



A Meeting of the
**BOARD OF DIRECTORS
OF THE
CENTRAL COAST WATER AUTHORITY**

will be held at 9:00 a.m., on Thursday, February 28, 2019
at 255 Industrial Way, Buellton, California

- I. Call to Order and Roll Call**
- II. Public Comment – (Any member of the public may address the Board relating to any matter within the Board’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**
- III. Election of Officers and Committee Appointments**
- IV. Consent Calendar**
 - * A. Approve Minutes of the January 24, 2019 Regular Meeting
 - * B. Approve Bills
 - * C. Controller’s Report
 - * D. Operations Report
- V. Executive Director’s Report**
 - * A. New Board Member Orientation and Major CCWA Initiatives
 - B. CCWA Water Supply Situation Report
 - C. CCWA 2019 Supplemental Water Purchase Program Update
 - * D. Ernst & Young Audit Report on the DWR 2019 Statement of Charges
 - * E. CCWA Reserve Fund for DWR Charges
 - * F. Request for Approval for the Use of Appropriated Contingency for Sludge Removal System Repair at the Water Treatment Plant
 - * G. Warren Act Contract Renewal Negotiations
 - H. State Water Project Contract Assignment Update
 - * I. JPIA Low Loss Report
- VI. Reports from Board Members for Information Only**
- VII. Items for Next Regular Meeting Agenda**
 - A. CCWA FY 19/20 Preliminary Budget
- VIII. Date of Next Regular Meeting: March 28, 2019**
- IX. Adjournment**

Ray A. 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

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

* Indicates attachment of document to original agenda packet.

#45828.1



**MINUTES OF THE
CENTRAL COAST WATER AUTHORITY
BOARD OF DIRECTORS**

January 24, 2019

I. Call to Order and Roll Call

Alternate Director Shad Springer called the Central Coast Water Authority (CCWA) Board of Directors meeting held at 255 Industrial Way, Buellton, California, to order at 9:00 AM. Attachment No. 1 is a list of those in attendance.

CCWA member agencies with voting privileges were represented by:

<u>Representative</u>	<u>Agency/City</u>	<u>Voting %</u>
Ed Andrisek	City of Buellton	2.21%
Farfalla Borah	Goleta Water District	17.20%
Harlan Burchardi	Santa Ynez River Water Conservation District, ID #1	7.64%
Shad Springer	City of Santa Maria	43.19%
Eric Friedman	City of Santa Barbara	11.47%
Shirley Johnson	Carpinteria Valley Water District	7.64%
Nick Turner	Montecito Water District	9.50%

II. Public Comment

There was no public comment.

III. Election of Officers

Alternate Director Springer requested that due to the absence of several regular Board members the election of officers and Committee appointments be postponed until a later meeting. Ray Stokes, CCWA Executive Director, noted that CCWA Board elections are held annually, normally in the month of June, but due to the recent changes in appointees by member agencies to the Board, a new slate of officers for CCWA would be necessary.

Upon a motion by Director Andrisek, seconded by Director Friedman and carried with all in favor and none opposed, the election of officers and committee appointments was postponed for discussion at the February 28, 2019 meeting of the Board of Directors.

IV. Consent Calendar

- A. Approve Minutes of the September 27, 2018 Regular Meeting
- B. Approve Bills
- C. Controller's Report
- D. Operations Report

Following discussion, a motion to approve the Consent Calendar was made by Director Andrisek, seconded by Director Johnson and carried with all in favor and none opposed.

V. Executive Director's Report

A. New Board Member Orientation and Major CCWA Initiatives

Since several of the new Board members were not present, Mr. Springer suggested that the new Board member orientation be postponed until the February regular Board meeting. Following discussion, the item was postponed until the next Board meeting.

B. CCWA Water Supply Situation Report

Mr. Stokes reported on the water available to CCWA, explaining the current indices show that the state's precipitation is trending just at historic average levels. Recent storms have improved the Sierra snowpack levels significantly, and they are trending just above historic averages.

Lake Oroville storage is below historic levels, but that is due to an artificial lowering of the lake. Mr. Stokes explained that the Army Corp of Engineers is considering changing the flood curve of the lake, and the lower level may become a permanent adjustment and impact future water allocations.

In response to a question from Director Johnson, Mr. Stokes stated the majority of the repair work at Lake Oroville is completed, but there is ongoing work on the emergency spillway. Discussion ensued regarding the costs related to the Oroville repairs, which Mr. Stokes stated were currently estimated at \$1.1 billion. DWR has requested FEMA funds to cover 75% of the cost of the repair, and will issue bonds for the 25% remaining. Due to the government shutdown and recent fires decisions related to the FEMA cost reimbursement have been delayed.

San Luis Reservoir is at above historic levels, and Mr. Stokes explained how the capacity in the reservoir is split between the State and Federal Contractors. The state's share of the storage capacity is close to filling, and there is the potential that the State's portion will spill, which may have some impact on the carryover water held by CCWA project participants. City of Solvang and Vandenberg AFB have the most risk of spill, and City of Solvang has been working with other participants to deliver their carryover water prior to spill.

The available water and water deliveries in 2018 were reviewed, which included available water at 35% allocation of Table A water, or 15,922 AF, 13,328 carryover, an exchange amount of 5,633. Of those amounts 27,448 AF were delivered to CCWA participants, 1,593 AF were banked, and 7,978 AF in water debt was repaid.

In 2019, DWR is expected to increase the current allocation which is presently 10%, or 4,550 AF for CCWA. Carryover water is currently 6,535 AF, and there is hope that all carryover water will be delivered prior to any spill at San Luis Reservoir.

C. Supplemental Water Purchase Program

Since calendar year 2014, CCWA has implemented a "Supplemental Water Purchase Program" (SWPP) in order to acquire additional water supplies for our project participants that are unable to meet their water demands through the normal DWR allocation or other sources of supply.

Information on the prior years' water sources for purchases was provided by Mr. Stokes, including purchases from Vandenberg AFB, farmers north of the Delta, and other SWCs, at an average cost of \$422/AF. DWR has slightly loosened the requirements for exchanges ratios, including allowing for variable return ratios based on current year allocation.

Several CCWA project participants, specifically Montecito WD, City of Santa Barbara and La Cumbre MWD have indicated a need for additional water supplies in 2019 under the SWPP. Mr. Stokes explained that due to the variable return ratios, acting quickly is to the benefit of CCWA participants so a non-binding Letter of Intent -with Mojave Water District was executed, based on the same terms as a prior year contract. Mr. Stokes requested the Board authorize the SWPP for 2019, and additionally requested that the Board approve the SWPP without expiration based on the requested needs of CCWA project participants.

In response to a question from Director Friedman, Mr. Stokes explained that the original intent for requiring annual Board approval was due to the expected short term nature of the program, but the SWPP has been constant due to the continuing drought. Also, the program has evolved from one involving a water broker and protecting non-participants from expenses, to direct transactions between SWCs and direct cost billing to those participating CCWA member agencies.

Director Borah asked if the default clause of the exchange with Mojave WD would create any exposure for agencies not involved in the transaction, and Mr. Stokes explained that all CCWA member agencies who were not participating were protected from any exposure, and only those agencies participating in an exchange were liable in the event of a default by any participant in that exchange.

Upon a motion by Director Friedman, seconded by Director Andrisek and carried with all in favor and none opposed, the Board approved the Supplemental Water Purchase Program for 2019 and authorized staff to implement the SWPP in future years as determined by need of the CCWA project participants

D. State Water Project Contract Assignment Update

A presentation that Mr. Stokes will be delivering to the Santa Barbara County Board of Supervisors at their meeting February 5, 2019 was provided to the Board. The presentation provided background on the State Water Project in Santa Barbara County, including how the transfer of financial responsibility was structured between CCWA and Santa Barbara County. Assignment of the contract will transfer decision making responsibility to CCWA.

CCWA has met with Santa Barbara County staff, and the purpose of the discussion at the February 5 meeting is to request approval from the Board of Supervisors to allow County staff to work with CCWA on this matter. Mr. Stokes requested member agencies be present at the meeting to express their support for the assignment and moving forward with the assignment.

Director Johnson expressed some concern for the potential for change in the balance of influence based on the structure of CCWA, as she felt the County was more directly representative of the voters of Santa Barbara County. Mr. Springer

noted that the County did not approve State Water, therefore, the water jurisdictions that approved State Water were represented by CCWA, and those that have no stake in State Water still have control over State Water through the Board of Supervisors. Mr. Stokes noted that potentially CCWA could vote approval of an issue related to State Water that would benefit its participants, and could be overturned by the County Board of Supervisors, which could then lead to detriment of CCWA member agencies.

E. State Water Project Contract Extension and Amendments Update

Mr. Stokes explained the State Water Contract extension is separate from other amendments to the State Water Contract recently negotiated with the Department of Water Resources (DWR) and is related to the contract term and changes to financial issues within the contract. DWR is requesting that all SWP contractors execute the extension, which will extend the term of the contract to the year 2085.

Mr. Stokes highlighted the major provisions of the contract extension and financial amendments, primarily to avoid financial compression as the contracts' current end date of 2035 approaches. Other key changes include implementation of "freeze go" or "pay as you go" billing methodology for capital cost and conservation O&M, creation of a State Water Resources Development System (SWRDS) Finance Committee to provide greater clarity on the accounting and finances of DWR; establishing reinvestment accounts for future purposes, and elimination of the payment of interest at the project interest rate for over/under payments on O&M costs.

The direct financial benefit to each member agency based on anticipated rate management credits were reviewed and the past payment of interest related to over/under collection on Transportation Minimum OMP&R. Overall the changes are estimated to provide approximately \$500,000 per year to CCWA member agencies, with an estimate of future benefits through the year 2035 of over \$10 million.

The Board was requested to authorize CCWA staff to send a letter to the Santa Barbara County Board of Supervisors requesting the County approve the contract extension.

In response to a question from Director Friedman, Mr. Stokes stated it is currently unclear what the ramifications would be if the contract extension is not executed by Santa Barbara County. Potentially future costs for non-signers would be administered on a pay as you go basis, or costs would be compressed to the year 2035 as opposed to financing over 50 years.

The Board took a ten minute recess at 11:00 AM.

Upon returning to session at 11:10, a motion was made by Director Andrisek, seconded by Director Freidman and carried with all in favor and none opposed, to authorize CCWA staff to send a letter to the Santa Barbara County Flood Control and Water Conservation District (the District) requesting that the District execute the SWP Contract Extension and Amendment.

F. Finance Report

1. FY 2018/19 Second Quarter Investment Report

As of December 31, 2018 the investment portfolio totaled \$51 million and had an effective rate of return of 2.22% on an average daily balance for the month of December 2018 of about \$47.1 million. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$12.3 million), and Montecito Bank & Trust money market accounts (\$15.5 million) and U.S. Treasury Notes held in a Charles Schwab Brokerage Account (\$23.3 million).

All investments during the quarter complied with the CCWA investment policy provisions, and current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

Upon a motion by Director Borah, seconded by Director Burchardi and carried with all in favor and none opposed, the Board approved the FY 2018/19 Second Quarter Investment Report.

2. FY 2017/18 Comprehensive Annual Financial Report

The audit firm Nasif Harris & Hicks expressed a non-qualified opinion on the FY 2017/18 Comprehensive Annual Financial Report (CAFR), indicating they found no material misstatements. The CAFR has been posted at the CCWA website, and was included in the meeting materials for the Board. Mr. Stokes thanked Lisa Long, Deputy Controller and Laura Mathews, Controller, for their work on the document. Total assets of CCWA increased approximately \$2.1 million due to higher cash balances for payments to DWR, capital assets were \$2.7 million lower due to depreciation of assets and amortization of CCWA's revenue bond issuance. There was a reduction in non-current liabilities of \$9.7 million due to the revenue bond principle payments, and operating revenue was about \$1.8 million lower due to a decrease in operating reimbursements from project participants due to lower O&M costs.

Upon a motion by Director Johnson, seconded by Director Borah and carried with all in favor and none opposed, the Board approved the FY 2017/18 Comprehensive Annual Financial Report.

G. FY 2019/20 Year Budget Preparation Schedule

A schedule for preparation of the CCWA budget was provided in the meeting materials. The preliminary FY 19/20 budget will be presented in March, with the final budget expected to be presented to the Board at its April meeting. Mr. Stokes explained that CCWA participants are billed according to the fixed and variable costs as budgeted.

H. JPIA H.R. LaBounty Safety Awards Program – Mark Swift

John Brady, CCWA Deputy Director, reviewed a recent safety award given by ACWA/JPIA to CCWA employee Mark Swift, for manufacturing a splash guard for the caustic pump shaft to protect employees from potential backsplash of

chemicals. Mr. Swift identified the potential hazard and fabricated an effective guard that did not impede the function of the equipment.

VI. Reports from Board Members for Information Only

- A. City of Buellton Appointment of Ed Andrisek as CCWA Board Member and Art Mercado as Board Alternate
- B. Montecito Water District Appointment of Floyd Wicks as CCWA Board Member and Nicholas Turner as Board Alternate
- C. City of Guadalupe Appointment of Gina Rubalcaba as CCWA Board Member and Antonio Ramirez as Board Alternate
- D. Goleta Water District Appointment of Farfalla Borah as CCWA Board Member and Lauren Hanson as Board Alternate
- E. City of Santa Maria Appointment of Mike Cordero as CCWA Board Member and Shad Springer as Board Alternate

There were no other reports from Board members.

VII. Items for Next Regular Meeting Agenda

- A. Election of Officers and Committee Appointments
- B. New Board Member Orientation
- C. Warren Act Contract Extension

VIII. Date of Next Regular Meeting: February 28, 2019

IX. Adjournment

The meeting was adjourned at 11:26 AM.

Respectfully submitted,

Elizabeth Watkins
Secretary to the Board



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2019

VENDOR	INVOICE AMOUNT	DESCRIPTION
GENERAL & ADMINISTRATIVE EXPENSES		
ACCO Brands USA LLC	50.45	Printing paper
Bank of America Business Card	74.94	Training Expenses
Bank of America Business Card	128.22	Publications, subscriptions, postage
Bank of America Business Card	241.76	Staff meetings
Bank of America Business Card	224.45	Advertisement
Cardmember Service	2,134.96	State Water Contractors - Travel and meetings
CSMFO	100.00	Dues and Memberships
Federal Express	46.95	Express shipping
Gov't Finance Officer Association	150.00	GFOA Membership 2019/20
Parent, Joseph	105.00	Reimbursable expenses - Certification Renewal
State Water Project Contracts Authority	2,426.00	MWQI 2018-19
Total Funds	200.00	Postage - postage machine
United Parcel Service	204.45	Shipping expenses
	\$ 6,087.18	Total General & Administrative
MONITORING EXPENSES		
AmeriPride Services, Inc.	383.70	Lab supplies
Culligan Industries Water Systems	85.00	Carbon Tank Rentals, Tri-Bed Tank Rentals
Eurofins Eaton Analytical	40.00	Lab testing
Fisher Scientific Co., LLC	120.84	Lab supplies
Hach Company	2,633.49	Lab supplies
IDEXX Distribution Corp.	510.24	Lab supplies
VWR International	330.94	Lab supplies
	\$ 4,104.21	Total Monitoring Expenses
OFFICE EXPENSES		
Bank of America Business Card	1,061.26	Office and Kitchen Supplies
Lowe's	19.80	Kitchen supplies
Office Depot	346.26	Office, janitorial & kitchen supplies
Santa Ynez Valley Hardware	7.53	Office Supplies
Staples Inc.	142.97	Office, janitorial & kitchen supplies
Ultrax Business Products	312.09	Office supplies
	\$ 1,889.91	Total Office Expenses
OTHER EXPENSES		
American Marborg	164.53	Tank 2/EDV Rental
B.A.T. & Coatings LLC	7,535.38	Aqua-Ammonia Liner Installation
Comcast	193.16	Internet Service
CompuVision	4,738.97	Switch Restocking Fee
CompuVision	5,102.50	Managed Service Agreement
De Lage Landen Financial Services	248.01	Copier Lease - BAO
Farm Supply Company	199.27	North Portal Access Road Repair
Harrington Industrial Plastics	290.44	Aqua-Ammonia Liner Installation
Impulse Internet Services	2,097.38	T-1 System and Internet Service (Buellton and Shandon)
Light Brigade, Inc.	246.74	WTP Maintenance Tools
Marborg Industries	155.09	Tank 5/Tank 7 Rental
McMaster-Carr Supply Company	116.58	WTP Security Camera Upgrade
Taft Electric Company	3,118.50	Clampon Sonic Meter ISO 2 and 4, & WTP Security Camera
Velosio	175.00	Microsoft Dynamics SL support services
	\$ 24,381.55	Total Other Expenses



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2019

VENDOR	INVOICE AMOUNT	DESCRIPTION
OTHER MISCELLANEOUS EXPENSES		
Department of Water Resources	14,173,201.00	Variable OMP&R, Delta Water & Transport Charge
	\$ 14,173,201.00	Total Other Miscellaneous Expenses
PERSONNEL EXPENSES		
CalPERS Health	35,972.78	Health Insurance
CalPERS Retirement	36,765.74	Pension Contributions
CCWA Payroll Wages/Taxes	227,143.65	Gross Payroll Wages/Taxes
Dental/Vision Payments	3,067.50	Dental/Vision Benefits
MetLife SBC Insurance	1,013.95	Life Insurance
Other Misc Employee Benefits	8,701.90	Vehicle, Uniform and Cafeteria Plan Benefits
Standard Insurance Company	1,298.73	Disability Insurance
	\$ 313,964.25	Total Personnel Expenses
PROFESSIONAL SERVICES		
Underground Service Alert	19.90	New tickets
Brownstein Hyatt Farber	42.50	Legal Services-Relations State Water Contractors
Brownstein Hyatt Farber	42.50	Legal Services-General Meetings
Delta Liquid Energy	80.00	Annual Propane Inspection
Credential Check Corporation	339.48	Background checks
Safety Kleen Systems, Inc	367.39	Washer Parts/Service
Air Pollution Control District	443.35	Equipment permit renewals
Brownstein Hyatt Farber	1,025.00	Legal Services-Audit File
Brownstein Hyatt Farber	1,487.50	Legal Services-Bidding Requirements/Construction Contra
Mid-Coast Fire Protection Inc.	2,078.60	Safety, Annual fire extinguisher service
Bartel Associates, LLC	2,248.00	GASB 75 Accounting Report
Brownstein Hyatt Farber	2,847.50	Legal Services-State Water Contractors Extension/BDCP
All-Cal Equipment Services	2,886.30	Annual testing of Crane and Lift Equipment
State Water Resources Control	3,592.00	Environmental Lab Accreditation Fees
Nasif Hicks & Company	5,518.00	Audit Year End 2017-18
Brownstein Hyatt Farber	6,205.00	Legal Services-DWR/SBCFCWCD Contract
State Water Resources Control	15,898.08	Water System Fees
	\$ 45,121.10	Total Professional Services
CIP PROJECTS - MATERIALS & OVERHEAD		
Bank of America Business Card	13.42	SYPP Equipment Upgrades
Integrated Industrial Supply	4,324.42	Fall Protection Equipment - Distribution
Ross, Don	213.45	Reimbursable Expenses - SYPP Equipment Upgrades
Taft Electric Company	5,148.00	WTP Switchgear Remediation
	\$ 9,699.29	Total CIP Project - Materials and Overhead
REPAIRS & MAINTENANCE		
AmeriPride Services, Inc.	432.95	Building maintenance supplies
Anixter, Inc.	276.97	Parts, repair and maintenance
Bank of America Business Card	30.16	Vehicles repairs and maintenance
Bank of America Business Card	677.95	Equipment repairs and maintenance



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2019

VENDOR	INVOICE AMOUNT	DESCRIPTION
City of Buellton	96.89	Landscape maintenance - water
Compuvision	774.53	Equipment repairs and maintenance
Consolidated Electrical Distributors	797.75	Parts, repair and maintenance
Coverall North America, Inc	979.00	Janitorial service - BAO/SYPS
D&H Water Systems Inc.	3,143.43	Equipment repairs and maintenance
DXP Enterprises Inc.	9,290.91	Equipment repairs and maintenance
Gary Brown Service & Repair	1,403.00	HVAC service and repairs
GFG Instrumentation Inc.	156.79	Equipment repairs and maintenance
Grainger Inc.	261.34	Parts, repair and maintenance
Hach Company	902.36	Parts, repair and maintenance
Harrington Industrial Plastics	670.38	Parts, repair and maintenance
IFM Efector Inc.	676.47	Equipment Repair
Lowe's	106.41	Parts, repair and maintenance
McMaster-Carr Supply Company	486.87	Maintenance supplies
Next Day Signs	410.86	Logo signs for vehicles
Office Depot	57.18	Janitorial supplies
Progressive Greenery	330.00	Landscape maintenance - WTP
Rio Vista Chevrolet	608.05	Vehicle maintenance
San Luis Personnel Service	429.71	Janitorial Service - WTP
Santa Maria Tool, Inc.	306.72	Small Tools, equipment repairs
Santa Ynez Valley Hardware	4.83	Maintenance supplies
Southwest Valve, LLC	2,766.37	Equipment repairs and maintenance
Staples	168.00	Maintenance supplies
Taft Electric Company	3,267.00	Equipment repairs and maintenance
Ultrex Business Products	287.88	Copier maintenance
Wesco Distribution	3,092.62	Equipment repairs and maintenance
Western Exterminator Co	205.50	Pest control spraying - BAO and SYPS
Zoom Imaging Solutions, Inc	42.83	Copier Maintenance
	\$ 33,141.71	Total Repairs & Maintenance
SUPPLIES & EQUIPMENT		
AmeriPride Services, Inc.	1,161.88	Uniform expenses
Aschle, Jason	175.00	Reimbursable expenses - maintenance supplies
Bank of America Business Card	132.67	Equipment & maintenance supplies
Bank of America Business Card	152.55	Safety supplies
Chemtrade Chemicals US, LLC	41,393.80	Chemicals - WTP
Delta Liquid Energy	197.25	Maintenance supplies and hardware
Grainger Inc.	1,021.18	Minor tools, equipment & maintenance supplies, safety supplies
Harrison Hardware	50.74	Maintenance supplies and hardware
Home Depot	279.71	Minor tools, equipment & maintenance supplies
JCI Jones Chemical	46,106.60	Chemicals - WTP
Ross, Don	19.99	Reimbursable expenses - maintenance supplies
Univar USA, Inc.	10,809.40	Chemicals - WTP
WEX Bank - Wright Express	4,240.95	Fuel - Autos
	\$ 105,741.72	Total Supplies & Equipment



