

**Joint Special Board Meeting of the
Carpinteria Valley Water District
and the
Cachuma Operation & Maintenance Board**

**Monday, September 21, 2009 at 4:00 p.m.
to be held at
Carpinteria Valley Water District
1301 Santa Ynez Avenue
Carpinteria, CA**

Agenda

1. **CVWD Call to Order and Roll Call, President Lemere
COMB Call to Order and Roll Call, President Williams
Pledge of Allegiance**
2. **Public Comment.** (Any member of the public may address and ask questions of the Boards relating to any matter not on the agenda and within the jurisdiction of the Boards.)*(5 minutes)*
3. **COMB Bond Issues**
 - a. **COMB's Proposed 2009 Revenue Bond Issue to fund capital improvement projects.**
 - b. **CVWD's equity concerns related to cost sharing of debt service for proposed COMB bond issue.**
4. **Possible future actions by COMB and/or CVWD to address CVWD's equity concerns.**
5. **Adjournment**

NOTICE TO PUBLIC

Public Comment: Any member of the public may address the Boards on any subject within the jurisdiction of the Boards that is not scheduled for a public hearing before the Boards.

Speakers: Any person wishing to speak to an item on the agenda is requested to file a "Request to Speak" form. The Chair may limit the time allowed to speak.

Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Cachuma Operation and Maintenance Board office at (805) 687-4011 at least 48 hours prior to the meeting to enable the Board to make reasonable arrangements.

[This Agenda was posted at 3301 Laurel Canyon Road, Santa Barbara, CA
at 1301 Santa Ynez Ave, Carpinteria, CA, at Santa Barbara City Hall, Santa Barbara, CA
and at Member Unit District Offices and Noticed and Delivered in Accordance with
Section 54954.1 and .2 of the Government Code.]

COMB OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: September 21, 2009
TO: COMB and CVWD Boards of Directors
FROM: Kate Rees, COMB General Manager
RE: **COMB's Proposed CIP 2009 Revenue Bond**

COMB's CIP Projects to be Funded by the Proposed Revenue Bond

In order to facilitate approval of the Indemnification Agreement with the SYR Water Conservation District, ID1, the original suite of projects to be funded by the COMB bond has been modified. The COMB Office Building Project was removed from the project list, and the SCC In-Line Valve Installation Project and Lauro Reservoir, Barker Pass, and Sheffield Tunnel Vent Rehabilitation Project were added in its place. The total amount of the revenue bond issue would still be approximately \$16,725,000 (assuming about a 5.4% interest rate) plus COMB will receive \$3,200,000 from Prop 50 for the 2nd Pipeline Project.

The following is a proposed revised "2009 Project" list with current planning cost estimates. These will be adjusted as actual bids for the projects are received.

SCC Upper Reach Reliability Project (2 nd Pipeline Project)	\$9,075,000
SCC Mission Creek Crossing and Fish Passage Project plus two other Creek Crossings	\$3,025,000
SCC In-Line Valve Installation (4 locations)	\$2,000,000
SCC Corrosion Repairs of Appurtenances (laterals and meters)	\$2,500,000
Lauro Reservoir, Barker Pass, and Sheffield Tunnel Vent Rehab	\$ 500,000
SCC Right of Way Definition Program	<u>\$1,000,000</u>
TOTAL	\$18,100,000

Status of Cachuma Member Unit Bond Approval

SYR Water Conservation District, ID1

On August 18th, the ID1 Board approved the COMB bond, on the condition that the office building be removed from the project list, and on the condition that COMB and the other Member Units approve the 8/18 draft Agreement in substantially the same form. That agreement was modified and approved by COMB on 8/31/09, and is acceptable to ID1.

Carpinteria Valley Water District

On August 26, 2009, the CVWD Board voted not to approve the Joint Participation Agreement for the COMB bond issue, but were open to further discussion and reconsideration of its vote at a future meeting.

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Goleta Water District

On September 8, 2009, the GWD Board voted approval of the Joint Participation Agreement and the COMB bond issue. The Board also approved the Indemnification Agreement.

Montecito Water District

On September 15, 2009, the MWD declined to participate in the COMB bond issue. Instead the Board decided it would self fund its share of the suite of proposed CIP projects directly to avoid paying the interest associated with the 30 year bond obligation. Doug Brown, COMB's bond counsel, is drafting a separate agreement between MWD and COMB that will incorporate similar language as in the JPAs, to assure COMB and the member units that MWD will pay its share of all projects costs. The MWD Board also requested to review project specification and bids for the CIP projects. COMB's Operating Committee and Project Review Ad Hoc Committee is set up to do this. Once Mr. Brown completes the draft agreement, it will be reviewed by Chip Wullbrandt on behalf of MWD, and counsel for COMB, GWD, CVWD, and the City. It must then be approved by MWD and COMB. Approval of the COMB bond issue will come back to the MWD Board for approval by resolution.

City of Santa Barbara

The City Council is currently scheduled to consider approval of its JPA and Appendix to COMB's Official Statement at its September 22, 2009 meeting. They will also consider the Indemnification Agreement at that time.

