

CENTRAL COAST WATER AUTHORITY

FY 1999/00
CONTINUING
DISCLOSURE ANNUAL
REPORT

\$198,015,000
REFUNDING REVENUE BONDS
(STATE WATER PROJECT REGIONAL
FACILITIES)
SERIES 1996A AND SERIES 1996B



March 13, 2001

Priscilla Dedoro
US Trust Company, N.A.
One Embarcadero Center, Suite 2050
San Francisco, CA 94111-3709

RE: Central Coast Water Authority Fiscal Year 1999/00 Annual Report on Continuing Disclosure for the \$198,015,000 Refunding Revenue Bonds (State Water Project Regional Facilities), Series 1996A and Series 1996B

Dear Priscilla:

Attached is the Fiscal Year 1999/00 Annual Report pursuant to the Continuing Disclosure Agreement between the Central Coast Water Authority and U.S. Trust Company (as successor Trustee).

Fiscal Year 1999/00 State Water Deliveries

A table showing deliveries during Fiscal Year 1999/00 to Santa Barbara and San Luis Obispo County State water contractors is attached.

Rate Coverage Reserve Fund

On December 18, 1997, the Authority Board of Directors established the Rate Coverage Reserve Fund. This fund provides a mechanism to allow Authority Contractors to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement (WSAs) to impose rates and charges sufficient to collect 125% of their Contract Payments (refer to the attached Rate Coverage Reserve Fund Policy for additional information).

Under the provisions of the Rate Coverage Reserve Fund policy, Authority Contractors may deposit up to 25% of their estimated annual contract payments in cash with the Authority. The deposit amount on the first day of the fiscal year is then added to the net revenues for each participating Contractor when calculating Net Revenues for the year. The Rate Coverage Reserve Fund policy was approved by AMBAC, the Authority's bond insurer.

The following agencies elected to participate in the CCWA Rate Coverage Reserve Fund during Fiscal Year 1999/00 and have deposited the following amounts:

Robert W. Puddicombe
Chairman

Neil Jones
Vice Chairman

Dan Masnada
Executive Director

Hatch & Parent
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



City of Guadalupe	\$ 154,212
City of Santa Maria	3,173,781
City of Buellton	202,836
Santa Ynez River Water Conservation District, Improvement District, No. 1	327,769
Santa Ynez River Water Conservation District, ID #1 (City of Solvang)	456,044
La Cumbre Mutual Water Company	325,688
Montecito Water District	905,573
Carpinteria Valley Water District	750,000
Avila Community Services District	23,768
Oceano Community Services District	86,000
San Luis Obispo County Service Area No. 16, Imp. District No. 1	12,500

Rebate Calculations

The interim rebate calculations for the Series 1996A and Series 1996B refunding revenue bonds, dated July 26, 2000, indicate a rebate liability of \$30,187. The five-year rebate calculations for the Series 1992 revenue bonds indicate a negative rebate liability of approximately \$5.5 million.

Continuing Disclosure Annual Report

Consistent with Section 4 of the Continuing Disclosure Report, the Fiscal Year 1999/00 Annual Report includes the charts described under the captions, "Historic Water Connections and Sales Revenues," "Historic Water Deliveries," "Largest Customers," "Water System Rates and Charges," "Historic Operating Results" and "Debt Service Coverage" for each of the following Contractors:

- City of Santa Maria
- City of Santa Barbara
- City of Guadalupe
- City of Buellton
- Goleta Water District
- Montecito Water District
- Carpinteria Valley Water District
- La Cumbre Mutual Water Company
- Santa Ynez River Water Conservation District, Improvement District No. 1
(including the City of Solvang as an attachment)
- San Luis Obispo County Service Area No. 16, Improvement District No. 1
- City of Pismo Beach
- City of Morro Bay
- Avila Beach Community Services District
- Oceano Community Services District

Section 4 of the Continuing Disclosure Agreement requires that the Authority submit a copy of its audited financial statements. Enclosed, is a copy of the Authority's FY 1999/00 Comprehensive Annual Financial Report.

Santa Ynez River Water Conservation District, Improvement District No. 1 and the City of Solvang

The continuing disclosure information for the City of Solvang is an attachment to the Santa Ynez River Water Conservation District, Improvement District No. 1 (SYID#1) report. As reported by SYID#1, the City of Solvang did not meet its coverage obligation for Fiscal Year 1999/00.