CENTRAL COAST WATER AUTHORITY

Normal and Recurring Costs

Bills for Ratification - January 2019

VENDOR	INVOICE AMOUNT	DESCRIPTION
UTILITIES		
Bank of America Business Card	46.29	Cell Phone accessories
City of Buellton	179.88	Water - BAO
Delta Liquid Energy	1,806.66	Propane gas
First Choice Technology	13.20	Phone - Long distance carrier, 800#
Frontier	266.00	Telephone charges
Health Sanitation Services	200.38	Waste Disposal - SYPS
Marborg Industries	236.35	Waste Disposal - BAO
Pacific Gas & Electric	93,418.23	Utilities - BAO/SYPS/WTP
San Miguel Garbage Company	210.25	Waste Disposal - WTP
Santa Ynez River Water Conservation	165.60	Water - SYPS
Stokes, Ray	64.64	Reimbursable Expenses - Cell Phone charges
The Gas Company	235.32	Natural Gas - BAO
Verizon Wireless	458.08	Cell phone charges
	\$ 97,300.88	Total Utilities
 Subtotal - Bills for Ratification	 \$14,814,632.80	



CENTRAL COAST WATER AUTHORITY

Bills for Approval

VENDOR	INVOICE AMOUNT	DESCRIPTION
State of California DWR	\$ 2,177,303.00	Capital Cost and Minimum OMP&R Charges - Feb'19
Subtotal - Bills for Approval	\$ 2,177,303.00	

Total Ratification and Approval Bills **\$ 16,991,935.80**

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Statements of Net Position

ASSETS

	<u>January 31, 2019</u>	<u>December 31, 2018</u>
<u>Current Assets</u>		
Cash and investments	\$ 7,284,598	\$ 7,863,779
Accounts Receivable (Note 1)	-	-
Accrued interest receivable	37,473	145,270
Other assets	1,845,932	1,867,157
Total Current Assets	<u>9,168,002</u>	<u>9,876,206</u>
<u>Restricted Assets</u>		
<u>Investment Accounts</u>		
Operations and Maintenance Reserve Fund (Note 2)	2,133,836	2,125,936
Rate Coverage Reserve Fund (Note 3)	9,361,665	9,327,008
Debt Service Payments (Note 4)	820,144	811,163
Department of Water Resources (Note 5a)	16,497,442	30,633,857
Credits Payable (Note 6)	1,132,266	1,129,144
Escrow Deposits (Note 7)	482,359	480,591
Total Restricted Assets	<u>30,427,713</u>	<u>44,507,698</u>
<u>Property, Plant and Equipment</u>		
Construction in progress (Note 8)	1,589,834	1,576,697
Fixed assets (net of accumulated depreciation)	92,039,403	92,230,118
Total Property, Plant and Equipment	<u>93,629,237</u>	<u>93,806,815</u>
<u>Other Assets</u>		
Unamortized bond issuance costs (Note 9)	734,319	772,349
Long term receivable (Note 10)	3,632,703	3,632,703
Total Other Assets	<u>4,367,022</u>	<u>4,405,052</u>
Total Assets	<u>\$ 137,591,974</u>	<u>\$ 152,595,771</u>

Central Coast Water Authority

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Statements of Net Position

LIABILITIES AND FUND EQUITY

	<u>January 31, 2019</u>	<u>December 31, 2018</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 146,136	\$ 209,270
DWR and Warren Act Charge Deposits (Note 5a)	16,497,444	30,633,858
CCWA Variable Charge Deposits (Note 5b)	23,636	61,205
Accrued interest payable	481,168	360,876
Other liabilities	741,875	753,932
Rate Coverage Reserve Fund	9,222,497	9,222,497
Unearned Revenue	34,726	34,726
Credits Payable to Project Participants	1,562,949	1,474,300
Total Current Liabilities	<u>28,710,431</u>	<u>42,750,665</u>
<u>Non-Current Liabilities</u>		
Bonds payable (Note 11)	28,870,000	28,870,000
Bond Original Issue Premium, net	1,968,567	2,070,522
OPEB Liability	831,506	831,506
Escrow Deposits	482,359	480,591
Net Pension Liability	3,756,159	3,756,159
Total Non-Current Liabilities	<u>35,908,591</u>	<u>36,008,778</u>
<u>Commitments and Uncertainties</u>		
<u>Net Assets</u>		
Contributed capital, net (Note 12)	22,562,433	22,562,433
Retained earnings	50,410,519	51,273,895
Total Net Assets	<u>72,972,952</u>	<u>73,836,328</u>
Total Liabilities and Net Assets	<u>\$ 137,591,974</u>	<u>\$ 152,595,771</u>



Statements of Revenues, Expenses and Changes in Net Position

	<u>January 31, 2019</u>	<u>December 31, 2018</u>
<u>Operating Revenues</u>		
Operating reimbursements from project participants	\$ 21,542,012	\$ 21,404,783
Other revenues	15,918	15,298
Total Operating Revenues	21,557,930	21,420,081
<u>Operating Expenses</u>		
Personnel expenses	2,776,789	2,441,398
Office expenses	10,781	8,891
General and administrative	117,411	101,804
Professional services	179,507	134,829
Supplies and equipment	730,245	625,721
Monitoring expenses	39,631	35,527
Repairs and maintenance	159,298	126,156
Utilities	742,596	644,724
Depreciation and amortization	762,128	654,013
Other expenses	318,888	280,108
Total Operating Expenses	5,837,275	5,053,170
Operating Income	15,720,655	16,366,911
<u>Non-Operating Revenues</u>		
Investment income	725,666	633,125
Total Non-Operating Revenues	725,666	633,125
<u>Non-Operating Expenses</u>		
Interest	951,042	830,750
Current year credits payable	500,071	310,702
Total Non-Operating Expenses	1,451,112	1,141,452
Net Income	14,995,208	15,858,584
<u>Retained Earnings</u>		
Retained earnings at beginning of period	35,415,311	35,415,311
Retained earnings at end of period	\$ 50,410,519	\$ 51,273,895

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2019

Note 1: Accounts Receivable

Accounts receivable consists of amounts payable by the State Water Project contractors and other miscellaneous receivables.

Note 2: O&M Reserve Fund

The O&M reserve fund represents cash reserves for emergency uses. The funding requirement is \$2,000,000 allocated on an entitlement basis for the Santa Barbara County project participants. Investment earnings on O&M reserve fund balances are credited against CCWA O&M assessments.

Project Participant	Amount
City of Guadalupe	\$ 28,626
City of Santa Maria	843,160
Golden State Water Company	26,023
Vandenberg AFB	386,212
City of Buellton	30,083
Santa Ynez ID #1 (Solvang)	78,070
Santa Ynez ID #1	26,023
Goleta Water District	234,211
Morehart Land Co.	10,409
La Cumbre Mutual Water Company	52,041
Raytheon Systems Company	2,602
City of Santa Barbara	156,141
Montecito Water District	156,141
Carpinteria Valley Water District	104,094
TOTAL:	<u>\$ 2,133,836</u>

Note 3: Rate Coverage Reserve Fund Cash Deposits

The rate coverage reserve fund was established to provide CCWA project participants a mechanism to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments. The following schedule shows the current balances plus accrued interest receivable in the rate coverage reserve fund.

Project Participant	Amount
City of Guadalupe	\$ 192,649
City of Santa Maria	5,086,023
City of Buellton	279,519
Santa Ynez ID #1 (Solvang)	622,221
Santa Ynez ID #1	468,740
La Cumbre Mutual Water Company	403,783
Montecito Water District	1,455,572
Carpinteria Valley Water District	837,694
Shandon	15,465
TOTAL:	<u>\$ 9,361,665</u>

Central Coast Water Authority
Notes to Financial Statements
January 31, 2019

Note 4: Debt Service Payments

The following table shows the financing participant cash balances available to pay CCWA Series 2016-A revenue bond principal and interest payments.

Participant	Amount
Avila Beach	\$ 950
California Men's Colony	8,309
County of SLO	8,851
Cuesta College	4,155
Morro Bay	53,610
Oceano	6,945
Pismo Beach	11,479
Shandon	941
Guadalupe	11,823
Buellton	20,933
Santa Ynez (Solvang)	63,680
Santa Ynez	23,915
Goleta	199,619
Morehart Land	9,237
La Cumbre	44,159
Raytheon	1,936
Santa Barbara	122,712
Montecito	144,383
Carpinteria	82,510
TOTAL:	\$ 820,144

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2019

Note 5a: Cash and Investments Payment to DWR and Warren Act and Trust Fund Charges

Cash deposits for payments to DWR and Warren Act and Trust Fund payments.

Project Participant	Amount
City of Guadalupe	\$ 201,893
City of Santa Maria	5,438,683
Golden State Water Company	173,743
Vandenberg AFB	3,284,652
City of Buellton	242,760
Santa Ynez ID #1 (Solvang)	589,470
Santa Ynez ID #1	290,441
Goleta Water District	2,013,391
Morehart Land Co.	65,774
La Cumbre Mutual Water Company	382,990
Raytheon Systems Co.	17,114
City of Santa Barbara	1,401,770
Montecito Water District	1,556,807
Carpinteria Valley Water District	837,955
TOTAL:	\$ 16,497,442

Note 5b: Cash Payments for CCWA Variable Charges

Cash deposits for payments to CCWA for Variable Assessments.

Project Participant	Amount
City of Guadalupe	\$ -
City of Santa Maria	-
Golden State Water Company	-
Vandenberg AFB	-
City of Buellton	-
Santa Ynez ID #1 (Solvang)	-
Santa Ynez ID #1	19,752
Goleta Water District	-
Morehart Land Co.	-
La Cumbre Mutual Water Company	-
Raytheon Systems Co.	3,884
City of Santa Barbara	-
Montecito Water District	-
Carpinteria Valley Water District	-
Shandon	-
Lopez Turnout	-
Chorro Turnout	-
TOTAL:	\$ 23,636

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2019

Note 6: Credits Payable

Credits payable to CCWA project participants for investment earnings and O&M assessment credits.

Project Participant	Amount
City of Guadalupe	\$ (174)
City of Santa Maria	188,788
Golden State Water Company	8,762
Vandenberg AFB	277,922
City of Buellton	14,421
Santa Ynez ID #1 (Solvang)	32,923
Santa Ynez ID #1	372,884
Goleta Water District	14,506
Morehart Land Co.	1,776
La Cumbre Mutual Water Company	9,315
Raytheon Systems Co.	467
City of Santa Barbara	9,680
Montecito Water District	149,428
Carpinteria Valley Water District	6,374
Shandon	(647)
Lopez Turnout	17,740
Chorro Turnout	28,102
TOTAL:	\$ 1,132,266

Note 7: Escrow Deposits

Cash deposits from certain project participants as required under the Water Supply Agreements.

Project Participant	Amount
Morehart Land Company	\$ 381,919
Raytheon Systems Company	100,441
TOTAL:	\$ 482,359

Note 8: Construction in Progress

Amounts in construction in progress represent expenditures incurred during FY 2018/19 and amounts retained in construction in progress at June 30, 2018. The following schedule shows the CIP expenditures for CCWA projects.

Financial Reach	Amount
Labor	\$ 111,029
Materials	651,048
Overhead	827,757
Project CIP Total:	\$ 1,589,834

Central Coast Water Authority
Notes to Financial Statements
 January 31, 2019

Note 9: Unamortized Bond Issuance Costs

Unamortized bond issuance costs for the 2016 revenue bonds include bond insurance and the 1992, 1996 and 2006 revenue bond deferred costs.

Note 10: Long-Term Receivable

The long-term receivable represents CCWA revenue bond expenditures for project participant local facilities which are owned by the individual project participants. The costs associated with the construction of these local facilities are financed with proceeds from the CCWA revenue bonds. Project participant revenue bond principal payments are proportionally divided between the long-term receivable and the CCWA owned facilities over the term of the bond issue.

Financing Participant	Long-Term Receivable
Avila Beach	\$ 8,306
California Men's Colony	185,528
County of SLO	197,856
Cuesta College	92,773
Morro Bay	1,419,217
Oceano	56,588
Pismo Beach	93,429
Shandon	6,734
Guadalupe	241,290
Buellton	39,274
Santa Ynez (Solvang)	104,762
Santa Ynez	46,424
Goleta	596,440
Morehart Land	2,746
La Cumbre	13,729
Raytheon	3,626
Santa Barbara	130,209
Montecito	207,143
Carpinteria	186,629
TOTAL:	\$ 3,632,703

Note 11: Bonds Payable

Bonds payable represents outstanding Series 2016-A revenue bonds outstanding. The next Series 2016-A principal payment is due on October 1, 2019 in the amount of \$9,160,000.

Central Coast Water Authority
Notes to Financial Statements
January 31, 2019

Note 12: Contributed Capital

Certain project participants elected to pay their share of CCWA project construction costs in cash. The amounts listed below show the capital contributions by project participant less the cost of local facilities and refunds to the project participants.

Project Participant	Amount
Avila Valley Water Company	\$ 15,979
City of Guadalupe	81,119
San Luis Schools	5,608
San Miguelito Water Company	233,605
Golden State Water Company	866,277
City of Santa Maria	13,498,802
Vandenberg AFB	7,861,043
TOTAL:	<u>\$ 22,562,433</u>



Budget and Actual All Reaches

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 9,317,766	9,317,766	100.00%
Variable operating assessments	3,069,046	2,920,961	95.17%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	12,386,813	12,238,727	98.80%
Operating Expenses ⁽²⁾			
Personnel expenses	5,032,011	2,776,789	55.18%
Office expenses	20,500	10,781	52.59%
General and administrative	275,985	117,411	42.54%
Professional services	425,520	179,507	42.19%
Supplies and equipment	2,115,202	730,245	34.52%
Monitoring expenses	113,624	39,631	34.88%
Repairs and maintenance	279,880	159,298	56.92%
Utilities	1,302,775	742,596	57.00%
Depreciation and amortization	-	-	N/A
Other expenses	1,912,356	318,888	16.68%
Total Operating Expenses	11,477,854	5,075,146	44.22%
Operating Income	908,959	7,163,581	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 908,959	7,163,581	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Administration

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 1,773,663	\$ 1,773,663	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	1,773,663	1,773,663	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	946,918	575,233	60.75%
Office expenses	10,500	6,992	66.59%
General and administrative	192,185	84,638	44.04%
Professional services	215,748	92,936	43.08%
Supplies and equipment	-	-	N/A
Monitoring expenses	-	-	N/A
Repairs and maintenance	31,695	14,730	46.47%
Utilities	16,316	8,087	49.56%
Depreciation and amortization	-	-	N/A
Other expenses	277,313	82,714	29.83%
Total Operating Expenses	1,690,676	865,329	51.18%
Operating Income	82,987	908,333	
Non-Operating Revenues			
Investment Income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Current Year credits payable	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 82,987	908,333	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Water Treatment Plant

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 4,410,369	4,410,369	100.00%
Variable operating assessments	2,021,062	1,870,703	92.56%
Other revenues	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Total Operating Revenues	6,431,430	6,281,071	97.66%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	2,399,833	1,305,754	54.41%
Office expenses	6,000	2,335	38.91%
General and administrative	51,550	23,165	44.94%
Professional services	96,739	66,594	68.84%
Supplies and equipment	2,012,791	686,345	34.10%
Monitoring expenses	113,624	39,631	34.88%
Repairs and maintenance	166,485	87,058	52.29%
Utilities	178,809	97,943	54.78%
Depreciation and amortization	-	-	N/A
Other expenses	1,042,861	145,018	13.91%
Total Operating Expenses	6,068,692	2,453,845	40.43%
Operating Income	362,738	3,827,226	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 362,738	3,827,226	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.

Central Coast Water Authority
Polonio Pass Water Treatment Plant
Fixed and Variable Cost per Acre-Foot
 January 31, 2019

WTP Fixed O&M Costs	July 2018	Aug. 2018	Sept. 2018	Oct. 2018	Nov. 2018	Dec. 2018	Jan. 2019	Total for Year
Fixed O&M Expenses	\$ 340,685	\$ 207,536	\$ 213,293	\$ 237,669	\$ 268,514	\$ 246,007	\$ 241,799	\$ 1,755,503
Annual Table A Amount ⁽¹⁾	43,908	43,908	43,908	43,908	43,908	43,908	43,908	43,908
Fixed WTP Cost per AF	\$ 7.76	\$ 4.73	\$ 4.86	\$ 5.41	\$ 6.12	\$ 5.60	\$ 5.51	\$ 39.98
WTP Variable O&M Costs								
Variable O&M Expenses	\$ 148,836	\$ 145,300	\$ 82,151	\$ 84,947	\$ 43,009	\$ 90,886	\$ 103,213	\$ 698,342
Actual Water Treated	3,281	3,285	2,740	2,607	1,076	2,389	1,967	17,345
Variable WTP Cost per AF	\$ 45.36	\$ 44.23	\$ 29.98	\$ 32.58	\$ 39.97	\$ 38.04	\$ 52.47	\$ 40.26

(1) Includes Santa Barbara County and San Luis Obispo County Table A amounts and excludes Goleta 2,500 AF drought buffer and Santa Barbara County 3,908 AF drought buffer.



Budget and Actual Mission Hills II

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 312,769	312,769	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	312,769	312,769	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	177,199	114,728	64.75%
Office expenses	421	153	36.38%
General and administrative	3,391	1,011	29.81%
Professional services	11,885	1,010	8.49%
Supplies and equipment	10,768	4,747	44.08%
Monitoring expenses	-	-	N/A
Repairs and maintenance	8,590	9,346	108.79%
Utilities	6,274	1,346	21.45%
Depreciation and amortization	-	-	N/A
Other expenses	19,681	19,233	97.72%
Total Operating Expenses	238,208	151,572	63.63%
Operating Income	74,561	161,197	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 74,561	161,197	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Santa Ynez I

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 575,328	575,328	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	575,328	575,328	100.00%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	271,613	145,471	53.56%
Office expenses	645	234	36.37%
General and administrative	5,198	1,549	29.80%
Professional services	18,217	1,717	9.42%
Supplies and equipment	16,506	7,295	44.20%
Monitoring expenses	-	-	N/A
Repairs and maintenance	13,168	7,319	55.58%
Utilities	9,616	3,094	32.18%
Depreciation and amortization	-	-	N/A
Other expenses	90,857	21,112	23.24%
Total Operating Expenses	425,819	187,791	44.10%
Operating Income	149,509	387,537	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 149,509	387,537	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Santa Ynez II

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 1,019,674	1,019,674	100.00%
Variable operating assessments	1,047,985	1,050,258	100.22%
Other revenues	-		N/A
Total Operating Revenues	2,067,659	2,069,932	100.11%
<u>Operating Expenses</u> ⁽²⁾			
Personnel expenses	549,645	258,400	47.01%
Office expenses	1,305	474	36.36%
General and administrative	10,518	3,133	29.79%
Professional services	36,866	4,018	10.90%
Supplies and equipment	33,401	14,042	42.04%
Monitoring expenses	-	-	N/A
Repairs and maintenance	26,646	11,028	41.39%
Utilities	1,067,444	619,199	58.01%
Depreciation and amortization	-	-	N/A
Other expenses	196,436	24,564	12.50%
Total Operating Expenses	1,922,262	934,858	48.63%
Operating Income	145,397	1,135,075	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 145,397	1,135,075	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Reach 33B

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 700,375	700,375	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	700,375	700,375	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	366,564	189,740	51.76%
Office expenses	870	316	36.36%
General and administrative	7,015	2,090	29.79%
Professional services	24,586	4,508	18.33%
Supplies and equipment	22,276	9,141	41.03%
Monitoring expenses	-	-	N/A
Repairs and maintenance	17,771	10,017	56.37%
Utilities	12,978	5,469	42.14%
Depreciation and amortization	-	-	N/A
Other expenses	118,753	12,081	10.17%
Total Operating Expenses	570,813	233,362	40.88%
Operating Income	129,563	467,013	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 129,563	467,013	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Reach 34

	January 31, 2019		Percent Expended ⁽¹⁾
	Budget	Actual	
<u>Operating Revenues</u>			
Fixed operating assessments ⁽²⁾	\$ 233,090	233,090	100.00%
Variable operating assessments	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	233,090	233,090	100.00%
<u>Operating Expenses ⁽²⁾</u>			
Personnel expenses	157,605	89,508	56.79%
Office expenses	374	136	36.35%
General and administrative	3,016	898	29.79%
Professional services	10,571	7,798	73.77%
Supplies and equipment	9,577	4,360	45.52%
Monitoring expenses	-	-	N/A
Repairs and maintenance	7,641	11,688	152.97%
Utilities	5,580	3,190	57.17%
Depreciation and amortization	-	-	N/A
Other expenses	17,505	5,286	30.20%
Total Operating Expenses	211,868	122,865	57.99%
Operating Income	21,222	110,225	
<u>Non-Operating Revenues</u>			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
<u>Non-Operating Expenses</u>			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 21,222	110,225	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Reach 35

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 86,836	86,836	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	86,836	86,836	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	58,008	26,315	45.36%
Office expenses	138	50	36.34%
General and administrative	1,110	331	29.77%
Professional services	3,891	330	8.48%
Supplies and equipment	3,525	1,434	40.68%
Monitoring expenses	-	-	N/A
Repairs and maintenance	2,812	546	19.40%
Utilities	2,054	689	33.54%
Depreciation and amortization	-	-	N/A
Other expenses	6,443	1,967	30.53%
Total Operating Expenses	77,980	31,660	40.60%
Operating Income	8,855	55,175	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 8,855	55,175	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Reach 37

	January 31, 2019		Percent Expended ⁽¹⁾
	Budget	Actual	
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 59,138	59,139	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	59,138	59,139	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	39,944	19,113	47.85%
Office expenses	95	34	36.35%
General and administrative	764	228	29.79%
Professional services	2,679	227	8.49%
Supplies and equipment	2,427	988	40.70%
Monitoring expenses	-	-	N/A
Repairs and maintenance	1,936	376	19.41%
Utilities	1,414	274	19.34%
Depreciation and amortization	-	-	N/A
Other expenses	4,437	1,218	27.45%
Total Operating Expenses	53,697	22,457	41.82%
Operating Income	5,441	36,681	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 5,441	36,681	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.