Revised Bond Schedule

Attached is a revised bond process schedule provided by COMB's Financial Advisor, KNN.

Respectfully submitted,



Kate Rees
COMB General Manager

kr.comb/admin/092109_COMB-CVWD joint mtg staff.mmo



(As of September 16, 2009)

September							October						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5					1	2	3
6	7	8	9	10	11	12	4	5	6	7	8	9	10
13	14	15	16	17	18	19	11	12	13	14	15	16	17
20	21	22	23	24	25	26	18	19	20	21	22	23	24
27	28	29	30				25	26	27	28	29	30	31

November							December						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7			1	2	3	4	5
8	9	10	11	12	13	14	6	7	8	9	10	11	12
15	16	17	18	19	20	21	13	14	15	16	17	18	19
22	23	24	25	26	27	28	20	21	22	23	24	25	26
29	30						27	28	29	30	31		

Date	Activity	Responsibility
September 2009	<ul style="list-style-type: none"> Member agencies approve and ratify debt issue Montecito 9/15 - 2pm (Agenda Deadline 8/13) Joint COMB/Carpinteria meeting 9/21 Santa Barbara City Council 9/22 - 2pm(Agenda Deadline 7/18) 	All
Thursday, September 10	Receive Bids from Contractors (2 nd Barrel)	COMB
Wednesday, October 14	Carpinteria (CVWD) approves	
Thursday, October 15	Due diligence calls with Member Units	All
Friday, October 16	Financing Documents distributed to Rating Agencies/Insurers	FA
Week of October 26	Conference Calls/meetings with Rating Agencies	CITI, COMB, FA, SYCR
	COMB Board approves	
Friday, November 6	Receive Ratings From Rating Agencies/Insurance Quotes	FA
Monday, November 9	Working Group finalizes POS	SYCR, All

Date	Activity	Responsibility
Tuesday, November 10	Print and Distribute Preliminary Official Statement	SYCR
Wednesday, November 18	Pre-Price Bonds	CITI, COMB, FA
Thursday, November 19	Price Bonds and Sign Purchase Contract	CITI, COMB, FA
Wednesday, November 25	Print Final Official Statement	SYCR
Wednesday, December 2	Pre-close	All
Thursday, December 3	Closing and Delivery of Funds	All
December 9, 2009	Last day to Award Contract if bids received September 10	COMB

Responsible Parties

Cachuma O&M Board	COMB
Carpinteria Board	CVWD
Goleta Board	GWD
Montecito Board	MWD
Santa Barbara City Council	SB
Bond Counsel	SYCR
Financial Advisor	FA
Underwriter	CITI
Underwriter's Counsel	BALLARD
Trustee	BNY



Carpinteria Valley Water District

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GENERAL MANAGER

Charles B. Hamilton

Memo

To: Charles B. Hamilton
From: Bob McDonald, District Engineer
Date: September 15, 2009
RE: Second Barrel Project Benefits Analysis

Purpose

Staff was directed to analyze COMB's Second Barrel Project to identify benefits to CVWD. District Staff completed a general review of the COMB Capital Improvement Program in November of 2008 in which it identified concerns with the program and some limited concerns with the two projects listed as high priority, the Second Barrel Project and Mission Creek Crossing Project. I have attached the November memo for your review and use.

The intent of this analysis is not to revisit issues discussed in the November 2008 memo, but to analyze further the benefits of the Second Barrel Project.

Background and understanding of the Project

Staff's understanding of the Second Barrel Project is based on the "Reliability Alternatives Study for Upper Reach of the South Coast Conduit." Dated April 8th 2003, COMB 2008-2010 O&M Reliability Program list and presentations given By Boyle Engineering/ AECOM. The Project consists of a new 48 inch "redundant" pipeline that extends from the South Portal of the Tecolote Tunnel to Goleta Water District's Corona Del Mar Water Treatment Plant (CDMWTP). The Pipeline as currently proposed runs parallel and adjacent to the existing pipeline for about 40 to 50 percent of its length. The proposed pipeline's approximate length is 8000 LF. According to the Reliability Alternatives Study the purpose of the project is reliability and capacity.

Reliability

Reliability, for the purposes of this discussion, refers to the degree that the facility will fully perform its function without significant disruption due to failure. In this case the facility is the South Coast Conduit (SCC) and its appurtenances. Reliability in the case of a pipeline is dependent on the point on the pipeline being analyzed. For example, if analyzing a point one mile downstream from the

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beginning of a 50 mile pipeline, one would not be concerned about the condition of the other 49 miles of pipeline. However, if analyzing a point at 49 miles, the analyzer would be concerned about all 49 miles of the pipe upstream. This idea should be factored into the analysis when looking at the SCC's reliability.

In this analysis it should be noted that an element of capacity is included under the heading of reliability. For example, if the pipeline could not supply enough water, due to capacity limitations, to the South Coast agencies during peak periods such that one or more of the agencies could not supply its customers, the pipeline would be considered unreliable. Other issues related to reliability of the SCC include structural failure, corrosion, geologic hazard and right of way encroachment. Each of these issues poses a potential risk to the SCC that can be viewed as reducing the overall reliability.

