers Agency pursuant to Government Code section 6500 *et seq.* by that certain Joint Exercise of Powers Agreement dated August 1, 1991;

WHEREAS, thereafter, the CCWA entered into a series of "Water Supply Agreements" with each Participant. The City's Water Supply Agreement dated September 3, 1991, assigned the City's contractual rights to SWP water, acquired pursuant to the City's Water Supply Retention Agreement, to the CCWA in return for the CCWA's delivery of SWP water to the City;

WHEREAS, on November 12, 1991, the County and the CCWA entered into the Transfer of Financial Responsibility Agreement whereby the CCWA assumed responsibility for all of the County's financial obligations pursuant to the State Water Supply Contract, but the County remained the contracting party;

WHEREAS, Transfer of Financial Responsibility Agreement contemplates a future assignment of the State Water Supply Contract to the CCWA to the extent those obligations have been assumed by CCWA;

WHEREAS, The CCWA now desires to complete assignment of the State Water Supply Contract from the County to the CCWA;

WHEREAS, Article 34 of the State Water Supply Contract provides that if in any year the County fails or is unable to raise sufficient funds by other means to make the payments required by the State Water Supply Contract, the governing body of the County shall levy upon all property in the County's jurisdiction not exempt from taxation, a tax or assessment sufficient to provide for all payments under the State Water Supply Contract then due or to become due within that year;

WHEREAS, in order to approve assignment of the State Water Supply Contract, DWR requires assurance that the CCWA is authorized and empowered to contract with DWR, including, but not limited, to fulfilling the requirement of Article 34 of the State Water Supply Contract;

WHEREAS, pursuant to Government Code section 6502, if authorized by their legislative or other governing bodies, a Joint Powers Authority may jointly exercise any power common to the contracting parties, including, but not limited to, the authority to levy a fee, assessment, or tax, so long as such power is expressly stated in the joint powers agreement;

WHEREAS, all of the Members, including the City, possess the power to levy a tax or assessment upon property within their respective jurisdictions;

WHEREAS, it is in the public interest for the CCWA to accept assignment of the State Water Supply Contract to permit the CCWA to contract directly with DWR and to relieve the County of all responsibility for the State Water Supply Contract, as was intended in 1991 at the time the CCWA was created;

WHEREAS, the City desires to authorize the CCWA to contract with DWR directly, along with all necessary and incidental powers as may be required by the CCWA to carry out the CCWA's rights and obligations under the SWP, including, but not limited to, the right to levy a tax or assessment on all property within the jurisdiction of the CCWA; and

WHEREAS, the City and the CCWA have determined that amendment of the Joint Exercise of Powers Agreement and the City's Water Supply Agreement are necessary and appropriate to specify the CCWA's power to contract with DWR directly, along with all necessary and incidental powers as may be required by the CCWA to carry out the CCWA's rights and obligations under the State Water Supply Contract, including, but not limited to, the right to levy a tax or assessment on all property within the jurisdiction of the CCWA not exempt from taxation.

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NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA THAT:

SECTION 1. The above recitals are true and correct and are incorporated herein as though set forth in full.

SECTION 2. The Council approves the First Amendment to the Joint Exercise of Powers Agreement, attached hereto as **Exhibit A**, granting the CCWA the power to contract directly with DWR for the delivery of State Water Project water, along with all necessary and incidental powers as may be required by the CCWA to carry out the CCWA's rights and obligations under the State Water Supply Contract, including, but not limited to, the right to levy a tax or assessment on all property within the CCWA's jurisdiction not exempt from taxation, which includes all property within the City, and authorizes the Mayor to execute the amendment.

SECTION 3. The Council approves the Second Amendment to the Water Supply Agreement, attached hereto as **Exhibit B**, to conform to the above-referenced First Amendment to the Joint Exercise of Powers Agreement and authorizes the Mayor to execute the amendment.

