Proposed Partial Sale of MWD's State Water Project Contract Interests

Presentation to the:
Central Coast Water Authority
Board of Directors Meeting
October 22, 2026

Purpose

01 / INFORMATION

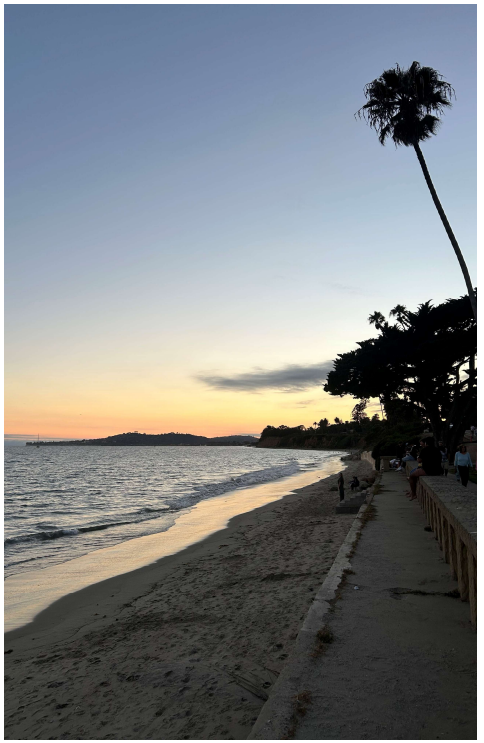
Provide CCWA members with an overview of MWD's proposed sale of a portion of its State Water Project interests.

02 / COLLABORATION

Request CCWA involvement as required to complete the sale.

Overview

1. **ASSET SALE:** MWD advances an opportunity to sell a portion of its State Water interests, approving a non-binding *Letter of Intent* to sell approx. 40% (1,400AF) for use in Santa Barbara County
2. **SUPPLY SECURITY:** Water supply enhancements completed since 2017 strengthen MWD's long-term water security, reducing its reliance on rainfall dependent sources
3. **DROUGHT RESILIENCE:** Long term planning indicates little need for imported water, specifically State Water even during severe drought
4. **LOCAL REINVESTMENT:** A partial sale allows capital to be reinvested locally to further improve water certainty
5. **ASSISTANCE REQUESTED**: As contract holder, CCWA involvement is required and requested to advance and complete a sale



Overview

CCWA Member Potential Concerns

- **CCWA Transaction Costs:** Ensuring all CCWA transaction costs associated with this proposed sale are solely the responsibility of MWD.
- **Cost and Risk Allocation:** Ensuring no liabilities, operational risks, or costs shift to other CCWA members.

MWD's Commitment

- **No Adverse Impacts:** A core requirement is that there be no impacts to other CCWA members.
- **Full Transparency:** Every step of our valuation and risk assessment will be shared openly.
- **Continuity:** With this potential sale MWD remains an active CCWA member with 60% of its original SWP interests.

Background

The District's Decade Long Transformation

The Old Vulnerability:

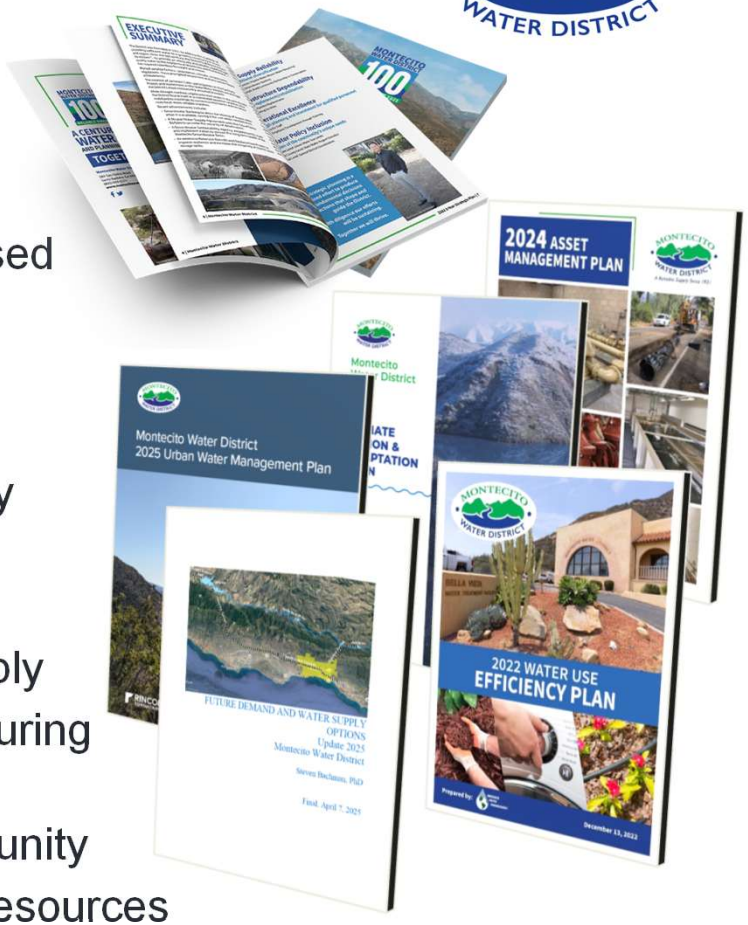
- ⚠ Reliance on imported, rainfall dependent sources increased exposure to supply fluctuations and shortages