The Alternative Analysis identifies each of these risk factors for various reaches along the SCC. A couple of areas of acute risk specifically identified include the reach between CDMWTP and Tecolote Tunnel South Portal, and the reach known as the Sheffield Tunnel. Both of these stretches of pipeline are under-designed and could fail due to over-pressure. Both facilities frequently flow at capacity because of high system demands. Both are 50 plus years old and cannot be taken off-line for maintenance and have corrosion issues. It is clear from the Alternatives Analysis that these and other locations along the SCC are deficient and need to be repaired or replaced to improve the overall reliability of the SCC.

There is no question that the Second Barrel project addresses deficiencies and improves reliability. However, as stated above the level of reliability is dependent on the location analyzed. For Goleta Water District the reliability is highly improved because the chance of the SCC not performing its function for GWD is essentially eliminated by the second pipeline. For CVWD the improvement of reliability is only slightly improved because there are existing risk factors in the Sheffield Tunnel and elsewhere along the SCC that remain. Until these factors are addressed the reliability remains poor for the SCC in Carpinteria.

It should be mentioned that in the current list of CIP projects proposed by COMB, the Sheffield Tunnel is listed for a study but no repairs are accounted for in the program.

Capacity

Capacity for the purpose of this discussion refers to the rate at which a volume of water can be conveyed through a facility under normal conditions. Excluded from this discussion is the "demand" placed on the SCC facility with respect to capacity. The reason for this exclusion is that Staff does not believe that "demand" on the SCC has been sufficiently analyzed for the current time period and therefore is indeterminate. As operators of the facility we know that it has operated at capacity periodically but we don't have any statistical analysis to clearly show for how long, how often and under what conditions to expect these events. Therefore this discussion will focus on the existing capacity of SCC and any improved capacity gained by constructing the Second Barrel Project.

The Second Barrel Project consists of an additional 48 inch pipe to parallel the existing 48 inch pipe between South Portal of the Tecolote Tunnel and CDMWTP. The Existing capacity of the single pipe is approximately 41 MGD. The addition of a second pipe with the same diameter intuitively brings the capacity to 82 MGD. However, the Tecolote Tunnel which is upstream of the project has a capacity of 65 MGD and therefore limits the flow supplied to the improved reach. Unless the Tecolote Tunnel capacity is improved or water is pumped from Glen Annie Reservoir into the Second Barrel reach the functional capacity of the improved facility is 65 MGD. The CDM treatment plant peak capacity is 36 MGD. It is assumed that the plant will be operating at its maximum level during a peak event. That means the remaining capacity for Cater Treatment Plant will be 29 MGD. This is below the Treatment Plant Capacity 37 MGD which should not be a problem because the Lauro Reservoir (125 MG Storage) can provide buffering of peak demands.

Although gains in capacity upstream are important for Cater TP there is also a limitation on what Cater can deliver through the SCC downstream (South). The SCC capacity through the reach south of Cater is limited to 18 MGD to the Sheffield Tunnel and 13 MGD from the Tunnel to Ortega and finally 10.5 MGD from Ortega to Carpinteria. These capacities are unaffected by the Second Barrel Project. There is also anecdotal evidence during peak events Cater struggles to keep Ortega and Carpinteria Reservoirs filled in spite of the availability of water upstream of Cater.

See table below for a summary of capacities along the SCC.

Reach	Existing Capacity	Improved Capacity after Second Barrel
Tecolote Tunnel	65 MGD	65 MGD
Goleta Reach: TTSP to CDMWTP	41 MGD	65 MGD
Goleta Reach: CDMWTP to Lauro Reservoir	41 MGD	41 MGD
Carp Reach: Cater to Sheffield Tunnel	18 MGD	18 MGD
Carp Reach: Sheffield Tunnel to Ortega Reservoir	13 MGD	13 MGD
Carp Reach: Ortega Reservoir to Carpinteria Reservoir	10.5 MGD	10.5 MGD

Much in the same way that reliability benefits of the Second Barrel Project are not as significant for Carpinteria as they are for upstream users, capacity benefits turn out not to benefit Carpinteria without other projects to improve the lower reaches of the SCC.

Operational Flexibility

One factor that has not been discussed with respect to the Second Barrel Project is operational flexibility. This is a benefit gained by COMB exclusively. This means COMB can more effectively carry out O&M on the SCC facilities because it has more flexibility with the facility. An example of this is that COMB can schedule maintenance or inspections on one pipeline while the other remains in service. This efficiency results in less cost to maintain and operate that portion of the pipeline. It could be argued that that in turn benefits all the member agencies with lower COMB costs.

Conclusions

The Second Barrel Project has many benefits including reliability and additional capacity for all members of the South Coast only if considered as part of a larger program to repair ALL deficiencies along the entire reach of the South Coast Conduit. The Second Barrel project apart from these other necessary projects benefits upstream users alone. CVWD could best support the Second Barrel Project in the context of a COMB adopted program addressing all SCC deficiencies.