Please see the letter from SYID#1 regarding the status of City of Solvang's compliance with the rate covenant.

Avila Community Services District

From the information presented to the Authority, the Avila Community Services District did not meet its coverage obligation for Fiscal Year 1999/00. Please see the letter from the Avila Community Services District regarding the steps it is taking to meet the coverage obligation.

Oceano Community Services District

The Oceano Community Services District did not submit the following information for FY 1999/00 as required under the continuing disclosure agreement: "Historic Water Connections and Sales Revenues," "Historic Water Deliveries," "Largest Customers," "Water System Rates and Charges," and "Historic Operating Results." Additionally, the District has not indicated when or if it will submit the information described above.

The District did submit "Debt Service Coverage" calculations and copies of its audited financial statements for FY 1999/00.

Project Participant Audited Financial Statements

Audited Financial Statements for each of the Contractors are included with this report.

If you have any questions, please call me at (805) 688-2292 extension 214.

Sincerely,



Ray A. Stokes
Controller and Treasurer

RAS

Attachments
Enclosure

cc: Dan Masnada, Central Coast Water Authority
Doug Brown, Stradling, Yocca, Carlson & Rauth
Dave Houston, Smith Barney

Central Coast Water Authority
Fiscal Year 1999/00 State Water Deliveries
 Fiscal Year 1999/00 Continuing Disclosure Annual Report

FY 1999/00 Actual State Water Deliveries (acre feet)			
Contractor	Entitlement Deliveries	Exchange Agreement Deliveries	Net Deliveries
Chorro Valley Turnout (SLO County)	2,360	-	2,360
Lopez Turnout (SLO County)	1,489	-	1,489
City of Guadalupe	491	-	491
City of Santa Maria	12,231	-	12,231
Southern California Water Company	227	-	227
Vandenberg Air Force Base	3,770	-	3,770
City of Buellton	587	-	587
Santa Ynez ID #1 (Solvang only)	-	-	-
Santa Ynez ID #1 (excluding Solvang)	726	2,477	3,203
Morehart Land Company	-	-	-
La Cumbre Mutual Water Company	711	-	711
Raytheon Systems Company (SBRC)	55	-	55
Goleta Water District	2,978	(1,889)	1,089
City of Santa Barbara	-	-	-
Montecito Water District	486	(237)	249
Carpinteria Valley Water District	351	(351)	-
TOTAL:	26,462	-	26,462

CENTRAL COAST WATER AUTHORITY

Rate Coverage Reserve Fund Policy

Adopted: December 18, 1997

Fund Created:

The Executive Director shall establish and maintain a Rate Coverage Reserve Fund ("Rate Fund") in accordance with this policy.

Rate Coverage Reserve Fund:

- Purpose:** The Rate Fund is intended to provide a mechanism to allow CCWA Contractors to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement (WSAs) to impose rates and charges sufficient to collect 125% of their Contract Payments (as therein defined).
- Contributions:** Contributions to the Rate Fund are voluntary. During each year of participation, a CCWA Contractor which has elected to participate in the Rate Fund shall maintain on deposit with CCWA in said Fund an amount of money, when combined with the moneys on deposit in the O&M Reserve Fund, sufficient to constitute all or a portion of 25% of that Contractor's Contract Payments with respect to that year. A participating Contractor's initial contribution to the Rate Fund may be drawn from cash held by CCWA on behalf of the Contractor as of the date of the Fund's creation. In each subsequent year, CCWA shall notify the participating Contractor if an additional contribution is desired and the Contractor shall deposit said additional contribution within sixty (60) days of the CCWA notice. Voluntary contributions to the Fund by a Contractor may be made at any time, but shall not be considered with regard to satisfying the Contractor's obligations until the subsequent July 1. For example: to act as a credit for Fiscal Year 1998/99, a deposit must be received by the Authority prior to July 1, 1998. However, in the first year of the Fund's creation, each CCWA Contractor may elect to deposit additional funds into the Rate Fund within the first 30 days after adoption of this policy by the CCWA Board of Directors. These balances will be counted toward the coverage calculations for FY 1997/98.
- Withdrawal:** A Contractor may withdraw from the Rate Fund effective 180 days after it submits written documentation to the Authority that is in compliance with its WSA rate coverage obligations without considering the Fund.