The Response:

- ✓ Significant long-term planning & modeling and analysis
- ✓ Investment in predictable and reliable sources and supply management practices

The Result:

- ✓ A more diverse, local and rainfall independent water supply
- ✓ Adequate local water projected to meet demands even during severe drought conditions with limited State Water
- ✓ State Water largely not needed, presenting a sale opportunity
- ✓ Benefits: reducing cost & liabilities, redirecting financial resources



Background

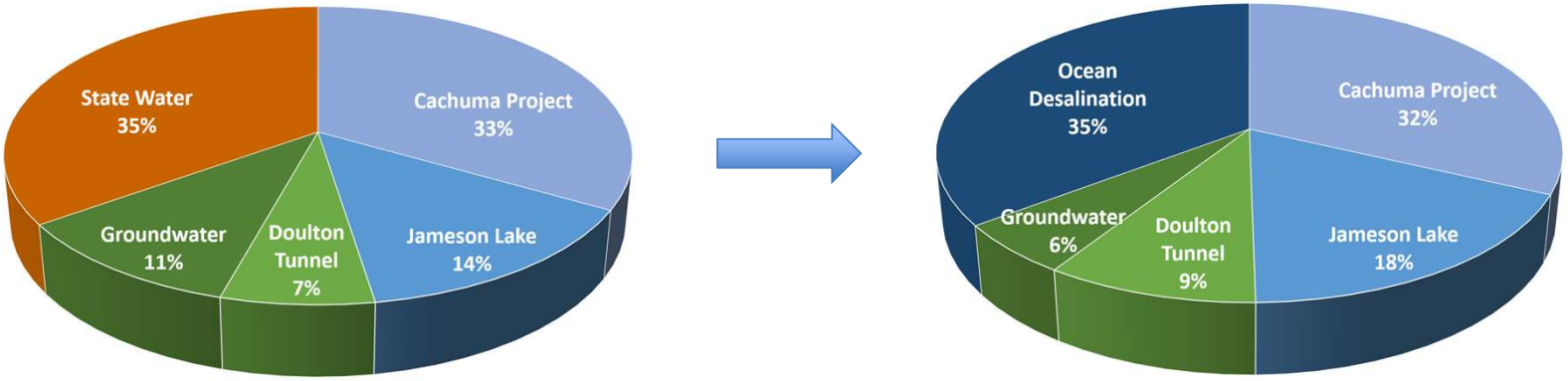
The District's Decade Long Transformation

THEN

- Dependent on rainfall dependent sources
- Reliance on imported water during drought
- Significant demand fluctuations
- Highly susceptible to water shortages

NOW

- 35% rainfall independent supply (desalination)
- Little to no need for imported supplies
- Demand Stability
- Limited projected water shortages, not driven by lack of supply



Strategic Next Step

Partial Divestment of SWP Interests

1. Identified as longer term goal during the negotiation of the 50-Year Water Supply Agreement for desalination with the City of Santa Barbara in 2020
2. Successful execution of annual SWP water sales contract
3. Permanent asset sale opportunity has been under evaluation since 2024
4. Board authorized a *Letter of Intent* (LOI) in September 2026
5. LOI outlines the principal terms of a permanent transfer whereby MWD would sell portion of its SWP water supply interests, inclusive of water supply, treatment, and conveyance