Carpinteria Valley Water District

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GENERAL MANAGER

Charles B. Hamilton

MEMO

To: Charles B. Hamilton, General Manager
From: Bob McDonald, District Engineer
Date: November 12, 2008
RE: COMB Capital Improvement Projects Program Evaluation

Staff has reviewed the proposed CIP program project components. In its review several objectives were used to analyze the program. The objectives include reliability, capacity, safety and operational flexibility. Each proposed project was reviewed for consistency with these goals. It should be noted that although CVWD holds Water Quality as co-equal goal to those given above, COMB does not have that mandate. Reliability in this analysis refers to the degree that the facility will perform its function without significant interruption. Capacity in this analysis refers to the amount of water conveyable through the facility. Safety in this analysis refers to the safe keeping of life, health and property of personnel and the general public. Operational Flexibility in this analysis refers to the ability for COMB staff to operate the systems to meet maintenance, emergency and other atypical operational needs. Attached in Appendix A is a table with a list of the COMB projects with a summary evaluation for each project

Additionally, known issues along the Carpinteria reach of the Cachuma project are discussed herein and should be further analyzed to determine if significant deficiency exist to warrant addition to the currently proposed CIP program.

The proposed COMB CIP Program consists of 17 projects valued at \$25.68 million dollars located from Tecolote Tunnel South Portal to Carpinteria Reservoir. (See attached map in Appendix B.) Twenty million dollars worth of projects are proposed to be completed in two to three years using COP and Proposition 50 grant monies. Projects are to be completed based on

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a ranked project list shown in Table 1. The remaining \$5.7 million worth of projects will remain on the list until subsequent funding becomes available. The current collection of special projects funding from the member units is approximately \$1.3 million per year. Under the current COMB proposal approximately \$1.1 million of this revenue stream will be used for COP debt repayment, starting in FY2010 or 2011 and ending in 2040 or 2041, leaving a balance of \$200,000 per year for other projects. It is unlikely during the intense initial two to three year period of capital projects any additional projects will be undertaken. This means after the COP funded projects are completed, COMB will have an estimated \$400,000 to \$800,000 in reserves for remaining projects. However, even after year 3 of the program there will be upwards of \$5 million in unfunded projects, not to mention new projects yet to be defined. Additional funding for projects may be available in 2015 using the current Cachuma Project debt repayment revenue stream that will be fully repaid in 2015. This revenue stream is approximately \$1 million per year.

If this revenue stream alone is used to fund remaining projects, it will take approximately 7 to 10 years to complete the remaining 12 or 13 projects. While the current stated planning horizon for the proposed Capital Improvement Program is two to three years it is in essence a plan that spans 12 years due to funding constraints.

Table 1- COMB Prioritization of Project Components and Cost Distribution

No.	Project Component Description	Estimated Cost	Priority - Very High	Priority - High	Priority - Medium	Priority - Low
1	SCC Second Barrel Pipeline, Upper Reach	\$ 9,165,000	\$ 9,165,000			
2	Reliability Study (Reaches 3 and 4)	\$ 150,000				\$ 150,000
3A	SCC Mission Creek Crossing and Fish Passage	\$ 2,300,000	\$ 2,300,000			
3B	Six SCC Creek Crossings	\$ 1,500,000		\$ 1,500,000		
4	SCC In-Line Valve Installation (4 Locations)	\$ 2,600,000		\$ 2,600,000		
5	Lauro Reservoir, Barker Pass and Sheffield Tunnel Vent Rehabilitation	\$ 500,000		\$ 500,000		
6A	SCC Corrosion Repairs at Appurtenances	\$ 2,075,000		\$ 2,075,000		
6B	SCC Corrosion Repairs at Appurtenances	\$ 1,940,000			\$ 1,940,000	
7	SCC Modifications to Reduce Air Binding	\$ 100,000			\$ 100,000	
8	Glen Anne Weir Modifications	\$ 150,000				\$ 150,000
9	COMB Office Building Replacement	\$ 3,000,000	\$ 3,000,000			
10	Reconfigure Control Station Piping to Reduce HL	\$ 630,000				\$ 630,000
11	Goleta West Meter Modifications	\$ 200,000			\$ 200,000	
12	Right-of-Way Definition Program	\$ 1,000,000		\$ 1,000,000		
13	Investigation of Probable Repairs to the Tecolote Tunnel Lining	\$ 85,000			\$ 85,000	
14	Lake Cachuma Intake Tower Rehabilitation (lower gate operability)	\$ 85,000			\$ 85,000	
15	Elevator Shaft Rehabilitation (requires extensive repairs to reduce water intrusion)	\$ 50,000				\$ 50,000
16	Cachuma Lake Intake Tower Rehabilitation (Seismic Upgrade Investigation)	\$ 100,000				\$ 100,000
17	Sheffield Tunnel Pipe Replacement Investigation	\$ 50,000				\$ 50,000