Administration: Investments of deposits in the Rate Coverage Reserve Fund will be in Permitted Investments described in clause (A) of the definition thereof contained in the Indenture of Trust, dated as of November 1, 1996, with maturities of one year or less or in the Local Agency Investment Fund or in other investments approved in writing by AMBAC. Rate Fund investment earnings shall be credited to the Contractors account within the Fund except to the extent the Contractor directs CCWA to credit said earnings to the Contractor's payments obligations or as otherwise directed by the Contractor. Deposits and related earnings on deposits for each project participant will be accounted for on an individual project participant basis even if commingled for investment purposes. The Treasurer shall prepare and disseminate to all Contractors a quarterly statement concerning the Rate Fund.

Use of Funds: Monies in the Rate Fund shall not be expended for any purpose, except upon approval of the Board of Directors (i) for emergency expenses, and (ii) to the extent necessary to supplement funds available from the O&M Reserve Fund provided that the Contractor submits written documentation to the Authority that it is in compliance with its WSA rate coverage obligations without considering the proposed expenditure from the fund.

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SANTA BARBARA COUNTY

CITY OF BUELLTON

The information set forth below has been provided by the City of Buellton (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active domestic water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual domestic water sales revenues. While the actual connections in 2000 were consistent with what was projected in December 1996, the figures for sales revenues for the year ended June 30, 2000 are lower due to the unusually wet winter, which resulted in a lower consumption of water.

Historic Water Connections and Sales and Service Revenues

Fiscal Year Ending June 30	Connections	Water Sales Revenues
1996	965	\$ 769,590
1997	993	1,063,140
1998	1,043	964,878
1999	1,051	1,040,487
2000	1,082	1,111,867

Water sales for the fiscal year ended June 30, 2000 are approximately 17% below the 1996 projections due to delays of new housing construction in the City.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries and the source of that water in acre-feet per year.

Historic Water Deliveries and Source of Water Delivered (In acre-feet per year)

Fiscal Year Ending June 30	Santa Ynez River Appropriation	Groundwater Basin	State Water	Total
1996	480	442	0	922
1997	452	540	0	992
1998	187	141	493	821
1999	157	125	578	860
2000	173	180	587	940

Total water deliveries for fiscal year 2000 were slightly more than in 1999. Actual water deliveries for the year are 21% below the 1996 projections due to delays in new housing construction in the City.

WATER SYSTEM RATES AND CHARGES

General. The City is not subject to the jurisdiction of, or regulation by, the State of California Public Utilities Commission. It is the City's policy to annually determine the adequacy of the water system rate structure after full consideration of expected operations, maintenance and capital costs. The City currently set water charges to pay the cost of groundwater pumping, water treatment and current operation expenses for the water system, debt service with respect to its bonds, and coverage of its obligations under the Water Supply Agreement. Capital improvements and debt service payments are funded from water connection and user fees.

Water Service Charges. The City separates its customers into two classes of service - Municipal/Industrial and Golf Course Irrigation. Charges are associated with the water meter size (an additional dwelling unit fee of \$7.00 per dwelling unit) and quantity of water used. The City increased its water rates approximately 40% effective on July 25, 1995 and further increased the rates on July 26, 1996 by 15% on consumption price plus \$7.00 per additional dwelling unit. As a result, the Water Quantity Charge for municipal and industrial customers is now \$1.97 per 100 cubic feet. Golf Course Irrigation is based on a \$2500/month charge. The Water Meter Charges are set forth below:

Meter Size	Monthly Service Charge ¹
Up to ¾"	\$ 18.20
1"	20.65
1 ½"	25.48
2"	35.21
3"	54.60
4"	72.80
6"	103.11
8"	139.51

Collection Procedures. The City is on a monthly billing cycle, sending out bills for the prior month service. Payment is due upon receipt and is considered delinquent if not paid by the 20th day of the following month. If payment is not received, a delinquency notice appears on the next water bill. Currently 8% of the accounts, which account for approximately 17% of the Water System Revenues, are delinquent. The City reports, however, that upon receipt of such delinquent notices almost all of its customers pay delinquent amounts within two weeks. Water service for all accounts not paid in full within 55 days of the original billing date are discontinued by the City until full payment is made, including late penalties and a \$20.00 re-connection fee, if reinstated during business hours and \$53.00 after hours.