Budget and Actual Reach 38

	January 31, 2019		
	Budget	Actual	Percent Expended ⁽¹⁾
Operating Revenues			
Fixed operating assessments ⁽²⁾	\$ 95,715	95,715	100.00%
Variable operating assessments	-	-	N/A
Non-annual recurring revenues	-	-	N/A
Other revenues	-	-	N/A
Total Operating Revenues	95,715	95,715	100.00%
Operating Expenses ⁽²⁾			
Personnel expenses	64,681	35,422	54.76%
Office expenses	154	56	36.38%
General and administrative	1,238	369	29.81%
Professional services	4,338	368	8.49%
Supplies and equipment	3,931	1,601	40.72%
Monitoring expenses	-	-	N/A
Repairs and maintenance	3,136	609	19.42%
Utilities	2,290	443	19.35%
Depreciation and amortization	-	-	N/A
Other expenses	7,184	1,973	27.46%
Total Operating Expenses	86,951	40,841	46.97%
Operating Income	8,764	54,874	
Non-Operating Revenues			
Interest income	-	-	
Total Non-Operating Revenues	-	-	
Non-Operating Expenses			
Interest	-	-	
Total Non-Operating Expenses	-	-	
Net Income (Loss)	\$ 8,764	54,874	

(1) Percent of year expended: 58%

(2) Includes revenues and expenses for Turnouts and adjusted for carryover revenues transferred to FY 2018/19.

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
RAW WATER (RW) AND SETTLED WATER (SW)**

System Name: Central Coast Water Authority
Treatment Plant Name: Polonio Pass Water Treatment Plant

System Number: 4210030
January 2019

Date:	RW pH (SU)	RW Turbidity (NTU)	SW Turbidity (NTU)	RW Odor (TON)	RW Total Coliform (MPN)	RW E. Coli (MPN)	RW Cl- (mg/L)	RW Alkalinity (mg/L)		RW Hardness (mg/L)		RW E.C. (uS/cm)	RW TOC (mg/L)
								Total	Phenol	Total	Ca		
1	8.75	1.05	0.81	1.5			110	71	5	110	51		
2	8.78	0.87	0.78	1.5			111	74	6	116	54	574	3.6
3	8.80	0.86	0.77	1.5			110	74	6	115	53		
4	8.78	0.92	0.77	1.0			111	75	6	120	57		
5	8.65	0.94	0.83	1.0			111	75	4	120	54		
6	8.53	0.98	0.84	1.0			114	77	4	121	54		
7	8.42	1.07	0.83	1.0	196	5	114	76	2	120	55	520	
8	8.51	1.02	0.92	1.0			113	77	1	120	48		
9	8.54	1.25	0.87	2.0			109	80	4	124	55		
10	8.38	1.27	0.89	1.5			116	79	0	118	56		
11	8.29	1.04	0.81	1.0			118	79	0	119	54		
12	8.32	0.96	0.78	1.0			117	78	0	122	52		
13	8.43	0.96	0.73	1.0			115	80	0	121	53		
14	8.44	0.90	1.04	1.0	225	2	124	83	2	121	55	577	
15	8.49	0.88	0.88	1.0			123	80	2	127	57		
16	8.42	0.94	0.85	1.0			127	78	1	131	58		
17	8.34	8.47	1.38	1.0			125	79	2	128	57		
18	8.25	39.02	4.48	1.0			123	80	0	131	61		
19	8.16	18.27	2.92	1.0			126	80	0	129	59		
20	8.26	6.35	1.73	1.0			128	79	0	130	60		
21	8.38	2.70	1.12	1.0	101	6	128	79	1	128	59		
22	8.50	1.63	0.94	1.0			128	82	3	135	59	670	
23	8.70	1.20	0.95	1.0			128	80	5	132	57		
24	8.86	1.08	0.91	1.5			127	80	8	128	57		
25	8.98	1.01	0.90	1.0			126	82	9	130	54		
26	9.10	0.81	0.87	1.0			130	80	11	131	59		
27	9.18	0.83	0.90	1.0			131	80	15	129	55		
28	9.20	0.77	0.83	1.0	24	1	131	84	17	138	62	689	
29	9.23	0.78	0.83	1.0			131	81	18	140	59		
30	9.15	0.68	0.73	1.0			132	81	14	140	61		
31	9.04	0.64	0.68	1.0			137	85	15	141	64		
Avg	8.64	3.23	1.08	1.1	137	4	121	79	5	126	56	606	3.6

**MONTHLY SUMMARY OF MINERAL AND PHYSICAL ANALYSIS
TREATED WATER (TW) & CLEARWELL (CW)**

System Name: Central Coast Water Authority

System Number: 4210030

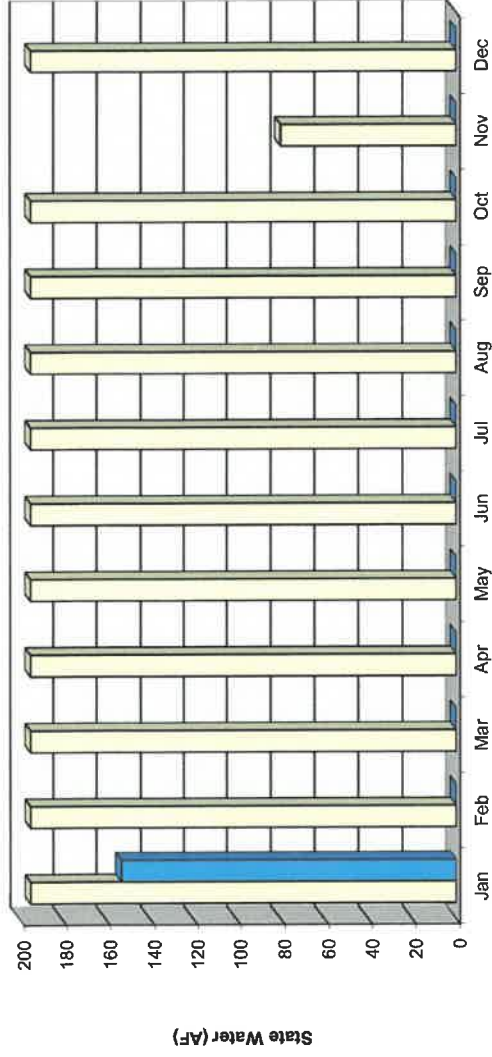
Treatment Plant Name: Polonio Pass Water Treatment Plant

January 2019

Date:	TW pH (SU)	TW Turbidity (NTU)	Filter Rate (gpm/ft ²)	CW Odor (TON)	TW Total Coliform	CW Cl- (mg/L)	CW Total Alk (mg/L)	CW Hardness (mg/L)		TW Chlorine (mg/L)		CCB3 Chlorine Free (mg/L)	TW NH3-N (mg/L)		(CCB3 Cl2 Free) / (TW NH3-N Total)	CW E.C. (uS/cm)	TW TOC (mg/L)
								Total	Ca	Total	Free		Total	Free			
1	8.38	0.06	4.05	0.0	ABSENT	111	67	110	50	2.83	0.00	2.66	0.52	0.00	5.1		
2	8.43	0.06	3.90	0.0	ABSENT	110	67	116	51	2.81	0.00	2.66	0.54	0.00	4.9	625	2.1
3	8.40	0.06	4.27	0.0	ABSENT	111	67	119	53	2.71	0.00	2.64	0.53	0.00	5.0		
4	8.35	0.06	4.27	0.0	ABSENT	112	68	115	55	2.78	0.00	2.67	0.53	0.00	5.0		
5	8.42	0.06	4.17	0.0	ABSENT	113	70	116	52	2.73	0.00	2.61	0.53	0.00	4.9		
6	8.37	0.07	4.22	0.0	ABSENT	114	74	120	53	2.74	0.00	2.60	0.52	0.00	5.0		
7	8.31	0.07	4.22	0.0	ABSENT	114	73	119	56	2.80	0.00	2.66	0.53	0.00	5.0	634	
8	8.30	0.07	4.08	0.0	ABSENT	115	77	117	45	2.75	0.00	2.67	0.52	0.00	5.1		
9	8.28	0.06	4.08	0.0	ABSENT	112	76	123	58	2.74	0.00	2.56	0.52	0.00	4.9		
10	8.30	0.06	4.08	0.0	ABSENT	118	76	115	56	2.74	0.00	2.62	0.51	0.00	5.1		
11	8.27	0.06	4.08	0.0	ABSENT	122	75	120	52	2.75	0.00	2.55	0.51	0.00	5.0		
12	8.26	0.06	3.91	0.0	ABSENT	120	75	123	52	2.71	0.00	2.58	0.51	0.00	5.1		
13	8.30	0.06	3.92	0.0	ABSENT	117	76	120	50	2.68	0.00	2.57	0.51	0.00	5.0		
14	8.26	0.07	4.08	0.0	ABSENT	126	78	122	56	2.72	0.00	2.55	0.51	0.00	5.0	674	
15	8.28	0.07	4.08	0.0	ABSENT	126	75	125	57	2.88	0.00	2.72	0.54	0.00	5.0		
16	8.32	0.07	4.13	0.0	ABSENT	130	74	129	59	2.98	0.00	2.77	0.55	0.00	5.0		
17	8.33	0.07	4.45	0.0	ABSENT	129	74	126	57	3.03	0.00	2.87	0.57	0.00	5.0		
18	8.35	0.07	4.46	0.0	ABSENT	127	76	132	63	2.98	0.00	2.77	0.55	0.00	5.0		
19	8.28	0.06	4.08	0.0	ABSENT	128	77	129	60	3.02	0.00	2.85	0.57	0.00	5.0		
20	8.34	0.06	4.08	0.0	ABSENT	129	76	130	58	3.03	0.00	2.87	0.56	0.00	5.1		
21	8.30	0.06	4.08	0.0	ABSENT	131	76	127	58	3.05	0.00	2.86	0.56	0.00	5.1		
22	8.36	0.06	4.08	0.0	ABSENT	130	75	133	58	3.06	0.00	2.94	0.58	0.00	5.1	726	
23	8.38	0.06	4.08	0.0	ABSENT	131	75	131	55	3.02	0.00	2.77	0.57	0.00	4.9		
24	8.43	0.05	4.08	0.0	ABSENT	131	74	130	53	2.92	0.00	2.73	0.56	0.00	4.9		
25	8.40	0.05	4.08	0.0	ABSENT	130	73	127	55	2.98	0.00	2.73	0.56	0.00	4.9		
26	8.35	0.06	4.08	0.0	ABSENT	132	75	129	58	2.90	0.00	2.73	0.54	0.00	5.1		
27	8.28	0.06	4.08	0.0	ABSENT	132	73	129	59	2.95	0.00	2.70	0.55	0.00	4.9		
28	8.36	0.06	4.18	0.0	ABSENT	134	71	132	59	2.93	0.00	2.70	0.55	0.00	4.9	719	
29	8.29	0.05	4.27	0.0	ABSENT	138	72	140	57	2.92	0.00	2.75	0.54	0.00	5.1		
30	8.32	0.05	4.27	0.0	ABSENT	135	72	135	61	2.94	0.00	2.76	0.53	0.00	5.2		
31	8.28	0.04	4.20	0.0	ABSENT	139	72	139	63	3.02	0.00	2.78	0.55	0.00	5.1		
Avg	8.33	0.06	4.13	0.00		124	74	125	56	2.87	0.00	2.71	0.54	0.00	5.0	676	2.10

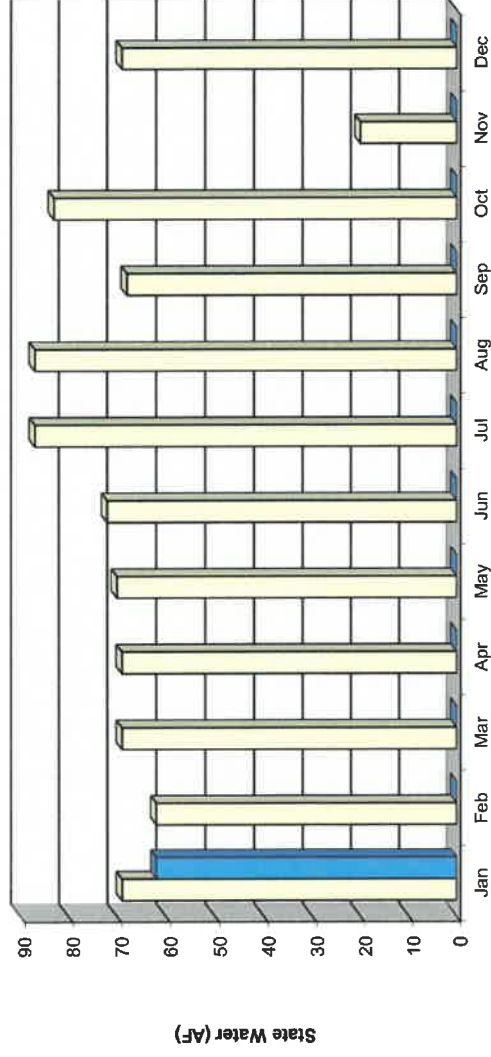
Chorro Valley T.O. - SWP Deliveries in Year 2019

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	195	153	
Feb	195	0	
Mar	195	0	
Apr	195	0	
May	195	0	
Jun	195	0	
Jul	195	0	
Aug	195	0	
Sep	195	0	
Oct	195	0	
Nov	80	0	
Dec	195	0	
Total	2225	153	



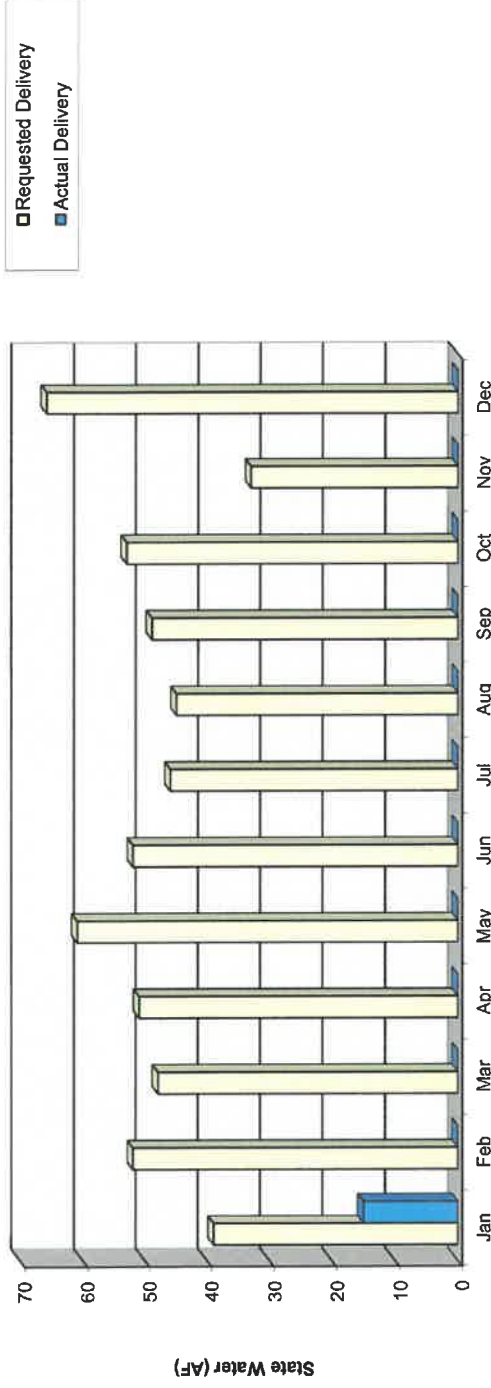
Lopez T.O. - SWP Deliveries in Year 2019

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	69	62	
Feb	62		
Mar	69		
Apr	69		
May	70		
Jun	72		
Jul	87		
Aug	87		
Sep	68		
Oct	83		
Nov	20		
Dec	69		
Total	825	62	



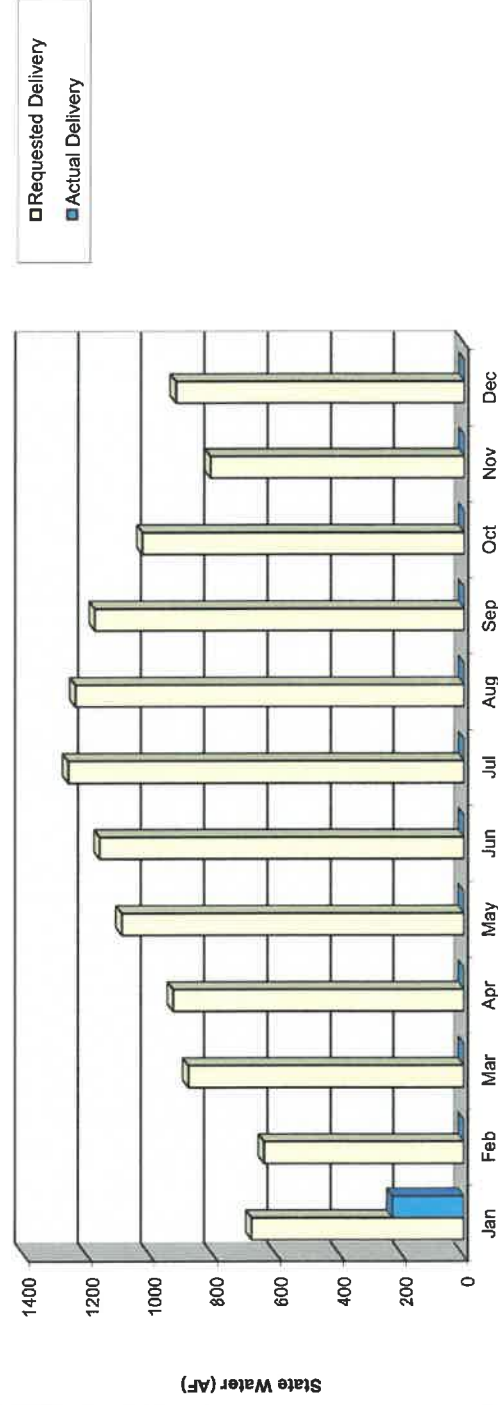
Guadalupe - SWP Deliveries in Year 2019

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	39	15	
Feb	52		
Mar	48		
Apr	51		
May	61		
Jun	52		
Jul	46		
Aug	45		
Sep	49		
Oct	53		
Nov	33		
Dec	66		
Total	595	15	



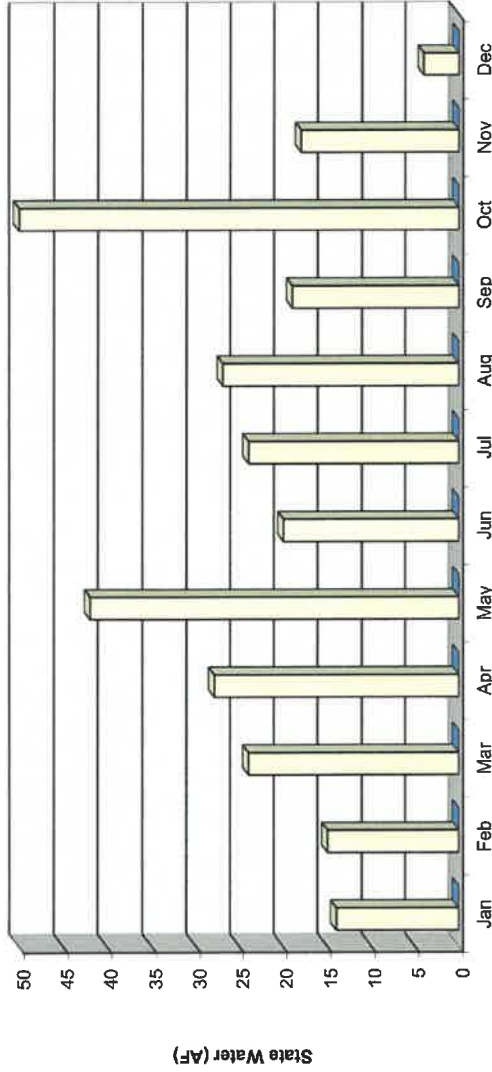
Santa Maria - SWP Deliveries in Year 2019

Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	682	234	
Feb	642		
Mar	881		
Apr	928		
May	1091		
Jun	1161		
Jul	1262		
Aug	1239		
Sep	1177		
Oct	1026		
Nov	811		
Dec	920		
Total	11820	234	



Golden State - SWP Deliveries in Year 2019

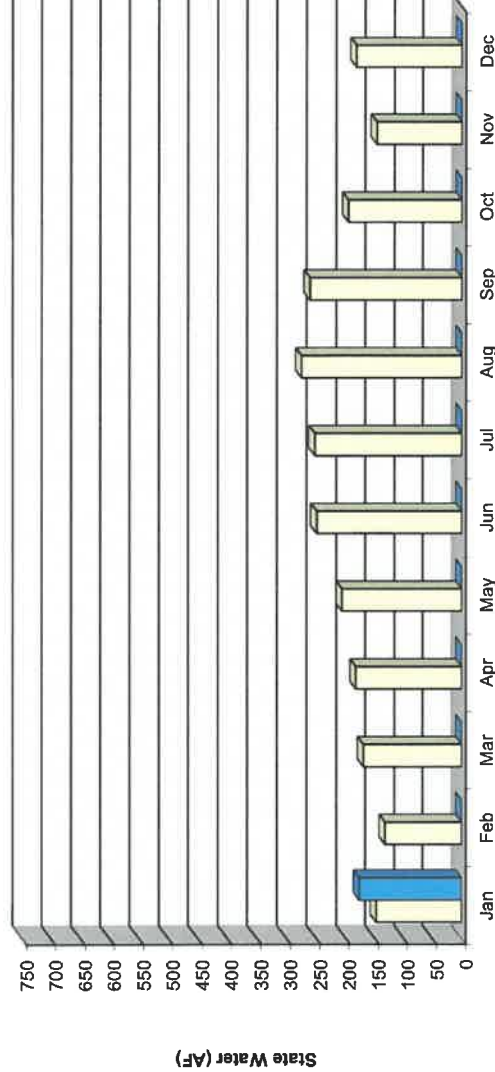
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	14	0	
Feb	15		
Mar	24		
Apr	28		
May	42		
Jun	20		
Jul	24		
Aug	27		
Sep	19		
Oct	50		
Nov	18		
Dec	4		
Total	285	0	



Requested Delivery
Actual Delivery

VAFB - SWP Deliveries in Year 2019

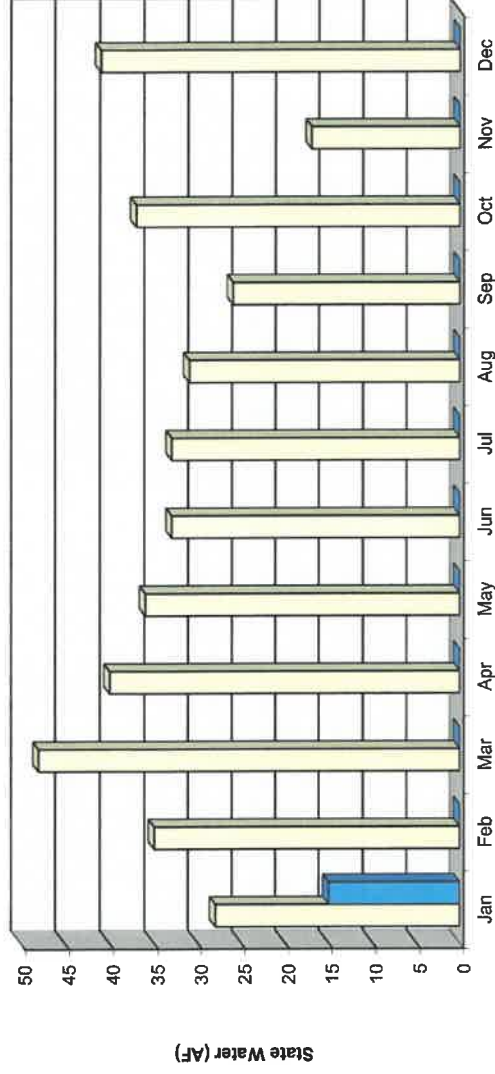
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	148	177	
Feb	133		
Mar	170		
Apr	183		
May	207		
Jun	250		
Jul	253		
Aug	275		
Sep	261		
Oct	196		
Nov	147		
Dec	182		
Total	2405	177	



Requested Delivery
Actual Delivery

Buellton - SWP Deliveries in Year 2019

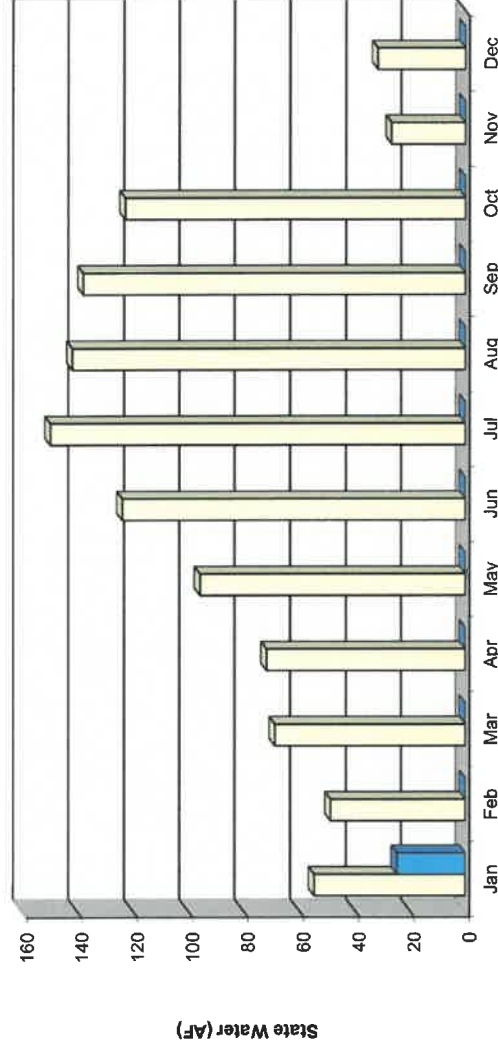
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	28	15	
Feb	35		
Mar	48		
Apr	40		
May	36		
Jun	33		
Jul	33		
Aug	31		
Sep	26		
Oct	37		
Nov	17		
Dec	41		
Total	405	15	



Requested Delivery
Actual Delivery

Santa Ynez - Solvang Only - SWP Deliveries in Year 2019

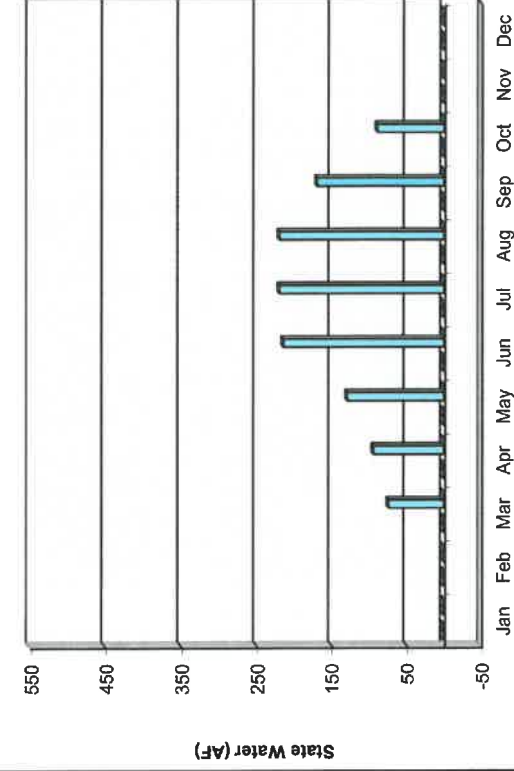
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	55	25	
Feb	49		
Mar	69		
Apr	72		
May	96		
Jun	124		
Jul	150		
Aug	142		
Sep	138		
Oct	123		
Nov	27		
Dec	32		
Total	1077	25	



Requested Delivery
Actual Delivery

Santa Ynez (Without Solvang) - SWP Deliveries in Year 2019

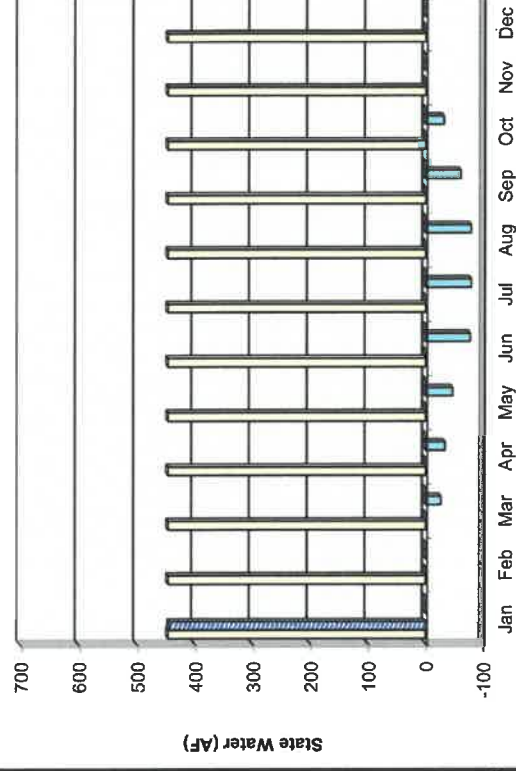
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	0	0	0	0	0	0	
Feb	0	0	0	0	0	0	
Mar	0	75	75	0	0	75	
Apr	0	95	95	0	0	95	
May	0	130	130	0	0	130	
Jun	0	215	215	0	0	215	
Jul	0	220	220	0	0	220	
Aug	0	220	220	0	0	220	
Sep	0	170	170	0	0	170	
Oct	0	90	90	0	0	90	
Nov	0	0	0	0	0	0	
Dec	0	0	0	0	0	0	
Total	0	1215	1215	0	0	1215	0



- Scheduled State Water Delivery
- Actual State Water Delivery
- Scheduled Exchange Water
- Actual Exchange Water Delivery

Goleta - SWP Deliveries in Year 2019

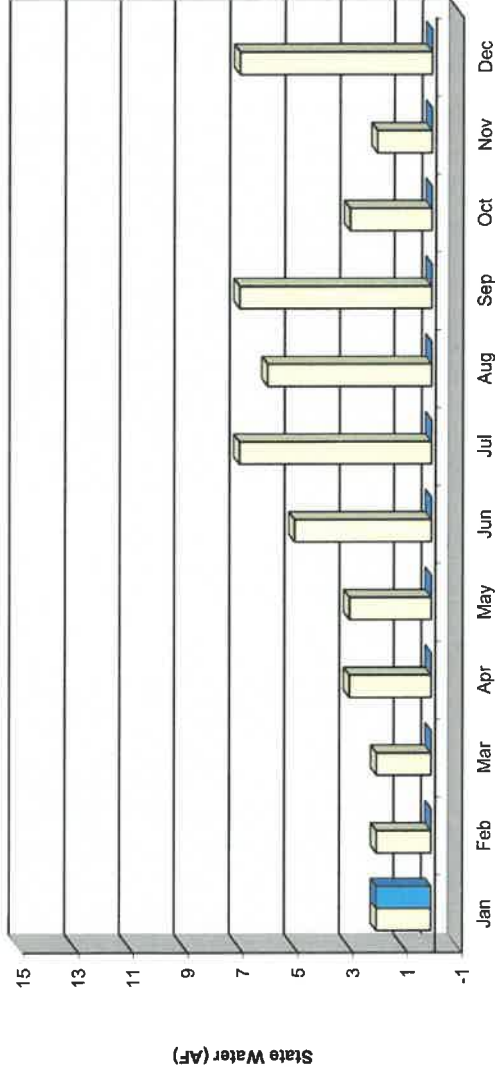
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	446	0	446	444	0	444	
Feb	446	0	446	444	0	444	
Mar	446	-27	419	444	0	444	
Apr	446	-34	412	444	0	444	
May	446	-47	399	444	0	444	
Jun	446	-77	369	444	0	444	
Jul	446	-79	367	444	0	444	
Aug	446	-79	367	444	0	444	
Sep	446	-61	385	444	0	444	
Oct	446	-32	414	444	0	444	
Nov	446	0	446	444	0	444	
Dec	446	0	446	444	0	444	
Total	5352	-436	4916	4444	0	4444	444



- Scheduled State Water Delivery
- Actual State Water Delivery
- Scheduled Exchange Water
- Actual Exchange Water Delivery

Morehart Land - SWP Deliveries in Year 2019

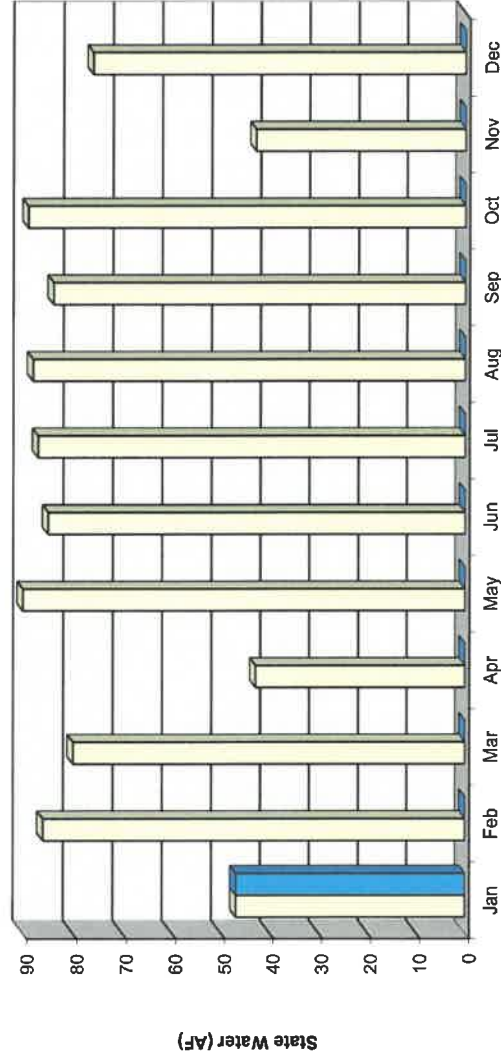
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	2	2	
Feb	2		
Mar	2		
Apr	3		
May	3		
Jun	5		
Jul	7		
Aug	6		
Sep	7		
Oct	3		
Nov	2		
Dec	7		
Total	49	2	



Requested Delivery
Actual Delivery

La Cumbre - SWP Deliveries in Year 2019

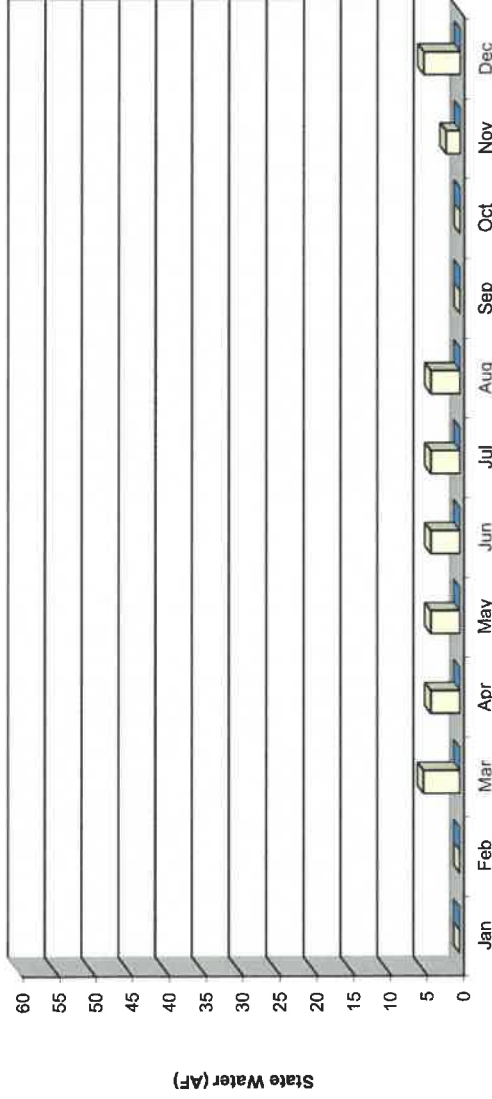
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	47	47	
Feb	86		
Mar	80		
Apr	43		
May	90		
Jun	85		
Jul	87		
Aug	88		
Sep	84		
Oct	89		
Nov	43		
Dec	76		
Total	898	47	



Requested Delivery
Actual Delivery

Raytheon (SBRC) - SWP Deliveries in Year 2019

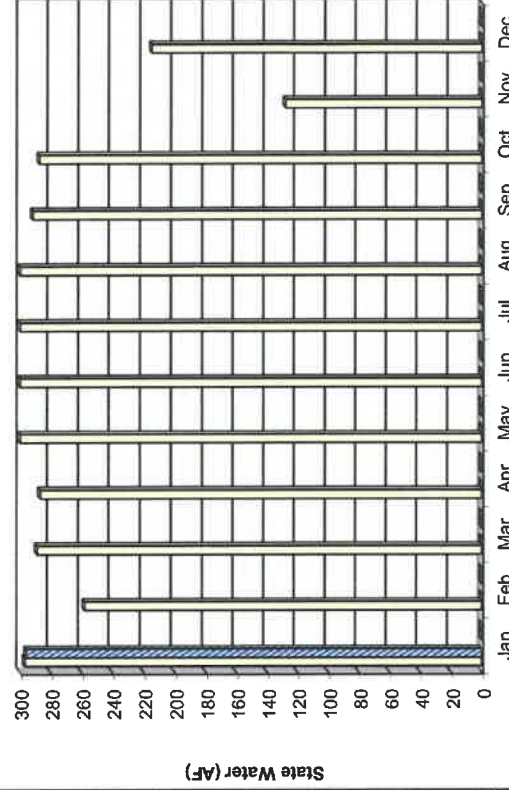
Month	Requested Delivery	Actual Delivery	Allocation Available
Jan	0	0	
Feb	0		
Mar	5		
Apr	4		
May	4		
Jun	4		
Jul	4		
Aug	4		
Sep	0		
Oct	0		
Nov	2		
Dec	5		
Total	32	0	



Requested Delivery
Actual Delivery

Santa Barbara - SWP Deliveries in Year 2019

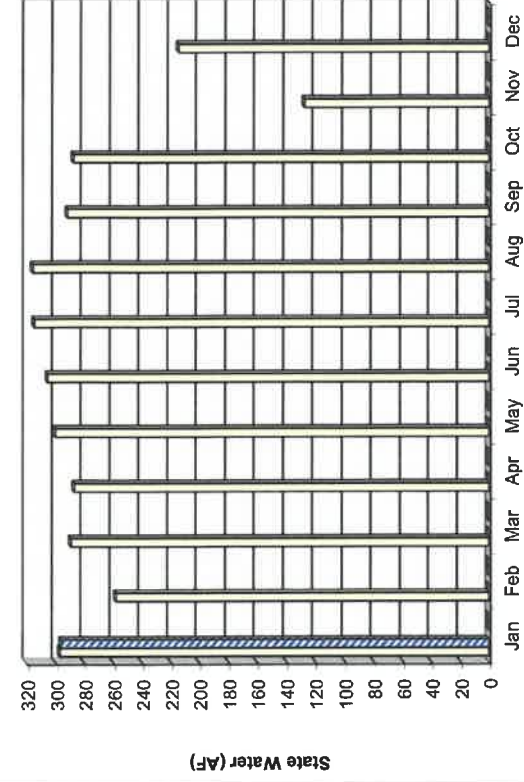
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Allocation Available
Jan	297	0	297	296	0	296	
Feb	258	0	258				
Mar	289	-18	271				
Apr	287	-23	264				
May	300	-31	269				
Jun	306	-52	254				
Jul	315	-53	262				
Aug	316	-53	263				
Sep	292	-41	251				
Oct	288	-22	266				
Nov	128	0	128				
Dec	215	0	215				
Total	3290	-292	2998	296	0	296	



Scheduled State Water Delivery
Actual State Water Delivery
Scheduled Exchange Water
Actual Exchange Water Delivery