Two projects are ranked “very high priority” in COMB’s analysis. They are the SCC Second Barrel Project and SCC Mission Creek Crossing and Fish Passage. The Second Barrel Project, a \$9.2 million project, was first identified in the 2003 COMB Reliability Alternatives Study for the Upper Reach of the South Coast Conduit. The project consists of the construction of a redundant pipeline for the SCC from the South Portal of Tecolote Tunnel to Corona Del Mar Treatment Plant. The project is highly ranked for several reasons identified in the Reliability Alternatives Report. First, the report states, “The capacity deficiencies for the SCC in the upper portion of the Upper Reach is approximately 75% of max day demand.” This implies that, given

current demands, the pipeline can only deliver slightly more than 50% of demand during peak demand periods and the system must rely on reservoir storage to meet demand. Although this is not an unusual situation for many water purveyors, it is not ideal. Second, the report states, "Significant sections of the upper portion of this reach of the SCC are structurally under reinforced by current design standards for the existing soil conditions." This would appear to be of extreme concern given that SCC is a single pipeline that could cause widespread water outages if significant failure were to occur in this section.

The second "very highly ranked" project, Mission Creek pipeline crossing, a \$2.3 million project, was first identified in the Reliability and Alternatives Study for the South Coast Conduit between Cater Booster Pump and Ortega Reservoir. It was identified as one of 10 potentially hazardous creek crossings. Subsequent analysis apparently has been completed on this particular location as to rank it so highly. According to the project description, the work would be done in conjunction with a City of Santa Barbara project to improve the stream for migrating salmon. Additionally, the project description indicates that the SCC pipe has been damaged by rock impact and repaired with a temporary concrete cap. This damaged pipe should be permanently repaired to maintain reliability. Since various elements of work need to be done, i.e. lowering pipeline below the scour line, replacing section of damaged pipe, removal of temporary concrete cap and reconfiguring of stream bed for improved fish passage, it is likely that efficiencies will occur if project is taken on as a single project.

The CIP Program also identified six projects valued at \$10.675 million ranked as "High Priority". A complete analysis was not done on these projects due to time constraints. Additional analysis can be done in the coming weeks in order to better evaluate this group of projects. Of note among the projects listed as "High Priority", are the SCC Line Valve Projects, SCC Corrosion Repairs, SCC Right of Way Definition Program and Lauro, Barker and Sheffield Vent Rehab. These projects increase both reliability and operation flexibility and appear to have a more urgent need.

Projects ranked medium and low will unlikely be completed within the next five years. Therefore a review of these projects can be done as they become more immediate and as funding is being sought. There are projects in the low priority category that should be considered higher priority, in the opinion of staff. Of particular interest to Carpinteria Valley Water District are the phase 3 and 4 Reliability and Alternatives Study. This study will review and identify deficiencies on the Carpinteria Reach of the SCC. A complete analysis of the entire project should be considered prior to embarking on a multimillion dollar capital improvement program.

In the absence of the above mentioned study it seems appropriate to point out a few known deficiencies in the Carpinteria Reach that staff is already aware of and may warrant a closer

look in light of the coming CIP program. These deficiencies include inadequate metering to the Carpinteria Valley, potential need for bypass piping in areas that the SCC flows cannot be conveyed or backfilled during shutdown, safety modification at Carpinteria Reservoir, valve replacement at Carpinteria Control Station, and turnout rehabilitation at laterals.

Conclusions and Recommendation

Given the long term obligations associated with the COPs and the likelihood of other projects arising from the SCC Reliability and Alternatives Studies phases 3 and 4, it is reasonable to think that more funding will be needed within the planning horizon of the CIP program. Discussion should be included in either the Proposed COP Issue Preliminary Official Statement or in an updated Capital Projects Plan regarding the implications of funding constraints. Additionally, attention should be given to other funding opportunities, particularly for projects with an element of streambed rehabilitation. These types of projects are gaining favor in the grant funding programs at both State and Federal levels.

The cost associated with the Mission Creek crossing, \$2.8 million, seems excessive given that there are six other crossings proposed totaling only \$1.5 million. If the fish passage portion of the project is driving the costs for this project, then the City of Santa Barbara should carry the cost burden of that portion of the project.

Strong consideration should be given to completing the SCC Reliability Studies phase 3 and 4 prior to completion of any of the "High Priority" projects.

If the SCC Reliability and Alternatives Study cannot be completed prior to implementation of projects, an effort to preliminarily study SCC Reaches 2 and 4 with the member units staff in order to better identify and rank known deficiencies in those reaches should be made.