Connections Fees. The City charges connection fees for improvement or expansion of water treatment and distribution facilities to meet the requirements of community growth. The current connection fee for single family residences is \$3,640. The current connection fee for commercial and all other uses and meter sizes will be based on \$5,200 per acre-foot per year of anticipated water use.

¹ Plus \$7.00 for each additional dwelling unit which is served by one meter.

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

LARGEST CUSTOMERS

Customer	Water Usage	Annual Payments
Ranch Club Mobile Estates	25,120	\$ 69,506
Zaca Creek Golf Course	29,741	30,762
Rancho Santa Barbara Marriott	11,649	30,007
Flying Flags Recreation Park	24,343	28,059
Rivergrove Mobile Home Park	11,384	27,734
Andersen's Restaurant	7,722	12,995
Andersen's Inn	4,717	10,126
Days Inn	4,180	9,719
Motel 6	3,648	7,580
Buellton Union School District	2,001	5,012
TOTAL	124,505	\$231,500

These ten customers accounted for approximately 22% of the City's water service revenues for fiscal year 1999/00.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system for Fiscal Year 1999/00. These results have been derived from the City's audited financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF BUELLTON

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Sales	\$ 1,111,867
Connection Fees	177,049
Other Fees & Income	22,970
Interest Income	56,728
TOTAL REVENUES:	<u>1,368,614</u>
<u>OPERATING EXPENSES</u>	
Operations & Maintenance Expenses	232,576
FmHA Debt Service ²	47,950
TOTAL OPERATING EXPENSES:	<u>280,526</u>
NET REVENUES	1,080,088
Rate Coverage Reserve Fund Deposit	202,837
Adjusted Net Revenues	<u>1,290,924</u>
State Water Payments ³	788,201
Coverage Ratio:	1.64
Other Contract payments ⁴	11,424
Available for Capital improvements and other purposes	\$ 280,463

Source: City of Buellton

² Debt service on a \$818,500 Farmers Home Administration Loan which obligation to pay is senior to the obligation to pay the Bonds.

³ State water payments made during FY 1999/00.

⁴ Water Department's share (25%) of lease payment for Administration Building (City Hall).

CARPINTERIA VALLEY WATER DISTRICT

The information set forth below has been provided by the Carpinteria Valley Water District (the "District"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues (inclusive of monthly service charges):

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections				Sales Revenues			
	Dom.	%	Ag.	%	Dom.	%	Ag.	%
1996	3,609	89	427	11	\$ 2,518,672	64	\$ 1,436,649	36
1997	3,647	90	427	10	3,208,091	64	1,780,933	36
1998	3,659	90	424	10	3,358,739	67	1,664,270	33
1999	3,691	90	421	10	3,670,780	67	1,768,798	33
2000	3,714	90	423	10	3,545,276	65	1,897,541	35

All sales revenue numbers presented in the above table include monthly service charges as well as the unit cost of water. The December 1996 projections in the Official Statement did not include monthly service charges. Monthly service charges were doubled in FY 1996/97. They were raised 17.5% in FY 1997/98, while the unit cost of water remained unchanged. Monthly service charges and the unit cost of water remained unchanged in FY 1998/99, and in FY 1999/00. Monthly service charges for all water accounts were increased by \$1.16 in FY 00/01, including a variation that all residential water accounts were increased an additional \$1.16 for each dwelling unit. The unit cost of water was also increased in FY 2000/01 by 1% for all categories of water users.

Following is a breakdown of sales revenues showing water revenues and monthly service charges, including fire protection and service revenue:

Fiscal Year Ending June 30	Water Revenue	Monthly Service Charge	Total
1999	\$3,223,880	\$2,215,698	\$5,439,578
2000	\$3,386,278	\$2,236,260	\$5,622,538

The total actual water revenues not including monthly service charges for FY 1996/97 were approximately 5.6% higher than projected in the Official Statement. In FY 1997/98 they were approximately 8% lower than the previous year, due in large measure to reduced demand as a result of increased rainfall attributed to the El Nino weather pattern. The approximately 8% increase in water revenues for FY 1998/99, not including monthly service charges, reflects a more average demand than experienced in the FY 1997/98 El Nino year. The approximately 5% increase in water revenues for FY 1999/00 reflect a similar increase in actual acre feet of water sold, due in part to growth, but also dry weather.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries and the source of that water in acre-feet per year for the five most recent fiscal years. Actual water connections (4,137) as of June 30, 2000, are about two percent lower than the projected number of 4,227 in the Official Statement.