SECTION 4. The Council finds and determines that approval of the First Amendment to the Joint Exercise of Powers Agreement and the Second Amendment to the Water Supply Agreement is exempt from further CEQA review because the City's action is not a "project" within the meaning of CEQA because it does not have a potential for significant effect on the environment (State CEQA Guidelines sections 15060 (c)(2) and (c)(3), 15061(b)(3), and 15378). Council further finds and determines that such action is also exempt from CEQA under CEQA Guidelines Section 15320 (a change in the organization or reorganization of a local governmental agency where the change does not change the geographical area in which previously existing powers are exercised is exempt from CEQA), and Section 15061(b)(3) (where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment the activity is not a project under CEQA). Applicable Section 15378 provisions include subsections 15378(b)(4) (project does not include the creation of a government funding mechanism or other fiscal activity that involves a commitment to a specific project that may result in a potentially significant environmental impact is not a project under CEQA), Section 15378(b)(5) (project does not include an organizational or administrative activity of government resulting in direct or indirect physical changes to the environment is not a project under CEQA). The basis for the exemption determination is more fully described in the Notice of Exemption attached hereto as **Exhibit C**.

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PASSED, APPROVED AND ADOPTED on _____, 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

[INSERT MAYOR]

ATTEST:

[CLERK]

I hereby certify that the foregoing ordinance was adopted at a regular meeting of the City held on _____, 2017.

[CLERK]

APPROVED AS TO FORM:

City Attorney

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EXHIBIT A
FIRST AMENDMENT
to the
JOINT EXERCISE OF POWERS
AGREEMENT
Creating the
CENTRAL COAST WATER AUTHORITY

This First Amendment (the “**Amendment**”) to the Joint Exercise of Powers Agreement Creating the Central Coast Water Authority (the “**Authority**”), dated August 31, 1991 (the “**Joint Exercise of Powers Agreement**”), is made effective _____, 2017 by and between the parties on Attachment A (each, a “**Party**” and collectively, the “**Parties**”). Unless otherwise provided herein, all defined terms used in this Amendment shall have the same meaning as set forth in the Joint Exercise of Powers Agreement.

RECITALS

A. The Parties to this Amendment are all signatories to the Joint Exercise of Power Agreement or successors in interest. Carpinteria Valley Water District is the successor in interest to the Carpinteria County Water District.

B. The Parties desire to amend the Joint Exercise of Powers Agreement to expressly authorize the Authority to take certain actions necessary and convenient to assume all of the Santa Barbara County Flood Control and Water Conservation District’s (the “**District**”) rights, interest in, and obligations under the Water Supply Contract with the State of California Department of Water Resources (the “**DWR**”) concerning the delivery of water from the State Water Project (the “**State Water Supply Contract**”).

AGREEMENT

1. Section 5 of the Joint Exercise of Powers Agreement is amended to include a new subsection “p” as follows:
 - p. To contract with the DWR for delivery of water from the State Water Project, along with all necessary and incidental powers as may be required by the Authority to carry out the Authority’s rights and obligations under the State Water Supply Contract, including, but not limited to, the right to levy a tax or assessment on all properties within the jurisdiction of the Authority not exempt from taxation, as mandated by the California Water Code and the State Water Supply Contract.
2. Except as modified above, the Joint Exercise of Powers Agreement shall continue in full force and effect. In the event of a conflict between this Amendment and the Water Supply Agreement, the terms and conditions of this Amendment shall control in all respects.
3. The individuals executing this Amendment represent and warrant that they have the authority to enter into this Amendment and to perform all acts required by this

Amendment, and that the consent, approval, or execution of or by any third party is not required to legally bind either Party to the terms and conditions of this Amendment.

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IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first above-written.

CITY OF BUELLTON

DATE: _____

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

By: _____

CARPINTERIA VALLEY WATER DISTRICT

DATE: _____

By: _____
President

ATTEST:

Secretary

APPROVED AS TO FORM:

CITY OF GUADALUPE

DATE: _____

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

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GOLETA WATER DISTRICT

DATE: _____

By: _____

President

ATTEST:

Secretary

APPROVED AS TO FORM:

MONTECITO WATER DISTRICT

DATE: _____

By: _____

President

ATTEST:

Secretary

APPROVED AS TO FORM:

CITY OF SANTA BARBARA

DATE: _____

By: _____

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

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CITY OF SANTA MARIA

DATE: _____

By: _____

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

**SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT #1**

DATE: _____

By: _____

President

ATTEST:

Secretary

APPROVED AS TO FORM:

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ATTACHMENT A
Schedule of Parties

Carpinteria Valley Water District City
of Buellton
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

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EXHIBIT B
SECOND AMENDMENT
to the
WATER SUPPLY AGREEMENT
By and Between
CENTRAL COAST WATER AUTHORITY
and CITY OF SANTA BARBARA

This Second Amendment (“**Amendment**”) to the Water Supply Agreement dated September 3, 1991 (“**Water Supply Agreement**”) is made effective as of _____, 2017 by and between the Central Coast Water Authority (“**Authority**”) and the City of Santa Barbara (the “**Contractor**”) (each, a “**Party**” and collectively, the “**Parties**”). Unless otherwise provided herein, all defined terms used in this Amendment shall have the same meaning as set forth in the Water Supply Agreement.