Montecito - SWP Deliveries in Year 2019

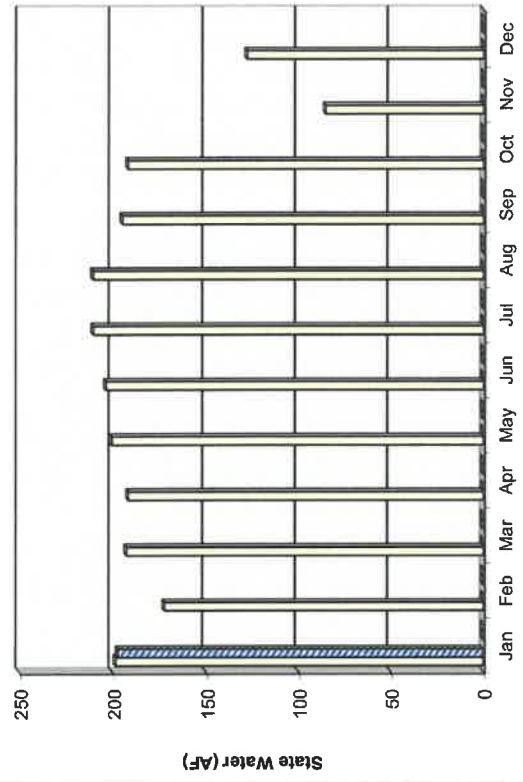
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Water Delivery Available
Jan	297	0	297	296	0	296	
Feb	258	0	258				
Mar	289	-18	271				
Apr	287	-23	264				
May	300	-31	269				
Jun	306	-52	254				
Jul	315	-53	262				
Aug	316	-53	263				
Sep	292	-41	251				
Oct	288	-22	266				
Nov	128	0	128				
Dec	215	0	215				
Total	3290	-292	2998	296	0	296	296



Scheduled State Water Delivery
 Actual State Water Delivery
 Scheduled Exchange Water
 Actual Exchange Water Delivery

Carpinteria - SWP Deliveries in Year 2019

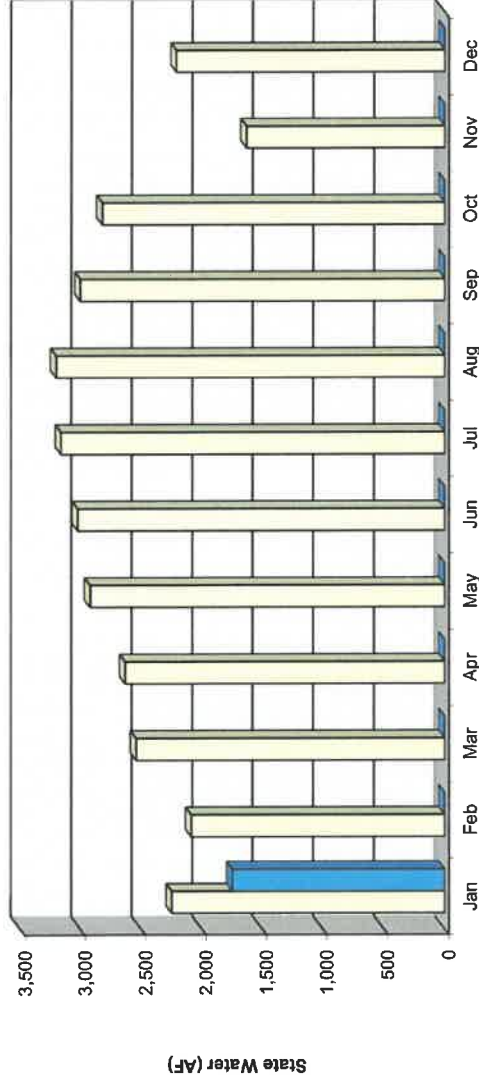
Month	Scheduled State Water Delivery	Scheduled Exchange Water	Total Sched. State & Exch. Water Delivery	Actual State Water Delivery	Actual Exchange Water Delivery	Total Actual State & Exch. Water Delivery	Water Delivery Available
Jan	198	0	198	197	0	197	
Feb	172	0	172.14				
Mar	192	-12	180.41				
Apr	191	-15	176.2				
May	200	-21	179.63				
Jun	204	-34	169.15				
Jul	210	-35	174.96				
Aug	210	-35	175.1				
Sep	195	-27	167.4				
Oct	192	-14	177.17				
Nov	86	0	85.626				
Dec	128	0	127.82				
Total	2178	-194	1984	197	0	197	197



Scheduled State Water Delivery
 Actual State Water Delivery
 Scheduled Exchange Water
 Actual Exchange Water Delivery

Total SB County - SWP Deliveries in Year 2019

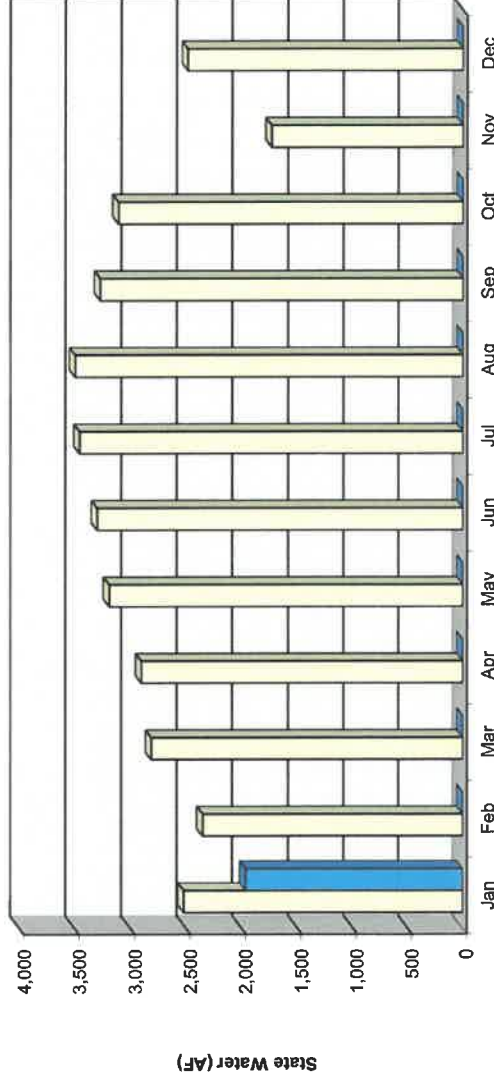
Month	Requested Delivery	Actual Delivery
Jan	2,253	1,748
Feb	2,089	
Mar	2,543	
Apr	2,633	
May	2,922	
Jun	3,026	
Jul	3,169	
Aug	3,209	
Sep	3,004	
Oct	2,826	
Nov	1,635	
Dec	2,215	
Total	31,525	1,748



Requested Delivery
Actual Delivery

Total SB and SLO County - SWP Deliveries in Year 2019

Month	Requested Delivery	Actual Delivery
Jan	2,525	1,967
Feb	2,355	
Mar	2,816	
Apr	2,906	
May	3,196	
Jun	3,302	
Jul	3,460	
Aug	3,500	
Sep	3,276	
Oct	3,113	
Nov	1,738	
Dec	2,487	
Total	34,675	1,967



Requested Delivery
Actual Delivery




CENTRAL COAST WATER AUTHORITY

Agenda Item V.A.
Board of Directors
February 28, 2019

MEMORANDUM

February 14, 2019

TO: CCWA Board of Directors

FROM: Ray A. Stokes 
Executive Director

SUBJECT: New Board Member Orientation and Major CCWA Initiatives

DISCUSSION

CCWA has been notified that three new board members have been appointed to the CCWA Board of Directors beginning in January 2019. Historically, we have offered a new board member orientation meeting separate from the regularly scheduled board meeting to give new board members a general overview of CCWA, our facilities and major initiatives.

Since we will have three new board members and some that are already on the board but have not yet been able to attend a new board member orientation meetings, we will be presenting a new board member orientation presentation at the CCWA board meeting. It is anticipated that the presentation will take approximately one hour.

In addition to the new board member orientation presentation, we would also like to see if there is a desire to participate in a tour of some of the CCWA facilities. We will be in contact with the board members and member agencies to determine the level of interest in a CCWA facilities tour sometime in the near future.

RAS



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 14, 2019

TO: CCWA Board of Directors

FROM: Ray A. Stokes
Executive Director 

SUBJECT: Ernst & Young Audit Report on the DWR 2019 Statement of Charges

SUMMARY

In July 2018, CCWA received the DWR Statement of Charges for calendar year 2019 which showed a large increase in the DWR Transportation Minimum OMP&R charges for calendar year 2019. Consequently, CCWA hired the accounting firm Ernst & Young to audit the calendar year 2019 Transportation Minimum OMP&R charges to ensure the charges are correct and to try to explain why the charges have greatly increased. This report will provide background on the Transportation Minimum OMP&R charges. The Ernst & Young audit report is attached to this report and CCWA staff will discuss the findings at the CCWA Board meeting.

DISCUSSION

CCWA Budget Preparation and DWR Cost Estimation

CCWA prepares its budget on a July to June fiscal year basis, while DWR prepares its "Statement of Charges" (SOC) on a calendar year basis (the Statement of Charges is the invoice from the State of California for the State water project charges each calendar year).

In order to prepare the DWR portion of the CCWA budget, which in turn, forms the basis of the bills from CCWA to each of its project participants, CCWA uses the actual DWR SOC for the current calendar year for the first half of the fiscal year and estimates what the DWR charges will be for the second half of the fiscal year for the budget being prepared. Then, when DWR distributes the calendar year SOC in July of each year, a reconciliation is prepared comparing the estimates used to prepare the CCWA fiscal year budget and the actual charges from DWR for the following calendar year.

Historically, any difference between the estimates used in the fiscal year budget and the actual SOC from DWR for the following calendar year have been closed with existing credits in other parts of the CCWA budget.

In preparing the estimates for the following year DWR Transportation Minimum charges, CCWA staff typically takes DWR's estimates and adds additional amounts because the actual charges have been increasing over what DWR estimates. For example, for calendar year 2019, DWR estimated that the charges would be around \$7.8 million. For budgeting purposes, CCWA staff used an estimate of \$9.8 million (before the latest estimate was received).

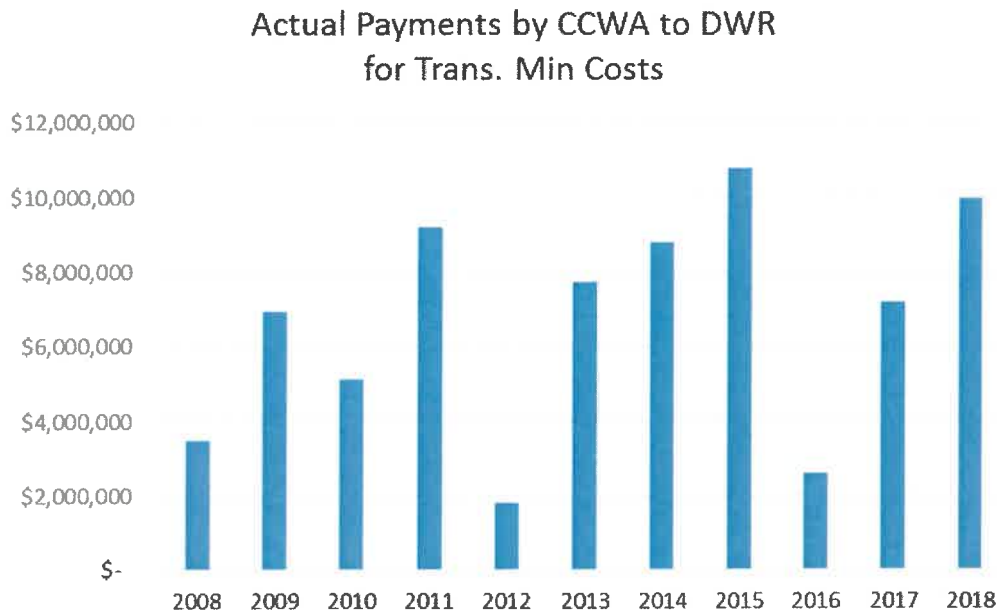
DWR Statement of Charges Process

By contract, DWR is required to distribute the SOC for the following calendar year by July 1st each year. As DWR prepares the SOC, it prepares a “dry-run” in May called the “May Estimate.” This is then sent to each of the 29 State Water Project Contractors as a preview of the expected SOC to be released by July 1st each year. In the time between release of the May Estimate and the July 1st SOC, DWR continues to refine the charges, but typically there are only minor differences between the May Estimate and the July 1st SOC.

DWR Transportation Minimum OMP&R Costs

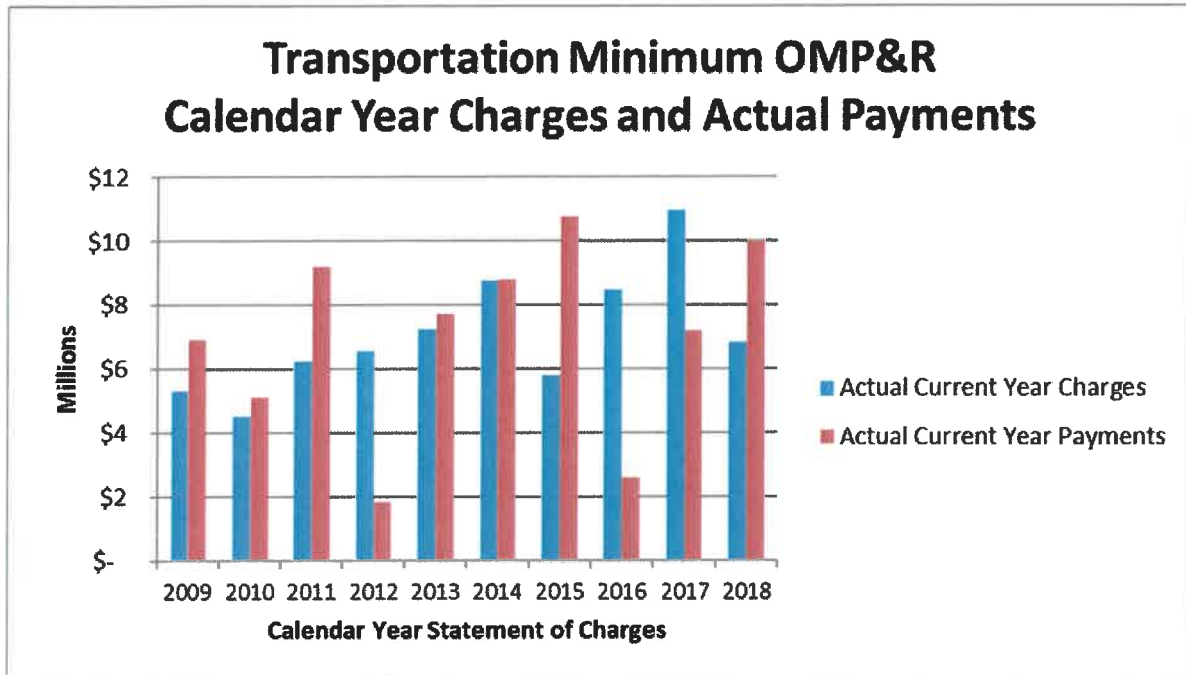
DWR divides up the calendar year SOC by “cost component.” Cost components are essentially different types of costs, with the major cost components being “capital costs” (costs for the repayment of capital cost construction of facilities); “minimum costs, both fixed and variable,” which are operations and maintenance and power costs. Transportation Minimum costs are fixed O&M costs related to the O&M of the SWP facilities which do not vary with the quantity of water delivered to the 29 SWP Contractors.

Historically, the Transportation Minimum cost component of the DWR SOC has been the most volatile DWR charge for CCWA as can be seen in the following graph showing the actual payments to DWR for Transportation Minimum costs since 2008.



The volatility shown above is partly based on DWR’s SOC being based on estimates and then reconciled or “trued-up” based on the actual charges incurred. Therefore, if DWR estimates CCWA’s Transportation Minimum charges in one year are \$7 million and the actual charges for the year are \$10 million, DWR will add the additional \$3 million due from CCWA to the bill for the following year, plus interest at a rate of 4.610% (the project interest rate pursuant to the DWR SWP Contract). This issue of adjusting the current year Transportation Minimum charges for the “true-up” in prior years is illustrated in the following graph, whereby the blue bars represent DWR’s estimate of the actual costs to be incurred that calendar year and the

red bar represent the actual payments from CCWA taking into account the over or under-collections from prior calendar years.



Additionally, because there are only two SWP Contractors on the coastal branch of the SWP, Santa Barbara County (90%) and San Luis Obispo County (10%), any changes, up or down, are allocated to only these two counties, further amplifying the variances. This is especially relevant for one particular portion of the coastal branch facilities called “Reach 33A” where three different pumping plants are located just upstream of the CCWA Polonio Pass Water Treatment Plant. This one financial reach tends to create the most volatility from year-to-year because of work done by DWR on the facilities in Reach 33A.

Calendar Year 2019 Transportation Minimum Cost Estimates

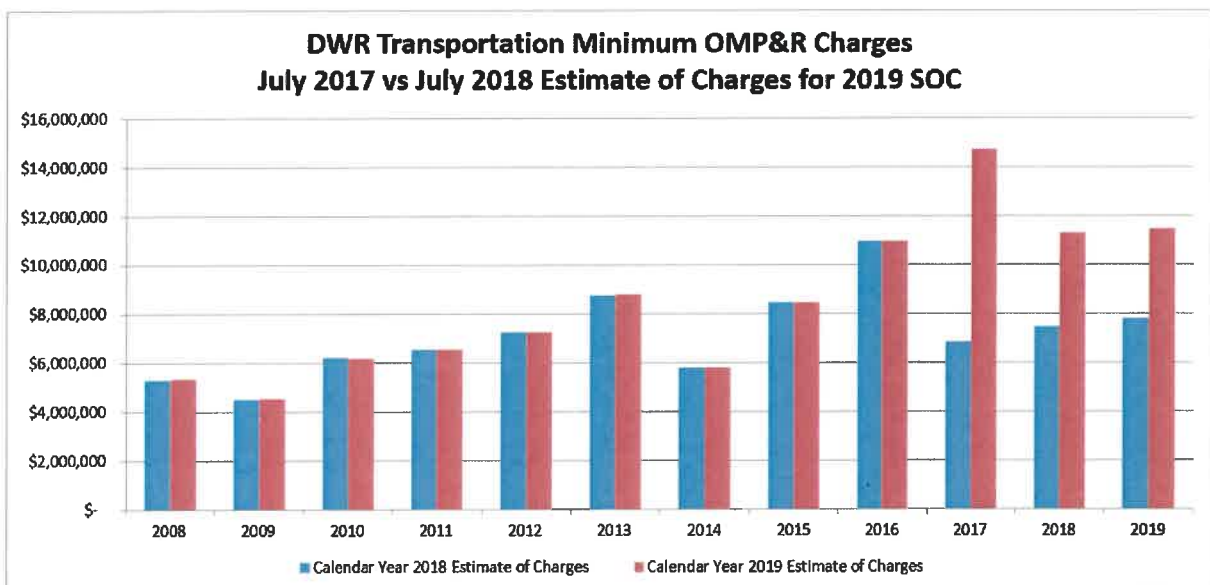
In the calendar year 2018 SOC, DWR showed an estimated calendar year 2019 Transportation Minimum cost estimate of \$7.8 million. For purposes of preparing the CCWA FY 2018/19 budget, CCWA added an additional \$2 million above the DWR estimate for a total of \$9.8 million. **The actual Statement of Charges for the calendar year 2019 Transportation Minimum from DWR is \$24.3 million, a \$15.5 million increase over the amount used to prepare the FY 2018/19 budget, one-half of which was due and paid by the CCWA member agencies on January 1st, 2019.**

The following table shows the estimate of the Transportation Minimum charges from the 2018 SOC in column B and the updated estimate of charges from the calendar year 2019 Statement of Charges in column C. Note, that in the 2018 SOC, DWR estimated the actual 2017 charges were \$6.8 million. In the 2019 SOC, DWR is estimating the actual 2017 charges are \$14.7 million, a 115% increase.

A	B	C	D	E
<i>Transportation Minimum OMP&R Charges</i>				
Calendar Year	Calendar Year 2018 Estimate of Charges	Calendar Year 2019 Estimate of Charges	Difference	% Change from 2018 Estimate
2008	\$ 5,313,108	\$ 5,329,868	\$ 16,760	0%
2009	4,522,550	4,541,851	19,301	0%
2010	6,235,197	6,199,923	(35,274)	-1%
2011	6,560,138	6,561,645	1,507	0%
2012	7,246,134	7,248,718	2,584	0%
2013	8,777,136	8,792,406	15,270	0%
2014	5,826,654	5,814,382	(12,272)	0%
2015	8,477,187	8,471,279	(5,908)	0%
2016	10,986,277	10,989,575	3,298	0%
2017	6,841,790	14,733,032	7,891,242	115%
2018	7,473,002	11,331,753	3,858,751	52%
2019	7,825,214	11,472,738	3,647,524	47%
TOTAL DUE WITH OVER/UNDER AMOUNTS FOR 2019:			\$ 24,307,245	

DWR also estimates that the annual costs will increase to around \$11.5 million per year for 2018 and 2019, or around 50% higher than the estimates provided last year. On average, CCWA's Transportation Minimum costs have been increasing by around 10% per year since 2008.

The following graph shows the comparison of the 2019 estimate of charges from the 2018 SOC and the 2019 SOC.



Action Plan

After receipt of the 2019 SOC from DWR, we developed a multi-pronged action plan to identify the reasons for the increase and to ensure the charges allocated to CCWA are correct. These steps included:

1. We asked State Water Contractors (SWC) accounting staff to access the DWR accounting records and try to analyze the reason for the large cost increases. A summary of their analysis is discussed below.
2. We engaged our DWR SOC auditors, Ernst & Young to examine the charges allocated to CCWA in DWR's accounting system. A copy of the Ernst & Young audit report is attached and is discussed below.
3. We met with the DWR Deputy Director and his senior managers for the San Joaquin field division (the field division that oversees Reach 33A) to discuss increased coordination between field division staff and CCWA operations staff, especially for planning and budgeting purposes.