Historic Water Deliveries and Source of Water Delivered (In acre - feet per year)¹ Deliveries

Fiscal Year Ending June 30	Residential ²	Commercial	Public Authority	Industrial	Irrigation	Total
1996	1,203	723	113	128	2,010	4,177
1997	1,679	352	135	126	2,153	4,445
1998	1,601	357	127	123	1,830	4,038
1999	1,701	380	139	138	2,006	4,364
2000	1,741	386	132	131	2,230	4,620

Sources

Fiscal Year Ending June 30	Groundwater	Cachuma Project	Total
1996	1,519	2,860	4,379
1997	1,308	3,253	4,561
1998	795	3,291	4,107
1999	586	3,794	4,358
2000	1,131	3,529	4,660

MANAGEMENT DISCUSSION OF HISTORIC WATER CONNECTIONS, SALES REVENUES AND DELIVERIES

In the last five years demand for water has fluctuated as a result of changes in weather and a gradually increasing account base. In FY 1996/97 water deliveries increased more than expected. This increase was a result of a small increase (38) in the number of total service connections, and an earlier than usual end to the rainy season at the end of February. In FY 1997/98 total demand fell by over 400 acre-feet compared to the previous year as a result of the lengthy rainy season attributed to the El Nino weather pattern. Total demand for water in FY 1998/99 returned to a more normal level, but was slightly impacted by the La Nina pattern of lower than normal temperatures for the year. Total demand for water in FY 1999/00 increased due to a drier rainy season, and reflects a small amount of growth.

¹ Unaccounted water due to general system loss, including leakage, line flushing and fire hydrant testing, averages 3% and is apportioned to all account types.

² Beginning in fiscal year 1996/97, the District reclassified certain multi-unit residential uses from commercial to residential.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 2000, as determined by the amount of their respective annual payments:

Customer	Water Usage ³	Annual Payments
B & H Flowers	76,266	\$111,772
Villa Del Mar	33,280	94,016
Casitas Village HOA	29,994	93,730
Cate School	27,607	68,269
Oceano Breeze	39,102	65,171
Sandpiper Village	26,737	61,585
James Selbert	36,530	55,340
Normas L. Francis	34,900	53,951
H&M Roses	29,813	43,142
Westerly Roses	26,428	38,606
	360,657	\$685,582

These ten customers accounted for approximately 12.16% of water service revenues for the year ended June 30, 2000.

WATER SYSTEM RATES AND CHARGES

General. The District is not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission. The District annually determines the adequacy of the water system rate structure after full consideration of expected operations, maintenance and capital costs. The District currently sets water charges to pay water costs for purchased water, costs of groundwater pumping and current operating expenses for the water system. Capital improvements and debt service payments are funded from water charges and connection fees.

Water Service Charges. The District has separated its customer base into two classes of service – domestic and agricultural. Domestic service is further separated into two types: 1) residential and 2) commercial, industrial and public authority. On June 18, 1995, the Board established the following rates: \$1.91 per HCF for domestic-residential; \$2.16 per HCF for domestic-commercial, industrial and public authority; \$1.34 per HCF for agricultural. The water usage rates remained unchanged in 1996; but, as described below, monthly service charges were doubled to increase revenue necessary to offset State Water Project costs.

Water usage rates and monthly service charges were raised steadily between FY 1991/92 and FY 1998/99 primarily to address State Water Project and Cachuma Project renewal costs. The first rate increase was adopted by the Board of Directors on June 24, 1992, effective as of June 28, 1992. A subsequent rate increase was adopted June 16, 1993 and became effective June 28, 1993. A third rate increase was adopted by the Board of Directors on July 6, 1994 and became effective June 29, 1994. A fourth rate increase was adopted by the Board of Directors on June 14, 1995 and became effective June 29, 1995. The June 29, 1995 increase included new costs related to the Cachuma Project contract renewal and higher interim rates, as well as other costs related to the Cater Treatment Plant. The June 29, 1996 rate increase doubled the monthly service charge. It was followed by the most recent increase of 17.5% to the monthly service charge on June 29, 1997. The District did not raise its water consumption rates or monthly service charges in either FY 1998/99 or FY 1999/00. In FY 2000/01 the District raised its water consumption rates 1% for all categories of customers to adjust for inflation. The new domestic-residential rate is \$1.93 per HCF; the new domestic-commercial, industrial and public authority rate is \$2.18 per HCF; the new agricultural rate is \$1.35 per HCF. The Board also increased monthly service charges on all water accounts by \$1.16, with the variation that all residential