Appendix A- Project Evaluation Matrix

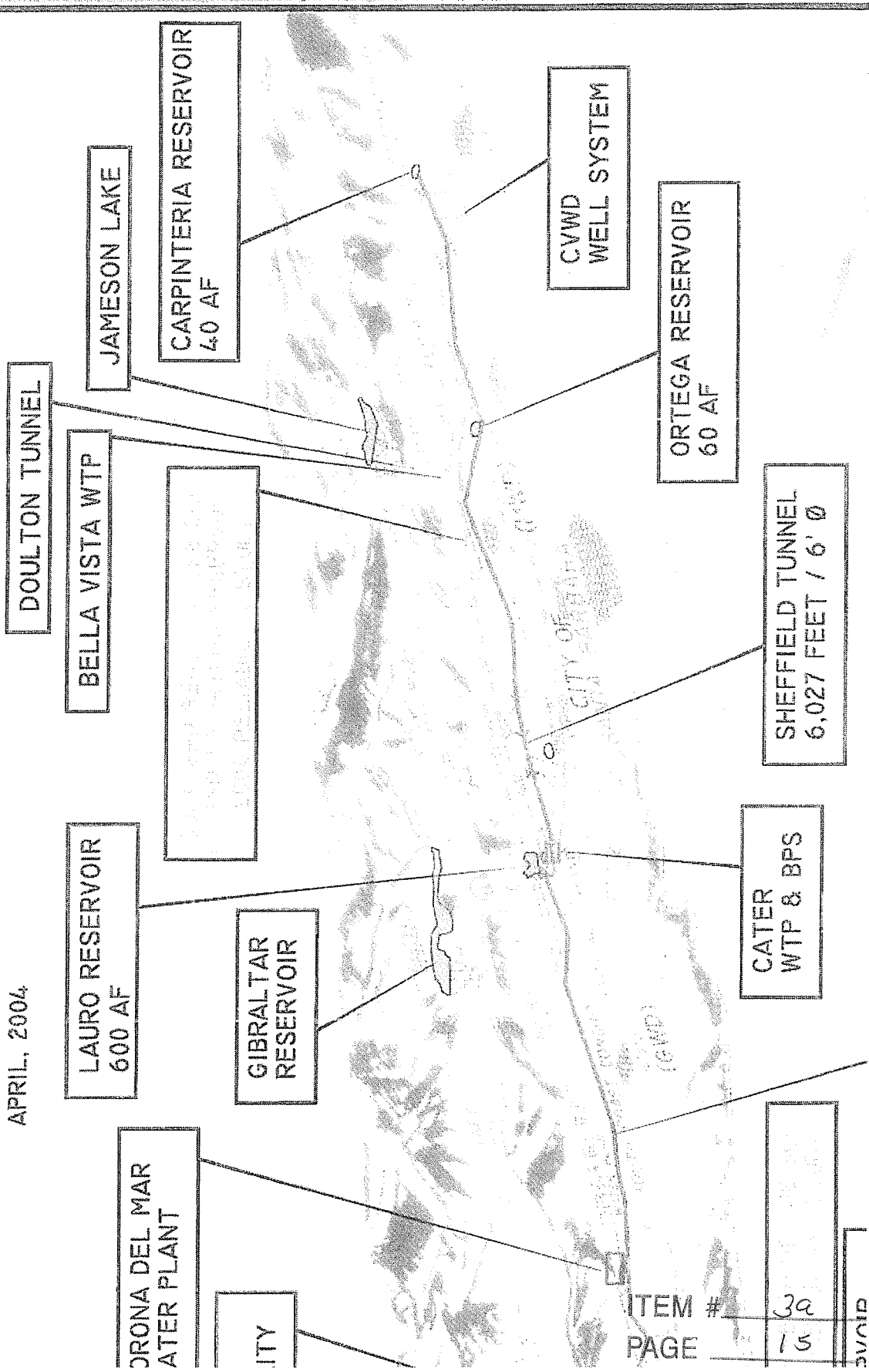
Proj Num	Project Name	Reach/ Facil	Budget	Type of Project	Meets Goal			
					Reliability	Capacity	Safety	Operational Flexibility
1	SCC Second Barrel Project	Upper	\$ 9,165,000.00	New Construction	Yes	Yes	No Effect	Yes
2	SCC Reliability Study ph 3 and 4	Upper/Lower	\$ 150,000.00	Study	yes	yes	No Effect	yes
3A	Mission Creek Crossing w/ Fish Passage	Lower	\$ 2,300,000.00	Improvement of exist facility	Yes	No Effect	No Effect	No Effect
3B	Six SCC Creek Crossings	Upper/Lower	\$ 1,500,000.00	Improvement of exist facility	Yes	No Effect	No Effect	No Effect
4	SCC Inline Valve installations	Upper/Lower	\$ 2,600,000.00	Improvement of exist facility	Yes	No Effect	No Effect	Yes
5	Lauro Reservoir, Barker Pass and Sheffield tunnel Vent Imp.	Upper/Lower	\$ 500,000.00	Improvement of exist facility	No Effect	yes	yes	No Effect
6A	SCC Corrosion Repairs at Appurtenances	Upper/Lower	\$ 2,075,000.00	Rehab of exist Facility	yes	No Effect	No Effect	Yes
6B	SCC Corrosion Repairs at Appurtenances	Upper/Lower	\$ 1,940,000.00	Rehab of exist Facility	yes	No Effect	No Effect	Yes
7	SCC Modifications To Reduce Air Binding	Lower	\$ 100,000.00	Improvement of exist facility	Yes	Yes	No Effect	No Effect
8	Glen Annie Wier Modifications	Upper	\$ 150,000.00	Improvement of exist facility	Yes	Yes	No Effect	Yes
9	COMB Office Bldg	N/A	\$ 3,000,000.00	New Construction	No Effect	No Effect	Yes	No Effect
10	Reconfiguration Control Station Pipe to Reduce Head Loss	Upper	\$ 630,000.00	Improvement of exist facility	Yes	Yes	No Effect	Yes
11	Goleta West Meter Modifications	Upper	\$ 200,000.00	Improvement of exist facility	No Effect	Yes	No Effect	Yes
12	SCC Right Of Way investigation	Upper/Lower	\$ 1,000,000.00	Study/ New Construction	Yes	No Effect	No Effect	Yes
13	Investigation of Probable Repairs To Tecolote Tunnel Lining	Tecolote	\$ 85,000.00	Study	Yes	No Effect	No Effect	No Effect
14	Investigation of Probable Rehabilitation of Lake Cachuma Intake Tower	Cachuma	\$ 85,000.00	Study	Yes	No Effect	No Effect	No Effect
15	Investigation of Probable Rehabilitation of Intake Tower Elevator Shaft	Cachuma	\$ 50,000.00	Study	Yes	No Effect	Yes	No Effect
16	Investigate Probable Seismic upgrade of Lake Cachuma Intake Tower	Cachuma	\$ 100,000.00	Study	Yes	No Effect	Yes	No Effect
17	Investigation of potential Sheffield Tunnel Pipe Replacement	Lower	\$ 50,000.00	Study	Yes	Yes	No Effect	No Effect
	Total		\$ 25,680,000.00					