The Proposed Sale

Principal Terms

1. **SELLER:** Montecito Water District (MWD)
    - CCWA Member with contractual rights to 3,300 AF of SWP Contract Interests
2. **BUYER:** Solstra Communities California, LLC.
    - Pursuing water supply to facilitate development
3. **DEVELOPMENT:** Solomon Hills Project
    - 4,000 residential dwellings and ancillary commercial
4. **LOCATION:** Northern Santa Barbara County, south of Orcutt

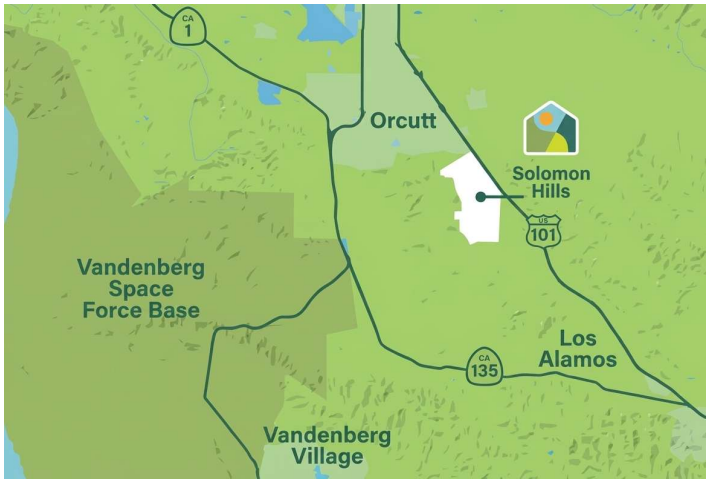


Image from Solomon Hills Project website, https://solomonhillsca.com/

The Proposed Sale

Principal Terms

5. **PROPERTY:**
   - **SWP Entitlement**:
     - 1,400 AF of MWD's 3,300 AF of SWP interests (42.4%)
     - Inclusive of annual water allocation, treatment and conveyance capacity
   - **Groundwater Storage**:
     - 550 AF of MWD's contractual rights to recharge, store and recovery capacity in Semitropic
   - **Stored Water**:
     - 1,650 AF of MWD's water currently stored in Semitropic

The Proposed Sale

Principal Terms

6. BUYER ASSIGNEE:

- Buyer must assign the Property to a Buyer Assignee
- Buyer Assignee
  - Local water purveyor identified by Buyer to serve the Solomon Hills Project
  - CCWA Project Participant, as determined or approved by CCWA
- Buyer Assignee to assume all rights and obligations to the Property
- Assignment must occur prior to the proposed sale becoming final

The Proposed Sale

Principal Terms

7. **Price and Annual Costs:**
    - Purchase Price: ±$40M in 2028 (financial closing)
    - Buyer Assignee to assume all financial obligations for the Property including
        - Annual Fixed and Variable Costs
        - Supplemental Costs (e.g. subsidence, golden mussel mitigation)

The Proposed Sale

Principal Terms

8. SCHEDULE:

- ✓ *Letter of Intent* between MWD and Solstra was authorized in September 2026
- *Purchase & Sale Agreement* between MWD and Solstra to be prepared by March 2027
- Solstra to designate Buyer Assignee by September 2027
- Solstra expects final County approval of the Solomon Hills Project in early 2028
- Related CCWA transfer docs (e.g. contract amendments as necessary) expected in 2028
- Final closing of SWP sale targeted for late 2028/early 2029

The Request

MWD Requests CCWA's Timely Assistance

1. **Define Transfer Process**: Detail the steps required to permanently transfer SWP interests

2. **Review LOI**: Legal counsel review of the proposed sale structure, verifying that all affected agreements, covenants, or restrictions comply with CCWA requirements

3. **Prepare Necessary Amendments**: Assistance with preparing the necessary CCWA contract amendments and/or other documents required to complete the sale.

4. **Board Consideration**: Placement of the contract amendments on a future CCWA Board of Directors agenda for discussion and, ultimately action.

Questions & Discussion

On Behalf of Montecito Water District and its Constituents:
Thank You for Your Ongoing Partnership and
Consideration and Support of Improved Water Certainty for our Community.