³ Hundred Cubic Feet

accounts were increased by \$1.16 for each dwelling unit. The monthly service charge increase is the first of four projected to raise revenue to pay debt service on about \$9 million of Certificates of Participation (COPs) issued in May of 2000. The COPs were issued to fund major capital improvements including covers for the Ortega and Carpinteria reservoirs and related other projects necessary for the covering projects.

A schedule of the District's current monthly service charges effective since July 1, 2000 is shown below:

Meter Size	Monthly Service Charge
5/8"	\$ 17.86
3/4"	26.06
1"	42.76
1 1/2"	84.36
2"	134.16
3"	267.41
4"	417.11
6"	833.06
8"	1,914.51

Connection Fees. For every new meter installation, the District charges the installation cost of the new service and meter plus a "Capital Cost Recovery Fee". The base charge component of Capital Cost Recovery Fees ranges from \$1,307 to \$150,303 depending on the size of the meter. In addition to the base charge, there is a "fully loaded equivalent State Water Project monthly service charge" component. This second component is an amount added to the base charge, equivalent to State Water Project monthly service charges that would have been paid beginning July 1, 1996. The Board of Directors adopted the Capital Cost Recovery Fees on July 16, 1997. A third component was added in September of 2000 to capture the monthly service charge increases necessary to fund the debt service for the \$9 million COPs issued in May of 2000, to pay for the Districts Capital Improvement Program. A schedule of the District's current Capital Cost Recovery Fees, effective July 1, 2000, is shown below:

Meter Size	Capital Cost Recovery Fees
5/8"	\$2,410
3/4"	3,464
1"	5,781
1 1/2"	11,562
2"	18,492
3"	36,999

The District requires the Capital Cost Recovery Fee to be paid prior to accepting the installation fee deposit.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for Fiscal Year 1999/00. These results have been derived from the District's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District's auditor.

CARPINTERIA VALLEY WATER DISTRICT

<u>REVENUES</u>	<u>June 30, 2000</u>
Muni. & Ind. Water Sales	\$ 2,069,910
Agricultural Water Sales	1,316,367
Water Service Charge	2,056,539
Fire Protect & Service Revenue	180,176
Capital Cost Rec Fee	101,486
Interest Revenue	490,700
Other Income	25,722
Overhead charges	34,381
TOTAL REVENUES:	<u>6,275,281</u>
<u>OPERATING EXPENSES</u>	
Cost of Purchased Water	305,770
Pumping Expense	175,091
Treatment expense	476,190
Trans & Dist Exp	378,361
Customer Accounts	78,721
Cachuma Operating Expense	200,389
General & Administrative ⁴	1,000,376
TOTAL OPERATING EXPENSES:	<u>2,614,898</u>
NET REVENUES	3,660,383
Rate Coverage Fund Deposit	750,000
Adjusted Net Revenues	<u>4,410,383</u>
State Water Payments	2,182,036
Total Contract Payments	<u>2,182,036</u>
Coverage Ratio:	<u>2.02</u>
Additional Debt Service ⁵	214,674
Available for Capital improvements other purposes	<u>\$ 1,263,673</u>

Source: Carpinteria Valley Water District

⁴ Exclusive of depreciation.

⁵ Debt service on \$1.95 million of Water Revenue Bonds (Cater Treatment Plant) due 2003 (subsequently paid in full).
 FY 1999/00 CONTINUING
 DISCLOSURE ANNUAL REPORT

GOLETA WATER DISTRICT

The information set forth below has been provided by the Goleta Water District (the "District"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections				Sales Revenues			
	Dom.	%	Ag.	%	Dom.	%	Ag.	%
1996	14,235	98.56	208	1.44	\$ 11,037,275	89.39	\$ 1,310,002	10.61
1997	14,281	98.56	208	1.44	12,137,513	88.84	1,523,981	11.16
1998	14,376	98.59	206	1.41	11,669,400	89.70	1,340,636	10.30
1999	14,620	98.60	207	1.40	12,491,604	88.81	1,574,080	11.19
2000	14,839	98.04	297	1.96	13,156,760	18.18	1,763,055	11.82