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- POTABLE WATER SUPPLY OVERVIEW
 SOUTH COAST AREA
 OF
 SANTA BARBARA COUNTY

APRIL, 2004



Memo

To: Rate & Budget Committee
From: Charles B. Hamilton
CC: Norma Rosales; Bob McDonald; Alex Keuper
Date: June 2, 2009
Re: COMB 2009 bond issue cost sharing

Recommendation:

Recommend to full Board that this District formally request of COMB that a new methodology, described below, be used by COMB to address cost sharing of the **debt service for the proposed 2009 \$16 million bond issue** by COMB. This methodology is as follows:

Each year, for the \$16 million bond issue, the amount of debt service (~\$1,100,000) based on the old Cachuma entitlement percentages (Goleta 40.42%; Santa Barbara 35.89%; Carpinteria 12.2%; Montecito 11.5%) paid by the four South coast agencies is to be adjusted by a usage based calculation. The difference of the two will result in an annual adjustment in the form of a credit or debit to the following year's debt service payment obligation.

For example, using FY 07-08 actual usage numbers (see attached Table 2) the City of Santa Barbara's cost share of **\$394,793** (using the old Cachuma entitlement percentage - 35.89% of \$1.1 million) would be adjusted based on total actual usage cost total of **\$389,056**, calculated below:

$\$1.1 \text{ million (annual debt service)} / 32,672 \text{ AF (total all agency usage)} = \$33.67/\text{AF}$
 $\$33.67 \text{ AF} \times 11,555 \text{ AF (total Santa Barbara usage)} = \mathbf{\$389,056}$.

Santa Barbara would then receive a credit of \$5,736 applied to the next year's debt service payment, as follows: $\$394,793 - \$389,056 = \$5,736$.

Following this methodology for other agencies, Montecito would be debited \$26,853; Carpinteria credited for \$30,806; and Goleta credited for \$8,998. La Cumbre would contribute \$17,744.

Background:

- 1) Existing costs for the maintenance of the COMB facilities are fixed and based on entitlement allocations derived when the Cachuma Project was constructed in the 1950s;
- 2) There are, however, new realities of water use through Cachuma facilities, including:
 - a. New sources of water supply, most notably imported State Water;
 - b. Other agencies, not COMB members, utilize Project facilities and do not pay for system maintenance and improvements.

The following Table 1 illustrates **Cachuma and State Water allocations** for all South Coast water agencies; Table 2 illustrates **all water use** for FY 2007-08.

Table 1: South Coast Water Agencies' Cachuma and State Water Project Allocations

	Cachuma Allocation		State Water Project Table A Allocation		TOTAL	
	AF	%	AF	%	AF	%
Goleta Water District	9,321	40.4%	7,000 *	43.1%	16,321	41.5%
City of Santa Barbara	8,277	35.9%	3,000	18.5%	11,277	28.7%
Montecito Water District	2,651	11.5%	3,000	18.5%	5,651	14.4%
Carpinteria Valley Water District	2,813	12.2%	2,000	12.3%	4,813	12.2%
TOTAL (AF)	23,062	100.0%				
La Cumbre Mutual Water Co.			1,000	6.2%	1,000	2.5%
Morehart Land Co.			200	1.2%	200	0.5%
Raytheon Systems Company			50	0.3%	50	0.1%
TOTAL (AF)			16,250	100.0%	39,312	100.0%

* Goleta Allocation = 4,500 AF + 2,500 AF 'additional' Table A water

Source: Cachuma Operations and Maintenance Board (COMB) and Central Coast Water Authority (CCWA)

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Table 2: South Coast Water Agencies' Cachuma and State Water Project Use for FY 2007-08