RECITALS

A. The Authority is a joint powers agency formed for the purpose of constructing and operating certain facilities needed to convey and treat State Water Project water to Santa Barbara and San Luis Obispo Counties. Contractor is a signatory to the Joint Powers Agreement that formed the Authority, or is a successor in interest.

B. Pursuant to the Water Supply Agreement, the Contractor agreed to assign to the Authority its contractual rights to receive water from the State Water Project pursuant to the State Water Supply Contract between the State of California, Department of Water Resources (“**DWR**”) and the Santa Barbara County Flood Control and Water Conservation District (“**District**”) and the Water Supply Retention Agreement between the District and the Contractor, and the Authority agreed to sell to the Contractor a certain allotment of water from the State Water Project.

C. The District and the Authority have requested that DWR assign the State Water Supply Contract to the Authority and release the District from all obligations pursuant to the State Water Supply Contract.

D. DWR requires that all parties contracting with DWR for State Water Project water agree to levy a tax or assessment sufficient to provide for all payments under the State Water Supply Contract due or to become due under the State Water Supply Contract in the event the contracting party fails or is unable to raise sufficient funds by other means.

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E. The Parties now desire to amend the Water Supply Agreement to acknowledge and affirm the Authority's power to levy a tax or assessment sufficient to provide for all payments under the State Water Supply Contract due or to become due in the event the Authority fails or is unable to raise sufficient funds by other means, including, but not limited to, those means set forth in Section 5 of the Water Supply Agreement.

F. Concurrent with this Amendment, Contractor and the other signatories to the Joint Powers Agreement, or their successor in interest, intend to amend the Joint Powers Agreement to acknowledge and affirm the Authority's power to levy a tax or assessment sufficient to provide for all payments under the State Water Supply Contract due or to become due within any year that the Authority fails or is unable to raise sufficient funds by other means.

AGREEMENT

1. The Water Supply Agreement is amended to include a new Section 16.5, to be inserted between Section 16 and Section 17, as follows:

16.5. Levy of Tax or Assessment by the Authority. If in any year the Authority fails or is unable to raise sufficient funds by other means, as further provided in Section 5 of this Agreement, to provide for all payments under the State Water Supply Contract due or to become due within that year, Contractor acknowledges and agrees that the Authority shall take all necessary or appropriate steps to levy a tax or assessment upon all property within the Authority not exempt from taxation sufficient to provide for all such payments, as required by the State Water Supply Contract.

2. Except as modified above, the Agreement shall continue in full force and effect. In the event of a conflict between this Amendment and the Water Supply Agreement, the terms and conditions of this Amendment shall control in all respects.
3. The individuals executing this Amendment represent and warrant that they have the authority to enter into this Amendment and to perform all acts required by this Amendment, and that the consent, approval, or execution of or by any third party is not required to legally bind either Party to the terms and conditions of this Amendment.

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IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first above-written.

CITY OF SANTA BARBARA

DATE: _____

By: _____

ATTEST:

APPROVED AS TO FORM:

CENTRAL COAST WATER AUTHORITY

DATE: _____

By: _____

Chairman of the Board

APPROVED AS TO FORM:
Brownstein Hyatt Farber Schreck, LLP

Stephanie Osler Hastings

Draft

EXHIBIT C



Posting Start Date (Above)
End Date (Above)

Posting

County Clerk of the Board

Signature _____

NOTICE OF EXEMPTION

TO: COUNTY CLERK OF THE BOARD
COUNTY OF SANTA BARBARA
105 E. ANAPAMU STREET
SANTA BARBARA, CA 93101

FROM: CITY OF SANTA BARBARA
PLANNING DIVISION
P.O. BOX 1990
SANTA BARBARA, CA 93102-1990

Project Title: Second Amendment to Water Supply Agreement Between Central Coast Water Authority (CCWA) and the City of Santa Barbara and First Amendment to Joint Exercise of Powers Agreement Creating CCWA.