Results of the Analysis

SWC staff completed their analysis and found the following:

1. The large increases are almost entirely due to increases in Reach 33A. This is the financial reach directly upstream of the CCWA Polonio Pass Water Treatment Plant that includes the three DWR pumping plants, Devil's Den, Bluestone and Polonio Pass.
2. Of the costs allocated to Reach 33A, approximately 70% of the costs are not directly related to work actually performed in Reach 33A, but are instead, indirect costs associated with the allocation of state-wide costs or system-wide costs that are allocated in proportion to actual staff time in Reach 33A as well as other indirect cost allocation methodologies.
3. Only 30% of the costs charged to Reach 33A are direct costs associated with work done on the facilities in that reach.

Ernst & Young's report provides further clarification on the increase in the Transportation Minimum OMP&R charges. Ernst & Young divided their report into analysis of the charges (at the beginning of the report) and then findings which are subject to correction if DWR agrees that the charges were incorrectly charged to CCWA.

E&Y Analysis

The Transportation Minimum OMP&R charges are comprised of many different types of charges, but for discussion purposes, it's easier to divide the costs into "direct costs" and "indirect costs."

"Direct Costs" are those costs that are specific to the financial reach such as working directly on facilities in Reach 33A, with staff time and other charges charged directly to the financial reach.

"Indirect costs" are costs that are allocated from other parts of DWR's system that are NOT directly related to a particular financial reach. Generally, these costs are allocated to the various DWR financial reaches in proportion to how DWR staff allocate their time. So, for example, if DWR staff spend more time on CCWA facilities, Reach 33A is allocated a greater portion of those indirect costs. As stated above, approximately 70% of the costs allocated to Reach 33A are for indirect costs.

E&Y's analysis shows a large increase in direct labor charged to Reach 33A. The analysis compares calendar year 2014 with 2017. For only those cost centers shown on E&Y's first page of analysis (there are many other cost centers, but the ones shown represent the largest increases), the calendar year 2014 direct labor hours were about 1,400 hours. For calendar year 2017, the direct labor hours were 8,300 hours. This in turn, resulted in Reach 33A's share of indirect cost allocation from around 4% in 2014 to around 17% in 2017.

From the analysis performed by E&Y, it appears much of the increase in work on Reach 33A had to do with refurbishment of the pump stations in Reach 33A.

We have requested that DWR provide additional information on the projects and reasons for the large increase in direct labor charges to Reach 33A, and we will be following up with DWR operations staff to obtain that information.

E&Y Findings

E&Y had a number of findings primarily related to asset purchases which should have been capitalized and paid over time and incorrect indirect cost allocation cycles which incorrectly allocated a higher percentage of indirect costs to Reach 33A. Again, these will be submitted to DWR for correction and, if DWR agrees, a correction will be made to a future SOC for CCWA.

Please refer to the "Executive Summary" section of the E&Y report for a general overview of the analysis and findings. Additionally, CCWA staff will discuss this report at the CCWA Board meeting.

RAS

Attachment

**SUMMARY OF 2018 PROCEDURES, FINDINGS,
AND RECOMMENDATIONS**

**Central Coast Water Authority
San Luis Obispo County Flood Control and Water Conservation District**

Draft



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**To the Representatives of Central Coast Water Authority and
San Luis Obispo County Flood Control and Water Conservation District**

We have completed our engagement to perform procedures at the Department of Water Resources (DWR) on behalf of Central Coast Water Authority (CCWA) and San Luis Obispo County Flood Control (SLO). Our engagement was performed in accordance with Exhibit C-1 dated October 24, 2018 to the Statement of Work dated June 29, 2018, and our procedures were limited to those described the Exhibit C-1.

Our findings and recommendations resulting from our procedures are presented in the memoranda, summaries, and schedules included in the Summary of 2018 Procedures, Findings, and Recommendations (Report). The procedures were performed based on information obtained principally by inquiries of officials and other personnel of the DWR and inspection of certain accounting related records and reports of the DWR. The specific sources of the various components of the information are indicated in the accompanying memoranda, summaries, and schedules. The information included in the Report, including the memoranda, summaries, and schedules, are solely those we received in response to our inquiries or obtained from documents furnished to us. Our work was limited in scope and time, and we stress that more detailed procedures may reveal findings that this engagement has not.

Except for ascertaining that certain information in tabulations and reports received from the DWR agreed with the accounting records (as specifically identified in the accompanying memoranda, summaries, and schedules), we were not requested to and did not perform procedures to evaluate the reliability or completeness of the information obtained. The procedures do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance. While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes.

Restrictions on the use of our work product

This Report is intended solely for the information and use of CCWA and SLO and is not intended to be and should not be used by anyone other than these specified parties. Except where compelled by legal process (of which CCWA and SLO shall promptly inform Ernst and Young LLP (EY) and tender to EY, if EY so elects, the defense), CCWA and SLO may not disclose, orally or in writing, the Report or any portion, abstract or summary thereof, to make any reference to EY in connection therewith, to any third party without obtaining the prior written consent of EY. To the extent CCWA and SLO is permitted to disclose the written Report as set forth herein, it shall disclose the Report only in the original, complete, and unaltered form provided by EY, with all restrictive legends and other agreements intact.

CCWA and SLO shall, among other responsibilities with respect to the Report, (i) make all management decisions and perform all management functions, including applying independent business judgment to the Report, making implementation decisions and determining further courses of action in connections with the Report; (ii) assign a competent employee within senior management to make all management decisions with respect to the Report; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Report.

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EXECUTIVE SUMMARY OF 2018 PROCEDURES

The transportation minimum component for CCWA and SLO (collectively the "Central Coast Contractors") has seen extreme volatility. As an example, the transportation minimum calculated component for the 2018 statement of charges for 2017 was \$6,841,790 and \$1,512,470 compared to the transportation minimum calculated component for the 2019 statement of charges for 2017 of \$14,733,032 and \$2,322,787 for CCWA and SLO, respectively. This is an increase of \$7,891,242 and \$810,317 or 115% and 154% for CCWA and SLO, respectively, compared to the prior year.

This volatility can be caused by a number of factors including direct costs charged to Central Coast Contractors reaches or alpha allocation cycle (indirect cost allocations) to Central Coast Contractors. We performed procedures on the transportation minimum component, specifically analyzing the costs charged to reach 33A which has an allocation of 90% and 10% for CCWA and SLO, respectively. These procedures included testing direct costs charged to reach 33A related to invoices and labor costs and indirect costs charged to reach 33A through alpha allocation cycles. We performed a fluctuation analysis of costs charged to reach 33A comparing 2014 costs to 2017 costs for groups of like internal orders. Direct labor hours were seen as a main driver of the increase in costs related to the direct costs. The below table summarizes such changes:

Cost Center	Project	2014 Costs	2017 Costs	Increase in Costs
2300871500	Environment	\$ 14,863	\$ 128,872	\$ 114,009
2300871502	Fish Operating Plan	\$ 8,191	\$ 153,307	\$ 145,116
2300871502	Inspection and Testing	\$ 5,648	\$ 213,923	\$ 208,276
2300871502	Repairs and Maintenance	\$ 96,712	\$ 601,095	\$ 504,382
2300871503	Inspection and Testing	\$ 5,029	\$ 250,385	\$ 245,356
2300871503	Repairs and Maintenance	\$ 262,869	\$ 759,250	\$ 496,381
2300871504	Annual Order	\$ 2,298	\$ 267,065	\$ 264,768
2300871504	Repairs and Maintenance	\$ 302,891	\$ 833,230	\$ 530,339
2300871504	Upgrades and Installations	\$ 75,607	\$ 186,892	\$ 111,285

With the increase in direct labor costs charged to reach 33A, Central Coast Contractors get another impact to the transportation minimum component with respect to indirect costs allocations as these allocations are calculated based on direct labor hours. The below table summarizes such changes:

Alpha Allocation Cycle	2014 Allocation	2017 Allocation
FDL907	40.0%	72.0%
FFN907	4.0%	17.0%
FAD908	0.8%	3.8%
FAD909	0.8%	3.8%
SAA913	0.8%	3.2%
SAA923	0.8%	3.2%

We have made inquiries to the Department to the root cause of the direct labor increases for a sample of employees charging time to the selected internal orders and this remains open to finalize.

Our procedures related to analyzing invoices charged to specific internal orders, has led to specific findings referenced in the report. Such findings relate to capital costs being charged through minimum costs for years 2014 through 2017 for an approximate total of \$17 million. Other findings referenced in the report relate to costs charged to specific indirect cost allocations that appear to be more appropriately allocated to other indirect cost allocations based on the work being performed.

We have performed procedures over coastal branch extension debt service to ensure that CCWA receives credits for the refinancing related to bond series Q and W. We observed that the Department bills debt service in the statement of charges in advance, and does not subsequently adjust the billings to provide the benefit of the refinanced debt service to CCWA. Approximately \$1.7 million has been overcharged to CCWA from the period of 1998 to 2019.

DETAILED DISCUSSION OF 2018 PROCEDURES

Areas of Focus

- Transportation Minimum
- Coastal Branch Extension (CBX) Direct Debt Service

Findings and Recommendations Summary Tables

Throughout the report, summary tables are categorized as findings or recommendations. Findings specifically relate to observations with a dollar impact to CCWA and SLO. Recommendations are process improvements observed for the Department specifically identified through current year procedures for which no dollar impact to CCWA and SLO was determined.

The findings and recommendations summary tables throughout the report identify the risk of future occurrence. This risk rating provides CCWA and SLO with a meaningful measurement of the likelihood of similar findings in subsequent years if the finding is not addressed or corrected. CCWA and SLO has requested that we use the following risk rating definitions:

- High - it is highly likely (or probable) that the error or process failure will be repeated
- Medium - it is more likely than not that the error or process failure will be repeated
- Low - it is possible that the error or process failure will be repeated

Internal Control Framework

The internal control categories presented in the findings and recommendation summary tables detail the root cause of the finding or recommendation. We have summarized all findings and recommendations into internal control categories, which are presented in the Internal Control Framework.

1. Control Activities:

- a. Internal Controls on Reconciliations, Approvals, Assets, Segregation of Duties - Findings in this category are the result of errant internal control measures or practices. This includes approvals, verifications, reconciliations, segregation of duties.
- b. Internal Controls on Data Environment to Ensure Data Integrity - Findings in this category are the result of errant data control measures or practices. This includes practices that result in altered, damaged or errant data included in calculations or reporting.

2. Control Environment:

- a. Policy: Determination of Beneficiary - Findings in this category are the result of no policy or lack of compliance with policy regarding full reimbursement of cost and having a defined beneficiary prior to providing service.
- b. Policy: Determination of Cost Categorization - Findings in this category are the result of no policy or lack of compliance with policy regarding controls and approvals of cost classification/codification prior to posting into a system of record.
- c. Policy: Accounting Standards for Consistency - Findings in this category are the result of the DWR adopting an accounting principle, method or practice and not consistently following the principle, method or practice in future accounting periods.
- d. Policy: Accounting Standards for Timeliness - Findings in this category are the result of DWR not following the accounting principle of timeliness or the need for accounting information to be presented to the users in time to fulfill their decision making needs.
- e. Procedures: No Procedures - Findings in this category are the result of DWR not having established standardized processes or procedures.
- f. Procedures: Errant Procedures - Findings in this category are the result of DWR having errant standardized processes or procedures creating a weakness in internal control processes.
- g. Procedures: Procedures not Being Followed - Findings in this category are the result of DWR staff not following standardized processes or procedures creating a weakness in internal control processes.

Transportation Minimum

Procedures Performed

We performed the following detailed procedures on the transportation minimum component for Reach 33A.

- Transportation minimum direct allocation for Reach 33A:
 - Obtained a listing of Internal Orders (IOs) associated with costs of group like IOs and performed a fluctuation analysis between 2014 and 2017.
 - Assessed a sample of IOs with the largest increase in costs and hours charged from group like IOs resulting from the fluctuation analysis between 2014 and 2017.
 - Assessed a sample from the largest new groups and employees of like IOs in 2017.
- Transportation minimum indirect allocation for Reach 33A:
 - Selected the largest alpha allocation cycles causing the increase in indirect costs for State-wide, San Joaquin Field Division, and Coastal Branch (CB) allocations based on analysis performed by Teresa Lightle, State Water Contractors:
 - State-wide: M-FAD908, M-FAD909, M-SAA913, M-SAA923
 - San Joaquin Field Division: M-FFN907
 - CB Field Division: M-FDL907
 - Obtained a listing of IOs associated with costs for the alpha allocation cycles and group like IOs and performed a fluctuation analysis between 2014 and 2017.
 - Assessed a sample of IOs with the largest increase in costs and hours charged from group like IOs resulting from the fluctuation analysis between 2014 and 2017.
 - Assessed a sample from the largest new groups and employees of like IOs in 2017.
- Downstream allocation for Reach 33A:
 - Investigated the increase in downstream expenses.
- CBX direct debt service:
 - Determined whether the refinanced bonds were properly credited to the direct billed debt service for the CBX.
- Investigated any variances identified.

Findings and Recommendations

We performed a fluctuation analysis on transportation minimum direct allocation to Reach 33A and the largest alpha allocation cycles causing the increase in indirect costs for State-wide, San Joaquin Field Division, and CB allocations based on analysis performed by Teresa Lightle, State Water Contractors between 2014 and 2017. A summary of the fluctuation analysis is below: [ALL LABOR CHANGES TO BE CONFIRMED BY DWR]

Cost Center	Group Like IO	2014 Costs	2017 Costs	Increase in Costs	Change Description
2300871500	Environment	\$ 14,863	\$ 128,872	\$ 114,009	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous and labor costs per the cost element description. Costs charged during 2014 were primarily related to vehicle operation costs with costs during 2017 primarily related to equipment rentals and construction supplies. The increase in labor was primarily related to Coastal Dewatering which was not performed during 2014.
2300871502	Fish Operating Plan	\$ 8,191	\$ 153,307	\$ 145,116	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description. The increase in labor increased from 18 hours in 2014 to 503 hours in 2017.
2300871502	Inspection and Testing	\$ 5,648	\$ 213,923	\$ 208,276	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description. The increase in labor increased from 41 hours in 2014 to 1,645 hours in 2017. The increase in labor was primarily related to trip testing which was not performed during 2014.
2300871502	Repairs and Maintenance	\$ 96,712	\$ 601,095	\$ 504,382	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous and labor costs per the cost element description. The increase in miscellaneous costs was primarily related to construction, mechanical supply purchases, and upgrades to cranes used at the Devil's Den Pumping Plant. The increase in labor was primarily related to refurbishments performed during 2017.
2300871503	Inspection and Testing	\$ 5,029	\$ 250,385	\$ 245,356	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description. The increase in labor increased from 22 hours in 2014 to 1,603 hours in 2017.
2300871503	Repairs and Maintenance	\$ 262,869	\$ 759,250	\$ 496,381	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous and labor costs per the cost element description. The increase in miscellaneous costs was primarily related to maintenance of the BL Power Transformer KYA located at Reach 33A. The increase in labor increased from 892 hours in 2014 to 3,288 hours in 2017.
2300871504	Annual Order	\$ 2,298	\$ 267,065	\$ 264,768	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous and labor costs per the cost element description related to refurbishment costs at the Polonio Pass Pumping Plant.
2300871504	Repairs and Maintenance	\$ 302,891	\$ 833,230	\$ 530,339	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous and labor costs per the cost element description related to refurbishment costs at the Polonio Pass, Bluestone, and Devil's Den Pumping Plants and construction supply purchases.
2300871504	Upgrades and Installations	\$ 75,607	\$ 186,892	\$ 111,285	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description. The increase in labor increased from 394 hours in 2014 to 1,239 hours in 2017 primarily related to time spent on line installations.

Cost Center	Group Like IO	2014 Costs	2017 Costs	Increase in Costs	Change Description
2300FDL907	Annual Order	\$ 1,265	\$ 302,927	\$ 301,662	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description. The increase in labor increased from 27 hours in 2014 to 2,504 hours in 2017 primarily related to time spent for herbicide application for weed control.
2300FDL907	General Time	\$ 298,448	\$ 661,738	\$ 363,289	The increase in costs between 2014 and 2017 primarily relates to the change in Reach 33A's alpha allocation percentage through 2300FDL907 which increased from 40% in 2014 to 72% in 2017 which is calculated based on actual direct labor charges.
2300FDL907	Tooling	\$ 8,362	\$ 161,372	\$ 153,010	The increase in costs between 2014 and 2017 primarily relates to miscellaneous costs per the cost element description related to increases in purchases of hand and power tools, construction supplies, and safety supplies.
2300FDL907	Weed Removal	\$ 2,347	\$ 492,348	\$ 490,001	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description primarily related to weed removal work.
2313FDL907	Right of Way	\$ -	\$ 146,956	\$ 146,956	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description primarily related to labor used in the development of right of way contracts.
2300FFN907	Annual Order	\$ 1,344	\$ 182,935	\$ 181,591	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description.
2300FFN907	Fish Operating Plan	\$ 74,650	\$ 310,778	\$ 236,128	The increase in costs between 2014 and 2017 primarily relates to increases in miscellaneous costs per the cost element description related to security, janitorial services, facilities operations, and operations and maintenance costs.
2300FFN907	General Time	\$ 198,934	\$ 1,578,344	\$ 1,379,410	The increase in costs between 2014 and 2017 primarily relates to the change in Reach 33A's alpha allocation percentage through 2300FFN907 which increased from 4% in 2014 to 17% in 2017 which is calculated based on actual direct labor charges.
2300FFN907	Repairs and Maintenance	\$ 50,453	\$ 392,795	\$ 342,342	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to repairs and maintenance and the change in Reach 33A's alpha allocation percentage through 2300FFN907 which increased from 4% in 2014 to 17% in 2017 which is calculated based on actual direct labor charges.
2300FFN907	Training	\$ 8,452	\$ 373,059	\$ 364,606	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to training and the change in Reach 33A's alpha allocation percentage through 2300FFN907 which increased from 4% in 2014 to 17% in 2017 which is calculated based on actual direct labor charges.
2300FFN907	Vehicle	\$ 77,966	\$ 389,598	\$ 311,632	The increase in costs between 2014 and 2017 primarily relates to increases in material costs per the cost element description related to vehicle orders and the change in Reach 33A's alpha allocation percentage through 2300FFN907 which increased from 4% in 2014 to 17% in 2017 which is calculated based on actual direct labor charges.
2310FAD908	Operations Control Office	\$ 68,670	\$ 571,708	\$ 503,037	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to general operations control office labor hours and the change in Reach 33A's alpha allocation percentage through 2310FAD908 which increased from 0.8% in 2014 to 3.8% in 2017 which is calculated based on actual direct labor charges.

Cost Center	Group Like IO	2014 Costs	2017 Costs	Increase in Costs	Change Description
2311FAD908	Construction	\$ -	\$ 83,177	\$ 83,177	The increase in costs between 2014 and 2017 primarily relates to increases in external services per the cost element description related to CIP Version 5/6 implementation which did not occur during 2014.
2325FAD908	Vehicle	\$ 1,604	\$ 38,830	\$ 37,226	The increase in costs between 2014 and 2017 primarily relates to increases in asset purchases per the cost element description related to the purchases of vehicles.
2330FAD908	Annual Order	\$ 1,604	\$ 38,830	\$ 37,226	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to general labor charges at the electrical engineering branch.
2310FAD909	Operations Control Office	\$ 53,791	\$ 243,413	\$ 189,622	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to general operations control office labor hours and the change in Reach 33A's alpha allocation percentage through 2310FAD909 which increased from 0.8% in 2014 to 3.8% in 2017 which is calculated based on actual direct labor charges.
2350FAD909	Operations Control Office	\$ 22,188	\$ 105,911	\$ 83,724	The increase in costs between 2014 and 2017 primarily relates to increases in labor costs per the cost element description related to general operations control office labor hours and the change in Reach 33A's alpha allocation percentage through 2350FAD909 which increased from 0.8% in 2014 to 3.8% in 2017 which is calculated based on actual direct labor charges.
2300SAA913	Pro Rata Charges Program	\$ -	\$ 895,806	\$ 895,806	The increase in costs between 2014 and 2017 primarily relates to the reclassification of the pro rata charges to this alpha allocation cycle which is allocated by the State of California to the various departments.
2503SAA913	Debt	\$ 30,374	\$ 143,296	\$ 112,922	The increase in costs between 2014 and 2017 primarily relates to increases in general accounting, analysis and debt costs and the change in Reach 33A's alpha allocation percentage through 2503SAA913 which increased from 0.8% in 2014 to 3.2% in 2017 which is calculated based on actual direct labor charges.
2502SAA923	Legal	\$ 42,171	\$ 150,535	\$ 108,364	The increase in costs between 2014 and 2017 primarily relates to increases in legal costs and the change in Reach 33A's alpha allocation percentage through 2502SAA923 which increased from 0.8% in 2014 to 3.2% in 2017 which is calculated based on actual direct labor charges.

We selected a sample of 155 invoices charged to Reach 33A (76 charged direct to Reach 33A and 79 charged indirect to Reach 33A through an alpha allocation cycle), and tested for the following attributes:

1. We assessed whether they were classified as direct or indirect (through an alpha allocation cycle) to reach.
2. For invoices charged direct to reach, we assessed how they were assigned to the reach.
3. For invoices charged to multiple reaches, we assessed whether they were allocated to a statewide or field division alpha allocation cycle.
4. We assessed whether the invoice amount charged in the Financial Accounting System (an SAP module) PR5 reconciled to Utility Cost Allocation and Billing System (an SAP module) UCABS.
5. We assessed whether the invoice was recovered through the transportation minimum component.