	Cachuma Use FY 2007-08		State Water Project Table A FY 2007-08 Delivered		TOTAL	
	AF	%	AF	%	AF	%
Goleta Water District	11,328	39.7%	1,609	38.9%	12,937	39.6%
City of Santa Barbara	11,555	40.5%	0	0.0%	11,555	35.4%
Montecito Water District	2,718	9.5%	1,835	44.4%	4,553	13.9%
Carpinteria Valley Water District	2,936	10.3%	134	3.2%	3,070	9.4%
TOTAL (AF)	28,537	100.0%				
La Cumbre Mutual Water Co.			527	12.7%	527	1.6%
Morehart Land Co.			30	0.7%	30	0.1%
Raytheon Systems Company			0	0.0%	0	0.0%
TOTAL (AF)			4,135	100.0%	32,672	100.0%

Source: Cachuma Operations and Maintenance Board (COMB) and Central Coast Water Authority (CCWA)

COMB Preliminary Bond Budget

May 2009

	Second Barrel Pipeline Project	Mission Creek Crossing	SCC South Reach Rehab Project	Right-of-Way Definition Program	COMB Office Building	Project Totals
Engineering	\$ 700,000	\$ 500,000	\$ 150,000	\$ 250,000	\$ 310,000	\$ 1,660,000
Construction	6,000,000	1,700,000	2,120,000	150,000	1,750,000	11,570,000
Right-of-Way/Surveys	350,000	50,000	-	400,000	-	400,000
Environmental Mitigation	125,000	75,000	-	75,000	230,000	430,000
Construction Management	740,000	400,000	-	-	300,000	1,440,000
Contingency	1,150,000	300,000	250,000	125,000	300,000	2,000,000
	\$ 9,065,000	\$ 3,025,000	\$ 2,520,000	\$ 1,000,000	\$ 2,890,000	\$ 18,500,000

Projected Net Bond Proceeds \$ 15,300,000 Assumes 5.4% interest rate - \$1.1m annual debt service repayment (Principal and Interest)
 Prop 50 Funding Proceeds \$ 3,200,000
 \$ 18,500,000 (Amortized for 30 years)

Annual Debt Service Repayment

GWD	40.42%	\$444,586.91
City of Santa Barbara	35.89%	\$394,793.18
CVWD	12.20%	\$134,173.26
MWD	11.50%	\$126,446.65
	100.00%	\$1,100,000.00

Project Descriptions

Second Barrel Pipeline Project

Reliability water pipeline constructed between South Portal of Tecelote Tunnel and Corona Del Mar Turnout.

Mission Creek Pipeline Project

Replacement of damaged pipeline in Mission Creek along with proposed stream channel improvements.

South Reach Rehab Project

Rehabilitation of South Reach airvent blowoff and lateral structures.

Right-of-Way Definition Program

Delineation of South Coast Conduit to control encroachments and develop policies to protect SCC within the public right-of-way.

COMB Office Building

Replace temporary aged modular offices with permanent fixed office building for COMB staff.

COMB OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: September 21, 2009
TO: COMB and CVWD Boards of Directors
FROM: Kate Rees, COMB General Manager
RE: **Cachuma Project Cost of Service/Cost-Benefit Analysis**

To be responsive to CVWD's concerns regarding the cost sharing allocations for COMB's bond issuance, the COMB Board approved preparation of a full Cost of Services/Cost-Benefit Analysis by a qualified consulting firm for a not to exceed amount of \$80,000. It is expected that this analysis will take about one year to complete. With the exception of CVWD, the other south coast Member Units were not in favor of evaluating a different cost share formula for the bond repayment alone.

COMB will send out an RFP to firms we believe are qualified to do a comprehensive analysis of the Cachuma Project and the delivery of water to project members. This study is being done to meet three basic objectives.

1. Determine all potential cost sharing inequities or benefits that the Member Units' believe need to be evaluated relative to maintaining or adjusting the historic cost allocation percentages for COMB operation and maintenance costs and costs for capital improvements to the South Coast Conduit conveyance system. One component of the analysis would be the repayment percentages for the proposed COMB 29-009 Revenue Bond.
2. Determine a cost of service formula for all agencies receiving water from the Cachuma Project or from other sources delivered through Cachuma Project facilities. This would include the 4 south coast Member Units receiving water from existing facilities, as well as other non-Member Unit agencies receiving water through other Member Unit distribution facilities.
3. The study should be completed with a focus on transferring title of the Cachuma Project conveyance facilities from the Bureau of Reclamation to COMB or a new Joint Powers Agency, because any modifications to the Member Unit contracts that may result need to have this study completed to understand the cost of service to each Member Unit and non-Member Unit.

The COMB Operating Committee (made up of all Member Unit General Managers) will work with COMB's General Manager and staff to develop the scope of work and structure of the RFP for this analysis. A special Operating Committee meeting is being scheduled for this purpose.

Bids will then be solicited from at least three qualified consulting firms. COMB staff and the Operating Committee will synthesize the results of the final analysis in a technical report, and develop a recommendation for the COMB Board.

Respectfully submitted,



Kate Rees
COMB General Manager

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