Project Applicant: Kelly Dyer, Water Supply Manager

Assessor's Parcel Number: NA

Land Use Zone: Various

Projection Location (Specific): CCWA is a joint powers agency that was formed to construct, own, and operate certain facilities needed to treat, convey, and deliver State Water Project (SWP) water to its member agencies, which include the cities of Buellton, Guadalupe, Santa Barbara, and Santa Maria, the Carpinteria Valley Water District, as successor in interest to the Carpinteria County Water District, the Goleta Water District, Montecito Water District, and the Santa Ynez River Water Conservation District, Improvement District No. 1 (individually, a Member, and collectively, the Members), all of which are located in the Santa Barbara County (County). CCWA's service area is coextensive with the service area boundaries of its Members.

The SWP is owned and operated by the State of California's Department of Water Resources (DWR), headquartered in Sacramento, California.

Project Location: City of Santa Barbara / County of Santa Barbara

Project Description: The City of Santa Barbara receives imported water from the State Water Project through a Water Supply Agreement with the Central Coast Water Authority (CCWA). CCWA is a joint powers authority formed in 1991 to finance, construct, manage and operate regional treatment and conveyance facilities that deliver State Water to its member agencies. CCWA, however, does not hold the current State Water Contract with the State Department of Water Resources (DWR). The State Water Contract with DWR is held by Santa Barbara County Flood Control and Water Conservation District (County). These agreements would make CCWA eligible to become the State Water Contract holder with DWR.

Name of Public Agency Approving Project: City of Santa Barbara City Council

Name of Person or Agency Carrying Out Project: City of Santa Barbara Public Works

Lead Agency Contact: Kelly Dyer Telephone: (805) 564-5571

Exempt Status: Title 14, CCR, Chapter 3, Article 5, Section 15061(b)(3); Article 19, Section 15320 (Changes in Organization of Local Agencies); and Article 19, Section 15301(b) (Existing Public Facilities).

Reason Why Project is Exempt: For the reasons stated below, this project is determined to be exempt from further CEQA review per CEQA Guidelines sections 15060(c)(2) and (c)(3), 15061(b)(3), and 15378, which provide that a public agency may determine an activity to be exempt based upon the general rule that CEQA applies only to projects that have a potential for causing a significant effect on the environment. (Applicable provisions of CEQA Guidelines section 15378(b)(4) include the following: project does not include the creation of a government funding mechanism or other fiscal activity that involves a commitment to a specific project that may result in a potentially significant environmental impact; and project does not include an organizational or administrative activity of government that will result in direct or indirect physical changes to the environment. Further, this project is exempt under CEQA Guidelines section 15320 categorical exemption (Class 20, Changes in Organization of Local Agencies).

1. For the past 26 years, CCWA has assumed full responsibility for performance of the State Water Supply Contract pursuant to the TFRA. CCWA has paid all of the costs charged to the District under the State Water Supply Contract.
2. The project involves two amendments that would authorize CCWA to complete an assignment of rights under the State Water Supply Contract from the District to CCWA, formalizing the existing circumstances, rights, and obligations of the parties. In other words, the project would authorize a change in organization with no corresponding physical environmental effects.
3. The proposed approvals will authorize a substitution of CCWA for the District as the contracting party for the State Water Supply Contract. In all other respects, the State Water Supply Contract, the Water Supply Agreement, and the Joint Exercise of Powers Agreement will remain the same.

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4. The area in which SWP water will be delivered will be the same; CCWA's service area will remain the same. The scope of contract rights and obligations to DWR under the State Water Supply Contract will be identical. The facilities used to deliver SWP water to the County will be identical. The transaction will not affect a change in the environment.
 5. There is no causal link between the action – approval of agreements to authorize assignment of rights – and any environmental impacts. The character of the supply, method of delivery, the place of use, and the population served would remain the same. There is no reasonable argument that the authorization of assignment will have a significant impact on the environment, either directly or indirectly.
 6. Amendment of the Joint Exercise of Powers Agreement and the City of Santa Barbara's Water Supply Agreement, as necessary to perfect assignment, does not dictate how funds will be spent, or narrow options or alternatives available to the parties.
 7. The assignment to CCWA will be similar to that included in CEQA Guidelines section 15320(a), which exempts the establishment of a subsidiary district (with the same powers).

Environmental Analyst Signature: _____

Date: _____