Finding AUD-000351 – New	
Background:	The Contractors are being charged through a minimum cost center allocation (alpha cost center 2300FFN907) for capital costs related to asset purchases for years 2014, 2015, 2016, and 2017.
Dollar Amount:	2300FFN907 Asset Purchases: 2014 – \$677,451 2015 – \$1,244,235 2016 – \$1,040,406 2017 – \$1,281,406 Total Asset Purchases: 2014 – \$2,291,951 2015 – \$6,701,625 2016 – \$5,162,186 2017 – \$2,781,068
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	Medium
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should allocate these capital costs through a capital cost center allocation (C-AFN901).
Department Response:	The Department will evaluate the capitalization of these costs based on the capitalization policy.

During our procedures to assess the costs being recovered through alpha allocation cycles, we observed capital-related expenditures being recovered from the Contractors through a minimum alpha allocation cycle. These expenditures are identified through cost element name SWP – Asset Purchase – 7700000700. Based on the inspection of the underlying invoices, it was observed that these costs were capital-related items, such as equipment. Since these expenditures do benefit multiple Contractors, it should be recovered through an alpha allocation cycle; however, a capital alpha allocation cycle should be used instead of a minimum alpha allocation cycle. This causes a reallocation of costs among the Contractors, as follows:

Table SOC.1 – Reallocation of M-FFN907

Contractor	2014	2015	2016	2017	Total
Alameda County FC and WCD Zone 7	\$ 1,487	\$ 3,204	\$ 1,759	\$ 2,609	\$ 9,059
Antelope Valley-East Kern Water Agency	29,374	51,526	41,627	47,800	170,327
Coachella Valley Water District	32,013	57,851	45,128	52,814	187,806
Crestline-Lake Arrowhead Water Agency	1,284	2,253	1,820	2,090	7,447
Desert Water Agency	12,912	23,221	18,226	21,257	75,616
Dudley Ridge Water District (DRWD)	195	119	53	144	511
Empire West Side Irrigation District	-	-	1	1	2
Future San Joaquin	2,304	5,600	3,018	4,402	15,324
Kern County Water Agency (KCWA) – Agricultural (AG)	52,434	96,887	64,284	83,089	296,694
KCWA – Municipal and Industrial (M&I)	3,859	6,455	5,277	6,302	21,893
County of Kings	100	208	112	169	589
Littlerock Creek Irrigation District	469	823	665	764	2,721
Metropolitan Water District of Southern California	409,944	719,285	581,152	667,273	2,377,654
Mojave Water Agency	21,548	40,706	30,111	36,293	128,658
Napa County FC and WCD	317	731	398	585	2,031
Palmdale Water District	4,334	7,602	6,141	7,052	25,129
San Bernardino Valley Municipal Water District (MWD)	22,702	39,834	32,185	36,954	131,675
San Gabriel Valley MWD	6,233	10,937	8,837	10,146	36,153
San Geronio Pass Water Agency	3,828	6,716	5,427	6,231	22,202
San Luis Obispo County FC and WCD	7,832	20,272	20,121	31,664	79,889
Santa Barbara County FC and WCD	35,694	97,741	134,511	216,822	484,768
Santa Clarita Valley Water Agency	23,901	43,886	33,082	39,288	140,157
Solano County Water Agency	488	1,132	616	904	3,140
Tulare Lake Basin Water Storage District	105	63	52	90	310
Ventura County Watershed Protection District	4,094	7,183	5,803	6,663	23,743
Total	\$ 677,451	\$ 1,244,235	\$ 1,040,406	\$ 1,281,406	\$ 4,243,498

Table SOC.2 – Reallocation of C-AFN901

Contractor	2014	2015	2016	2017	Total
Alameda County FC and WCD Zone 7	\$ -	\$ -	\$ -	\$ -	\$ -
Antelope Valley-East Kern Water Agency	25,497	46,830	39,158	48,229	159,714
Coachella Valley Water District	4,607	8,461	7,075	8,714	28,857
Crestline-Lake Arrowhead Water Agency	1,165	2,140	1,789	2,204	7,298
Desert Water Agency	7,598	13,954	11,668	14,371	47,591
DRWD	1,372	2,520	2,108	2,596	8,596
Empire West Side Irrigation District	10	18	15	19	62
Future San Joaquin	2,917	5,358	4,480	5,518	18,273
KCWA - AG	149,856	275,233	230,144	283,454	938,687
KCWA - M&I	12,546	23,042	19,267	23,730	78,585
County of Kings	10	19	16	19	64
Littlerock Creek Irrigation District	427	784	655	807	2,673
Metropolitan Water District of Southern California	381,389	700,476	585,725	721,402	2,388,992
Mojave Water Agency	9,554	17,547	14,672	18,071	59,844
Napa County FC and WCD	-	-	-	-	-
Palmdale Water District	3,202	5,882	4,918	6,057	20,059
San Bernardino Valley MWD	20,603	37,840	31,641	38,971	129,055
San Gabriel Valley MWD	5,661	10,396	8,693	10,707	35,457
San Geronio Pass Water Agency	3,474	6,380	5,335	6,571	21,760
San Luis Obispo County FC and WCD	7,191	13,207	11,044	13,602	45,044
Santa Barbara County FC and WCD	20,929	38,438	32,143	39,588	131,098
Santa Clarita Valley Water Agency	14,150	25,988	21,731	26,764	88,633
Solano County Water Agency	-	-	-	-	-
Tulare Lake Basin Water Storage District	1,570	2,883	2,411	2,969	9,833
Ventura County Watershed Protection District	3,723	6,839	5,718	7,043	23,323
Total	\$ 677,451	\$ 1,244,235	\$ 1,040,406	\$ 1,281,406	\$ 4,243,498

Table SOC.3 – Reallocation of M-FFN907 to C-AFN901

Contractor	Current Allocation	Adjusted Allocation	(Decrease) Increase in Charges
Alameda County FC and WCD Zone 7	\$ 9,059	\$ –	\$ (9,059)
Antelope Valley-East Kern Water Agency	170,327	159,714	(10,613)
Coachella Valley Water District	187,806	28,857	(158,949)
Crestline-Lake Arrowhead Water Agency	7,447	7,298	(149)
Desert Water Agency	75,616	47,591	(28,025)
DRWD	511	8,596	8,085
Empire West Side Irrigation District	2	62	60
Future San Joaquin	15,324	18,273	2,949
KCWA – AG	296,694	938,687	641,993
KCWA – M&I	21,893	78,585	56,692
County of Kings	589	64	(525)
Littlerock Creek Irrigation District	2,721	2,673	(48)
Metropolitan Water District of Southern California	2,377,654	2,388,992	11,338
Mojave Water Agency	128,658	59,844	(68,814)
Napa County FC and WCD	2,031	–	(2,031)
Palmdale Water District	25,129	20,059	(5,070)
San Bernardino Valley MWD	131,675	129,055	(2,620)
San Gabriel Valley MWD	36,153	35,457	(696)
San Geronio Pass Water Agency	22,202	21,760	(442)
San Luis Obispo County FC and WCD	79,889	45,044	(34,845)
Santa Barbara County FC and WCD	484,768	131,098	(353,670)
Santa Clarita Valley Water Agency	140,157	88,633	(51,524)
Solano County Water Agency	3,140	–	(3,140)
Tulare Lake Basin Water Storage District	310	9,833	9,523
Ventura County Watershed Protection District	23,743	23,323	(420)
Total	\$ 4,243,498	\$ 4,243,498	\$ –

Finding AUD-000_____ – New	
Finding:	Claim number 1353731 and 1347698 includes work performed for the CB but had costs allocated directly to Devil's Den Pumping Plant (CB2-R33A).
Dollar Amount:	\$32,044
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the CB (M-FDL907).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the CB (M-FDL907) as part of the 2020 Statement of Charges (SOC).

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim number 1353731 includes work performed for the CB, but had costs incorrectly allocated to Devil's Den Pumping Plant (CB2-R33A). This results in a reallocation of costs among the Contractors, as follows:

Table SOC.4 – Reallocation to M-FDL907

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ -	\$ 236	\$ 236
Coachella Valley Water District	-	486	486
Desert Water Agency	-	162	162
Future Contractor - San Joaquin	-	454	454
KCWA	-	3,306	3,306
County of Kings	-	16	16
Mojave Water Agency	-	838	838
Napa County FC and WCD	-	57	57
San Luis Obispo County FC and WCD	3,237	3,277	40
Santa Barbara County FC and WCD	28,807	22,462	(6,345)
Santa Clarita Valley Water Agency	-	662	662
Solano County Water Agency	-	88	88
Total	\$ 32,044	\$ 32,044	\$ -

Finding AUD-000_____ - New	
Finding:	Claim numbers 1352119, 1348033, 1343291, 1343290, 1338376, 1344922 include work related to extraordinary minimum costs but had costs incorrectly charged through annual facilities operations and maintenance minimum cost centers.
Dollar Amount:	Overstatement of costs used to calculate the percentages for Reach 33A: 2017 - \$86,654 direct labor charges 2016 - \$233,964 direct labor charges
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Control on Data Environment to Ensure Data Integrity
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should move these costs to an extraordinary minimum cost center to exclude these costs from the calculation of the F-series alpha allocation cycles.
Department Response:	The Department will evaluate an extraordinary minimum cost center to move these costs in order to exclude them from the calculation of the F-series alpha allocation cycles.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers 1352119, 1348033, 1343291, 1343290, 1338376, and 1344922 included work related to extraordinary costs such as healthcare services, refurbishment, replacing transformer insulation, and bridge crane walkway access modifications, but these costs are being charged through annual facilities operations and maintenance minimum cost centers which are used in the calculation of the F-series alpha allocation cycles percentages. Including such costs overstates the allocation percentages for Reach 33A.

Finding AUD-000_____ - New	
Finding:	Claim numbers 1341055 and 1356131 include work performed at Edmonston Pumping Plant (CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$5,094
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Edmonston Pumping Plant (CA-R17E).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the Edmonston Pumping Plant (CA-R17E) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers 1341055 and 1356131 includes work performed at Edmonston Pumping Plant (CA-R17E), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.5 – Reallocation to CA-R17E

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 10	\$ –	\$ (10)
Antelope Valley-East Kern Water Agency	190	266	76
Coachella Valley Water District	210	268	58
Crestline-Lake Arrowhead Water Agency	8	12	4
Desert Water Agency	85	110	25
DRWD	1	–	(1)
Future Contractor - San Joaquin	17	–	(17)
KCWA	355	10	(345)
County of Kings	1	–	(1)
Littlerock Creek Irrigation District	3	4	1
Metropolitan Water District of Southern California	2,653	3,717	1,064
Mojave Water Agency	144	157	13
Napa County FC and WCD	2	–	(2)
Palmdale Water District	28	39	11
San Bernardino Valley Municipal Water District	147	206	59
San Gabriel Valley Municipal Water District	40	57	17
San Geronimo Pass Water Agency	25	35	10
San Luis Obispo County FC and WCD	126	–	(126)
Santa Barbara County FC and WCD	863	–	(863)
Santa Clarita Valley Water Agency	156	176	20
Solano County Water Agency	4	–	(4)
Ventura County Watershed Protection District	26	37	11
Total	\$ 5,094	\$ 5,094	\$ –

Finding AUD-000_____ – New	
Finding:	Claim number 1356131 includes work performed at Las Perillas and Badger Hill Pumping Plants (CA-R31A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$6,864
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Las Perillas and Badger Hill Pumping Plants (CA-R31A).
Department Response:	The Department will evaluate whether this invoice should be reallocated to Las Perillas and Badger Hill Pumping Plants (CA-R31A) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim number 1356131 includes work performed at Las Perillas and Badger Hill Pumping Plants (CA-R31A), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.6 – Reallocation to CA-R31A

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 14	\$ 180	\$ 166
Antelope Valley-East Kern Water Agency	256	–	(256)
Coachella Valley Water District	283	371	88
Crestline-Lake Arrowhead Water Agency	11	–	(11)
Desert Water Agency	114	124	10
DRWD	1	–	(1)
Future Contractor - San Joaquin	24	346	322
KCWA	479	2,520	2,041
County of Kings	1	12	11
Littlerock Creek Irrigation District	4	–	(4)
Metropolitan Water District of Southern California	3,574	–	(3,574)
Mojave Water Agency	194	638	444
Napa County FC and WCD	3	43	40
Palmdale Water District	38	–	(38)
San Bernardino Valley Municipal Water District	198	–	(198)
San Gabriel Valley Municipal Water District	54	–	(54)
San Geronio Pass Water Agency	33	–	(33)
San Luis Obispo County FC and WCD	170	724	554
Santa Barbara County FC and WCD	1,162	1,334	172
Santa Clarita Valley Water Agency	210	505	295
Solano County Water Agency	5	67	62
Ventura County Watershed Protection District	36	-	(36)
Total	\$ 6,864	\$ 6,864	\$ –

Finding AUD-000_____ - New	
Finding:	Claim number 1346694 includes work performed at Buena Vista Pumping Plant (CA-R14A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$25,755
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Buena Vista Pumping Plant (CA-R14A).
Department Response:	The Department will evaluate whether this invoice should be reallocated to Buena Vista Pumping Plants (CA-R14A) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim number 1346694 includes work performed at Buena Vista Pumping Plant (CA-R14A), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.7 – Reallocation to CA-R14A

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 52	\$ –	\$ (52)
Antelope Valley-East Kern Water Agency	961	1,188	227
Coachella Valley Water District	1,062	1,195	133
Crestline-Lake Arrowhead Water Agency	42	52	10
Desert Water Agency	427	489	62
DRWD	3	–	(3)
Future Contractor - San Joaquin	88	–	(88)
KCWA	1,797	2,936	1,139
County of Kings	3	–	(3)
Littlerock Creek Irrigation District	15	19	4
Metropolitan Water District of Southern California	13,412	16,563	3,151
Mojave Water Agency	729	701	(28)
Napa County FC and WCD	12	–	(12)
Palmdale Water District	142	175	33
San Bernardino Valley Municipal Water District	743	917	174
San Gabriel Valley Municipal Water District	204	252	48
San Geronio Pass Water Agency	125	155	30
San Luis Obispo County FC and WCD	636	–	(636)
Santa Barbara County FC and WCD	4,358	–	(4,358)
Santa Clarita Valley Water Agency	790	947	157
Solano County Water Agency	18	–	(18)
Tulare Lake Basin Water Storage District	2	–	(2)
Ventura County Watershed Protection District	134	166	32
Total	\$ 25,755	\$ 25,755	\$ –

Finding AUD-000_____ - New	
Finding:	Claim numbers 1354895 and 1348454 include work performed at Edmonston Pumping Plant (CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$17,984
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Edmonston Pumping Plant (CA-R17E).
Department Response:	The Department will evaluate whether this invoice should be reallocated to Edmonston Pumping Plant (CA-R17E) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers 1354895 and 1348454 include work performed at Edmonston Pumping Plant (CA-R17E), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.8 – Reallocation to CA-R17E

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 37	\$ –	\$ (37)
Antelope Valley-East Kern Water Agency	671	939	268
Coachella Valley Water District	741	946	205
Crestline-Lake Arrowhead Water Agency	29	41	12
Desert Water Agency	298	387	89
DRWD	2	–	(2)
Future Contractor – San Joaquin	62	–	(62)
KCWA	1,254	35	(1,219)
County of Kings	2	–	(2)
Littlerock Creek Irrigation District	11	15	4
Metropolitan Water District of Southern California	9,365	13,124	3,759
Mojave Water Agency	509	554	45
Napa County FC and WCD	8	–	(8)
Palmdale Water District	99	139	40
San Bernardino Valley Municipal Water District	519	727	208
San Gabriel Valley Municipal Water District	142	200	58
San Geronio Pass Water Agency	87	123	36
San Luis Obispo County FC and WCD	444	–	(444)
Santa Barbara County FC and WCD	3,045	–	(3,045)
Santa Clarita Valley Water Agency	551	623	72
Solano County Water Agency	13	–	(13)
Tulare Lake Basin Water Storage District	1	–	(1)
Ventura County Watershed Protection District	94	131	37
Total	\$ 17,984	\$ 17,984	\$ –

Finding AUD-000_____ – New	
Finding:	Claim numbers 1341056 and 1338070 include work performed at Edmonston, Chrisman, Teerink, and Buena Vista Pumping Plants (CA-R17E, CA-R16A, CA-R15A, and CA-R14A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$6,674
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the Edmonston, Chrisman, Teerink, and Buena Vista Pumping Plants (CA-R17E, CA-R16A, CA-R15A, and CA-R14A).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the Edmonston, Chrisman, Teerink, and Buena Vista Pumping Plants (CA-R17E, CA-R16A, CA-R15A, and CA-R14A) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers 1341056 and 1338070 include work performed at Edmonston, Chrisman, Teerink, and Buena Vista Pumping Plants (CA-R17E, CA-15A, CA-16A, and CA-R14A), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.9 – Reallocation to CA-R17E, CA-15A, CA-16A, and CA-R14A

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 14	\$ –	\$ (14)
Antelope Valley-East Kern Water Agency	249	333	84
Coachella Valley Water District	275	335	60
Crestline-Lake Arrowhead Water Agency	11	15	4
Desert Water Agency	111	137	26
DRWD	1	–	(1)
Future Contractor – San Joaquin	23	–	(23)
KCWA	466	306	(160)
County of Kings	1	–	(1)
Littlerock Creek Irrigation District	4	5	1
Metropolitan Water District of Southern California	3,474	4,651	1,177
Mojave Water Agency	189	196	7
Napa County FC & WCD	3	–	(3)
Palmdale Water District	37	49	12
San Bernardino Valley Municipal Water District	192	258	66
San Gabriel Valley Municipal Water District	53	71	18
San Geronimo Pass Water Agency	32	43	11
San Luis Obispo County FC and WCD	165	–	(165)
Santa Barbara County FC and WCD	1,129	–	(1,129)
Santa Clarita Valley Water Agency	205	229	24
Solano County Water Agency	5	–	(5)
Ventura County Watershed Protection District	35	46	11
Total	\$ 6,674	\$ 6,674	\$ –

Finding AUD-000_____ - New	
Finding:	Claim numbers 1350631, 1351993, 1353757, 1354778, 1339213, 1340620, 1341715, 1342632, 1344121, 1346441, 1348151, 1348985, 1354895, 1359866, 1351787, 1352565, 1346633, 1342957, 1338630, 1344625, 1341012, 1348455, 1352356, 1352538, 1354092, 1352761, 1350712, and 1344743 include work performed at the San Joaquin Field Division but had costs incorrectly allocated to the CB through alpha cost center 2300FFN907.
Dollar Amount:	\$586,728
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the San Joaquin Field Division (M-FDF907).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the San Joaquin Field Division (M-FDF907) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers listed above include work performed at the San Joaquin Field Division, but had costs incorrectly allocated to the CB through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.10 – Reallocation to M-FDF907

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/ Increase in Charges
Alameda County FC and WCD Zone 7	\$ 1,193	\$ 326	\$ (867)
Antelope Valley-East Kern Water Agency	21,887	27,741	5,854
Coachella Valley Water District	24,183	27,929	3,746
Crestline-Lake Arrowhead Water Agency	957	1,212	255
Desert Water Agency	9,733	11,423	1,690
DRWD	66	141	75
Empire West Side Irrigation District	–	1	1
Future Contractor – San Joaquin	2,015	24	(1,991)
KCWA	40,930	55,292	14,362
County of Kings	78	16	(62)
Littlerock Creek Irrigation District	350	443	93
Metropolitan Water District of Southern California	305,530	387,027	81,497
Mojave Water Agency	16,618	16,386	(232)
Napa County FC and WCD	268	38	(230)
Palmdale Water District	3,229	4,094	865
San Bernardino Valley Municipal Water District	16,921	21,428	4,507
San Gabriel Valley Municipal Water District	4,646	5,885	1,239
San Geronimo Pass Water Agency	2,853	3,613	760
San Luis Obispo County FC and WCD	14,498	51	(14,447)
Santa Barbara County FC and WCD	99,278	92	(99,186)
Santa Clarita Valley Water Agency	17,989	19,559	1,570
Solano County Water Agency	414	53	(361)
Tulare Lake Basin Water Storage District	41	87	46
Ventura County Watershed Protection District	3,051	3,867	816
Total	\$ 586,728	\$ 586,728	\$ –

Finding AUD-000_____ - New	
Finding:	Claim numbers 1343368, 1341123, 1350993, and 1355617 include work performed at Teerink, Chrisman and Edmonston Pumping Plants (CA-R15A, CA-R16A, and CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$15,510
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the Teerink, Chrisman, and Edmonston Pumping Plants (CA-R15A, CA-R16A, and CA-R17E).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the Teerink, Chrisman, and Edmonston Pumping Plants (CA-R15A, CA-R16A, and CA-R17E) as part of the 2020 SOC.

During our procedures to determine whether amounts recovered through the Transportation Minimum component are properly recovered through the inspection of invoices, we observed that claim numbers 1343368, 1341123, 1350993, and 1355617 include work performed at Teerink, Chrisman, and Edmonston Pumping Plants (CA-R15A, CA-16A, and CA-R17E), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.

We investigated the increase in downstream expenses from 2014 to 2017.

2014 Costs	2017 Costs	Increase in Costs
\$ 587,509	\$ 802,200	\$ 214,691

We observed the increase in downstream costs is due to an increase in water deliveries to Reach 33A. Operational losses increased by 7,362 acre-feet and water deliveries increased by 10,790 acre-feet. Operational losses and water deliveries, along with the increase in power costs of \$1,529,165, caused the unit rate to increase by \$4.90 per acre-foot over the years. The higher unit rate multiplied by the increase operational losses and water deliveries have driven an increase in downstream costs for Reach 33A. We reperformed the downstream calculation for the 2017 year and recalculated the balance of \$802,200.

Coastal Branch Extension Direct Debt Service

Procedures Performed

Determined whether the refinanced bonds were properly credited to the direct billed debt service for the CBX.

Findings and Recommendations

We determined whether the refinanced bonds were properly credited to the direct billed debt service for the CB construction. The direct billed debt service reflected in the SOC relates to the CBX which appears as a separate line item. The CBX was originally funded by bond series Q and W. As interest rates have decreased over time, the Department has issued new debt and refinanced the older bonds to take advantage of the favorable interest rates. We observed that bond series Q and W were subsequently refinanced with several bond series and the CBX debt service schedule was adjusted for the new debt. Bond series Q and W were refinanced with bond series U, X, Z, AC, AD, AF, AH, AI, AJ, AK, AL, AN, AO, AS, AX, and AY. The Department bills debt service in the SOC in advance and did not subsequently adjust the billings to provide the benefit of the refinanced debt service to CCWA.

Finding AUD-000_____ - New	
Finding:	CBX direct billed debt service charged to CCWA is overstated as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series Q and W.
Dollar Amount:	Overstatement of costs of \$120,175 for 2018 (amount does not reflect interest credits due to CCWA related to the overstatement)
Type:	Overstatement of costs to CCWA
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	Santa Barbara County FC and WCD
Recommendation:	We recommend the Department provide a subsequent rebill to the SOC to reflect the benefits of the refinanced debt service to CCWA.
Department Response:	The Department will reevaluate the direct billed debt service charged to CCWA as part of a future SOC.

We compared the debt service charged in the SOC from 2018 to 2019 to the CBX debt service schedule that reflects the refinanced debt service, and observed overstatement of costs to CCWA. The total overstatement for CCWA is \$120,175. It should be noted that this overstatement does not reflect interest credits due to CCWA related to the overstatement. The impact by year is as follows:

Table SOC.11 – CBX Refinanced Debt Service Compared to SOC

Year	CBX Refinanced Debt Service	SOC	(Decrease)/ Increase in Charges
2018	\$ 3,227,165	\$ 3,347,340	\$ (120,175)
2019	2,432,637	2,432,637	–
Total	\$ 5,659,802	\$ 5,779,977	\$ (120,175)

APPENDIX - GLOSSARY

Ag	Agricultural
CA	California Aqueduct
CB	Coastal Branch
CBX	Coastal Branch Extension
CCWA	Central Coast Water Authority
Department	Department of Water Resources
DRWD	Dudley Ridge Water District
EY	Ernst and Young LLP
FC	Flood Control
IO	Internal Order
KCWA	Kern County Water District
M&I	Municipal and Industrial
MWD	Municipal Water District
PR5	Financial Accounting System (an SAP module)
Report	Summary of 2018 Procedures, Findings, and Recommendations
SAP	Department's Accounting Software
SLO	San Luis Obispo Flood Control and Water Conservation District
SOC	Statement of Charges
UCABS	Utility Cost Allocation and Billing System (an SAP module)
WCD	Water Conservation District




CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 14, 2019

TO: CCWA Board of Directors

FROM: Ray A. Stokes 
Executive Director

SUBJECT: CCWA Reserve Fund for DWR Charges

SUMMARY

As described in more detail in the previous agenda item, "Ernst & Young Audit Report on the 2019 Statement of Charges", the DWR Statement of Charges (SOC), and especially the Transportation Minimum OMP&R charges, have had significant volatility over the years. Historically, we have been able to cover the difference between the amounts billed to our project participants and the actual DWR SOC. However, as was the case this fiscal year, the difference was too large and we had to issue a supplemental bill to collect funds to cover the difference between our budget estimates and the actual charges from DWR.

This report will discuss the creation of a DWR Reserve Fund to be held by CCWA to cover differences between the DWR SOC and amounts billed to our project participants as part of the annual budgeting process.

DISCUSSION

The volatility of the DWR SOC, and more specifically, the Transportation Minimum OMP&R cost component, necessitated a supplemental assessment from the CCWA project participants this fiscal year for the first time in many years. Unfortunately, we don't see that the volatility will improve anytime soon given the various billing constraints and cost allocation methodologies utilized by DWR. However, there are efforts underway at DWR that will hopefully improve the budgeting and planning of costs so that sometime in the future, DWR will be more able to predict with greater certainty the amounts to be charged to CCWA and all SWP Contractors.

Historically, CCWA has been able to cover any shortfall between the amounts actually billed to CCWA compared to the estimates used in preparing the fiscal year budget and corresponding bills to the CCWA project participants. However, that is becoming increasingly difficult due to the magnitude of the variances.

In order to avoid future supplemental assessments, CCWA staff proposes to create a DWR Reserve Fund to be used to fund differences between the actual charges from DWR and the estimates used for budgeting and billing to the CCWA project participants. The reserve fund could be used for any DWR cost component, but it is anticipated that it will mostly be used for differences in the Transportation Minimum OMP&R cost component.

Staff proposes that a target amount be set at \$10 million, allocated to each CCWA project participant in proportion to their Transportation Minimum OMP&R allocation percentages as follows:

DWR Reserve Fund Target

Project Participant	Table A	Percentage	DWR	
			Reserve Fund	Target
Guadalupe	550	1.41%	\$	140,744
Santa Maria	16,200	41.46%		4,145,555
Golden State Water Co.	500	1.28%		127,949
VAFB	5,500	14.07%		1,407,442
Buellton	578	1.48%		147,909
Santa Ynez (Solvang) ⁽¹⁾	1,500	3.84%		383,848
Santa Ynez ⁽¹⁾	500	1.28%		127,949
Goleta	4,500	11.52%		1,151,543
Morehart	200	0.51%		51,180
La Cumbre	1,000	2.56%		255,898
Raytheon	50	0.13%		12,795
Santa Barbara	3,000	7.68%		767,695
Montecito	3,000	7.68%		767,695
Carpinteria	2,000	5.12%		511,797
Subtotal:	39,078	100.00%	\$	10,000,000

In order to fund the DWR reserve fund, staff proposes that annual budget surpluses from the CCWA Operating Expense budget, interest earnings on other reserve accounts and excess amounts within the DWR accounts be transferred to the DWR reserve fund for each project participant until the target level has been achieved. After the target funding amount has been reached, each of the credits and interest earnings would continue to be refunded back to the project participant. If the DWR reserve fund falls below the funding target, credits and interest earnings will be used to bring the funding level back to the funding target.

CCWA is currently holding about \$1.3 million in credits and interest earnings from FY 2017/18 that could be deposited into the DWR reserve fund, as follows:

Project Participant	CCWA O&M Credits (Due)	O&M Reserve Fund Interest Credits	Rate Coverage Reserve Fund Interest Credit	Prepayments and Miscellaneous Interest Credits	Total CCWA Credits (Due)
Guadalupe	\$ -	\$ 371	\$ 923	\$ -	\$ 1,294
Santa Maria	188,340	10,927	65,914	-	265,181
Golden State Water Co.	8,742	337	-	-	9,079
Vandenberg AFB	276,996	103,294	-	-	380,290
Buellton	14,387	390	3,622	-	18,399
Santa Ynez (Solvang)	32,846	1,011	8,047	-	41,905
Santa Ynez	372,007	337	6,062	-	378,406
Goleta	14,473	3,035	-	-	17,508
Morehart Land	1,772	135	-	4,517	6,423
La Cumbre	9,294	674	1,934	-	11,902
Raytheon	466	34	-	1,075	1,574
Santa Barbara	9,658	2,024	-	-	11,681
Montecito	148,889	2,023	6,971	-	157,884
Carpinteria	6,360	1,349	10,835	-	18,544
TOTAL:	\$ 1,084,228	\$ 125,942	\$ 104,308	\$ 5,591	\$ 1,320,070

If the average deposit into the DWR reserve fund is around \$1 million annually, it will obviously take almost ten years to fully fund the reserve. Some years may be slightly more and some slightly less. However, this funding methodology seems to be the easiest way to fund the reserve as the funds have already been paid to CCWA. (NOTE: CCWA Variable credits will not be deposited into the reserve fund, as the CCWA variable costs are trued-up on a quarterly basis).

If the credits shown above were placed into the DWR reserve fund, the remaining target balances would be as follows:

DWR Reserve Fund Target

Project Participant	Table A	Percentage	DWR Reserve Fund Target	Deposit February 2019	Remaining Funds to Meet Target
Guadalupe	550	1.41%	\$ 140,744	\$ 1,294	\$ 139,451
Santa Maria	16,200	41.46%	4,145,555	265,181	3,880,374
Golden State Water Co.	500	1.28%	127,949	9,079	118,870
VAFB	5,500	14.07%	1,407,442	380,290	1,027,152
Buellton	578	1.48%	147,909	18,399	129,510
Santa Ynez (Solvang)	1,500	3.84%	383,848	41,905	341,943
Santa Ynez	500	1.28%	127,949	378,406	(250,457)
Goleta	4,500	11.52%	1,151,543	17,508	1,134,035
Morehart	200	0.51%	51,180	6,423	44,757
La Cumbre	1,000	2.56%	255,898	11,902	243,996
Raytheon	50	0.13%	12,795	1,574	11,221
Santa Barbara	3,000	7.68%	767,695	11,681	756,014
Montecito	3,000	7.68%	767,695	157,884	609,812
Carpinteria	2,000	5.12%	511,797	18,544	493,253
Subtotal:	39,078	100.00%	\$ 10,000,000	\$ 1,320,070	\$ 8,679,930

RECOMMENDATION

That the CCWA Board of Directors authorize the creation of the "DWR Reserve Fund" in accordance with the provisions outlined in this report.

RAS

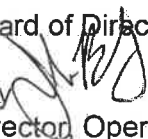


CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 5, 2019

TO: CCWA Board of Directors

FROM: John Brady 
Deputy Director, Operations and Engineering

SUBJECT: Request for Approval for the Use of Appropriated Contingency for Sludge Removal System Repair at the Water Treatment Plant

BACKGROUND

The CCWA Budget includes an appropriated contingency fund. The amount of this fund is established at 2% of the total budget, excluding variable electrical and chemical budget amounts. Any use of this fund requires authorization by the Board of Directors.

CCWA staff needed to proceed with an immediate repair of the sludge removal system of the Water Treatment Plant's (WTP) sedimentation basins. This system was damaged by high winds during a heavy storm event in January 2019. The copper sheathing of the sedimentation basin northern wall was torn off the wall by high winds. The copper sheathing dropped on top of the sludge removal system's drive-chain and flights. This interfered with the drive-chain and flight movement and essentially sheered many of the flights off of the drive-chain.

The damaged sludge removal system reduced the WTP capacity by 1/3 and the required parts for the repair had a 5 to 7 week lead time. Currently there is no interference with meeting Participants' delivery requests. However, it is imperative that the WTP be brought back to full capacity as soon as possible. Accordingly, the Executive Director approved the \$22,923.76 purchase of the required parts for the repair through his spending authority. Resolution 16-01 allows the Executive Director to purchase services, supplies or equipment up to \$25,000.

The purpose of this Memorandum is to seek Board authorization to utilize the appropriated contingency fund for the repair of the WTP sludge removal system.

DISCUSSION

The sedimentation basins are an important element of the WTP's treatment system. The WTP has three sedimentation basins and they are located downstream of the initial flash mix, which is used for chemical addition, and the flocculation basin, which facilitates the formation of flocculent. The sedimentation basins are designed to encourage settlement of the flocculent to separate it from the water stream as it moves toward the WTP filters. The settled flocculent is the sludge on the floor of the sedimentation basin and this sludge is removed by the sludge removal system.

The sludge removal system essentially scrapes the floor of the sedimentation basins to move the sludge into a collection pit. The sludge is subsequently removed from the collector pit and conveyed to the WTP sludge lagoons. The element of the sludge removal system that scrapes the floor consists of a drive-chain with connected flights. The drive chain is connected to a

motor driven sprocket, which causes the drive-chain to move and allows the flights to scrape the floor. The sprockets, drive-chain and flights are all of fiberglass construction.

The sedimentation basin interior walls are equipped with a copper sheathing at the water line. An approximately 4 foot wide strip of copper sheathing is directly mounted to the interior wall of the basin. The purpose of the copper sheathing is to prevent attached algae growth. During the high wind event, approximately 70 feet of the copper sheathing detached from the wall and dropped on top of the drive-chain and flights. This caused numerous flights to be sheared off of the drive-chain. Due to the extent of this damage, sedimentation basin #1 had to be removed from service, which limits the WTP production to no greater than 30 MDG.

FINANCIAL

The parts for the sludge removal system has a lead time of 5 to 7 weeks. The current demand for water supply is low and within the capacity of the WTP with two operating sedimentation basins. However, with the potential of a spill at San Luis Reservoir, returning the WTP to full capacity is imperative. The required parts of the proprietary sludge removal system were ordered from Brentwood Industries, the original manufacturer of the sludge removal system. The cost for the parts is \$22,923.76.

The CCWA Fiscal Year 2018/2019 Budget established appropriated contingency funds for the WTP. The available amount in these funds and the charges to the accounts are presented below:

Item	Amount
Appropriated Contingencies 5900.70 - WTP	\$63,608.00
Sludge Removal System Repair	(\$22,923.76)
Remaining	\$40,684.24

RECOMMENDATION

That the Board:

- Authorize the Executive Director to utilize funds from the appropriated contingency budget as described in this Board Report.

JLB



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 6, 2019

TO: CCWA Board of Directors

FROM: John Brady
Deputy Director, Operations and Engineering

SUBJECT: Warren Act Contract Renewal Negotiations

Summary

The Central Coast Water Authority (CCWA) entered into a contract with the United States Bureau of Reclamation (Bureau) for the use of excess capacity of the Cachuma Project on July 25, 1995. This contract has a term of 25 years, which means the contract is set to expire on July 25, 2020. The purpose of this memorandum is to request the Board's authorization for the Executive Director to engage with the Bureau and begin negotiation for a new contract. In our on-going dialog on this matter, the Bureau indicated that they needed a letter from the CCWA Board of Directors requesting that a new contract be negotiated and executed in order to proceed with negotiations.

Discussion

Contract Number 5-07-20-W1282 provides a critical link for the conveyance of State Water Project (SWP) water to the South Coast Water Agencies. It allows for the delivery of SWP water to Lake Cachuma and also allows the South Coast Water Agencies to convey SWP water through the lake, Tecolote Tunnel and South Coast Conduit. Throughout most of the contract term, CCWA delivered SWP water to the Bradbury Dam Penstock and water either passed into Lake Cachuma or into a Water Rights Release to the Santa Ynez River.

This contract allowed use of the Cachuma Project facilities only if the Bureau determined that excess capacity existed to accommodate the CCWA delivery operation. From 1995 to 2014, the issue of available excess capacity was not significant due to the South Coast Water Agencies requesting deliveries well below the maximum capacity of the CCWA delivery system, coupled with the Bureau's infrequent use of the Penstock. However, with the onset of the drought in 2014, there was a sharp increase in delivery requests by the South Coast Water Agencies and, simultaneously, the Bureau determined that they needed the Penstock as a source of water supply for their Hilton Creek operation. Due to the Biological Opinion requirements, the Bureau essentially determined that there was no excess capacity available in the Penstock to accommodate the CCWA lake delivery operation.

To respond to the loss of the penstock as a means to deliver SWP water to Lake Cachuma, CCWA requested use of the Bradbury Dam Spillway and authorization to install a temporary bypass pipeline so that lake deliveries could continue. CCWA also noted that the Warren Act Contract was amended in 2005 to allow for the installation of a temporary bypass pipeline that was needed due to a Bureau construction project that made the penstock unavailable for lake

delivery operations. After consideration, the Bureau determined that the Spillway was not in use at the time of our request and therefore could be used by CCWA to install a temporary bypass pipeline. They also agreed that the 2005 Amendment was valid and applicable for CCWA's proposed project. The bypass pipeline was subsequently installed. From 2014 to present, the bypass pipeline has been removed and reinstalled several times to accommodate the Bureau's need for closing the Spillway Gates.

To prepare for the negotiations to renew CCWA's Warren Act Contract, an evaluation of the Penstock was conducted and the evaluation included significant input from all of the Penstock Stakeholders. This project included a report and a Stakeholder Workshop. The Workshop reviewed the report and ultimately generated 135 comments from the Stakeholder Group. The report is final and all comments were responded to in the amended report. CCWA will distribute the report to the Stakeholder Group for their use soon.

In terms of securing a reliable route for CCWA lake delivery operations, the report identified several options. The option that is the least expensive and has shortest implementation schedule is to install a flange connection through the Spillway Gate so that SWP water deliveries could continue when the Spillway Gate is closed. The temporary bypass pipeline would simply be connected to the flange when the Spillway Gate is closed. Currently, when the Spillway Gate closes, CCWA has no way to deliver SWP water to the lake until the Bureau can establish the siphon operation to provide a source of water to Hilton Creek. Once the siphon operation begins, CCWA will be able to use the Penstock again for deliveries.

The main objectives to negotiating the new Warren Act Contract is to establish a reliable delivery path to Lake Cachuma for CCWA lake delivery operations for another 25 years.

Recommendation

We recommend that the Board:

- Authorize the Executive Director to begin negotiations with the United States Bureau of Reclamation for a new contract for CCWA's lake delivery operations to Lake Cachuma.

JLB

Attachments



February 28, 2019

Mr. Michael C. LeBarre
Chief, Contracts Administration Branch
Bureau of Reclamation
South-Central California Area Office
1243 N Street
Fresno, California 93721

Subject: Central Coast Water Authority Warren Act Contract Renewal
Contract Number 5-07-20-Q1282

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

Dear Mr. LeBarre,

On behalf of the Central Coast Water Authority Board of Directors, I am requesting that a new contract between the United States Bureau of Reclamation and the Central Coast Water Authority be negotiated and executed prior to the expiration of our existing contract. The existing contract (5-07-20-Q1282) is for the storage and conveyance of non-project water at the Cachuma Project and was executed on July 25, 1995. The term of this contract is 25 years, and thus will expire on July 25, 2020.

We understand that your office will respond to this letter by preparing an estimated timeline and will provide us an indication of the process that we will follow to reach the objective of executing a new contract prior to July 25, 2020. We would also appreciate an estimate of the costs for this process. We will be presenting our FY 2019/2020 budget to our Board of Directors for final approval on April 25, 2019 and would appreciate your cost estimate prior to that time.

Also, please find attached our Board's (*Resolution or Minutes of Board Action*) that authorizes my request to initiate contract negotiations. If you have any questions, please call me at 805-688-2292, ext 214.

Sincerely,

Ray A. Stokes
Executive Director

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





YOUR BEST PROTECTION

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President
E.G. "Jerry" Gladbach

Vice President
Tom Cuquet

Chief Executive Officer
Walter "Andy" Sells

Executive Committee
Tom Cuquet
David Drake
E.G. "Jerry" Gladbach
David T. Hodgkin
W.D. "Bill" Knutson
Steven LaMar
Melody A. McDonald
J. Bruce Rupp
Kathleen Tiegs

January 10, 2019

Central Coast Water Authority (C039)
Ray Stokes
255 Industrial Way
Buellton, CA 93427-9591

Dear Ray:

Each year at Fall Conference, the JPIA recognizes members that have a Loss Ratio of 20% or less in either of the Liability, Property, or Workers' Compensation programs (loss ratio = total losses / total premiums).

The members with this distinction receive the "**President's Special Recognition Award**" certificate for each Program that they qualify in.

The JPIA is extremely pleased to present Central Coast Water Authority (C039) with this special recognition and commends the District on the hard work in reducing claims.

Congratulations to you, your staff, Board, and District. Keep up the good work!

The JPIA wishes you the best in 2019.

Sincerely,

E.G. "Jerry" Gladbach
President

Enclosure: President's Special Recognition Award(s)

President's Special Recognition Award

*The President of the
ACWA JPIA
hereby gives Special Recognition to*

Central Coast Water Authority

*for achieving a low ratio of "Paid Claims and Case Reserves" to "Deposit Premiums"
in the Liability Program for the period 10/01/2014 - 09/30/2017
announced at the Board of Directors' Meeting in San Diego.*

E. G. "Jerry" Gladbach
E. G. "Jerry" Gladbach, President



November 26, 2018

President's Special Recognition Award

*The President of the
ACWA JPIA
hereby gives Special Recognition to*

Central Coast Water Authority

*for achieving a low ratio of "Paid Claims and Case Reserves" to "Deposit Premiums"
in the Property Program for the period 04/01/2014 - 03/31/2017
announced at the Board of Directors' Meeting in San Diego.*

E. G. "Jerry" Gladbach

E. G. "Jerry" Gladbach, President



November 26, 2018

President's Special Recognition Award

*The President of the
ACWA JPIA
hereby gives Special Recognition to*

Central Coast Water Authority

*for achieving a low ratio of "Paid Claims and Case Reserves" to "Deposit Premiums"
in the Workers' Compensation Program for the period 07/01/2014 - 06/30/2017
announced at the Board of Directors' Meeting in San Diego.*

E. G. "Jerry" Gladbach

E. G. "Jerry" Gladbach, President



November 26, 2018