The number of connections to the District's water system is slightly higher than the number projected in 1996. However, revenues from water sales have fallen short of the 1996 projection by about 20%. Two factors have contributed to the decline in water sales: Lower demand stemming from abnormally cooler, wetter weather in 1996/97 through 1999/00, and continuing conservation practices.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In Acre-Feet per Year)*

Fiscal Year Ending June 30	Agricultural Deliveries	Urban Deliveries	Total
1996	2,684	9,662	12,346
1997	2,890	10,618	13,508
1998	2,185	10,762	12,947
1999	2,471	10,169	12,641
2000	3,017	9,647	12,665

Water deliveries are approximately 6.6% below the 1996 projection. As discussed above, cool, wet weather in 1997/98 through 1999/00 has caused a reduction in demand. Continuing water conservation practices may also be a contributing factor in a lower rate of increase in the demand for water service.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ¹	Annual Payments
UCSB	884	\$1,071,144
County of Santa Barbara	350	396,076
Glen Annie Golf Course	361	280,748
George Cavalletto	425	179,176
La Cumbre Golf Course	167	126,776
Sandpiper Golf Course	353	115,922
Islay Investments	74	102,290
Rancho Tres Canadas	192	83,832
Applied Magnetics	57	78,194
Sierra Pacific Farms	<u>194</u>	<u>74,999</u>
TOTAL	3,057	\$2,509,157

These ten customers accounted for approximately 6.5% of water service revenues for the year ended June 30, 2000.

WATER SYSTEM RATES AND CHARGES

The District's current rates and charges are as follows:

Agriculture	\$0.90/HCF
Urban	\$3.13/HCF
Recreation	\$1.74/HCF
Reclaimed	\$1.74/HCF

Meter Size	Monthly Charge
¾"	\$ 5.90
1"	8.00
1 ½"	13.10
2"	18.62
3"	31.10
4"	47.30
6"	86.30
8"	127.10
10"	167.90

The meter charges listed above were increased to these amounts in September 1997.

¹ Hundred Cubic Feet

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system for Fiscal Year 1999/00. These results have been derived from the District's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District's auditor.

GOLETA WATER DISTRICT

<u>REVENUES</u> ²	<u>June 30, 2000</u>
Water Sales	\$14,909,849
Meter charges	1,296,477
Other Fees & Income	1,936,153
Interest Income	1,784,232
TOTAL REVENUES:	<u>19,926,953</u>
<u>OPERATING EXPENSES</u>	
Source of Supply	2,372,631
Water Treatment	1,234,826
Transmission & Distribution	1,370,620
Customer Billings	555,440
General and Administrative	2,688,470
TOTAL OPERATING EXPENSES:	<u>8,221,986</u>
<u>NET REVENUES</u>	11,704,967
Rate Coverage Reserve Fund Deposit	<u>0</u>
Adjusted Net Revenues	<u>11,704,967</u>
State Water Payments	6,360,512
Total Contract Payments	<u>6,360,512</u>
<i>Coverage Ratio:</i>	<i>1.84</i>
Other Debt Service ³	1,878,845
Available for capital improvements and other purposes	\$ 3,465,609

Source: Goleta Water District

² Exclusive of property taxes

³ 1993 COPS \$1,287,649; State Revolving Fund Loan \$519,489; USBR Loan (ID #1) \$71,707.

CITY OF GUADALUPE

The information set forth below has been provided by the City of Guadalupe (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below. All numbers presented for the Fiscal Year ending June 30, 2000 are unaudited.

HISTORIC WATER CONNECTIONS AND SALES

The following table shows the number of active water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections	Sales Revenues
1996	1,705	\$573,212
1997	1,578	781,376
1998	1,577	809,553
1999	1,579	846,539
2000	1,592	870,771

The actual connections for FY 1999/00 have increased by a total of 10 new connections from the previous year due to new construction. The Riverview project and the Carriage Homes project continue to build new homes at the Point Sal Dunes development. The estimated number of services that will be added for FY 2000/01 will be approximately another 50 services or more. The actual sales revenues for FY 1999/00 were approximately 3% above the prior year because of an increase in commercial water usage and new connections by our largest business customers. The city continues to anticipate the additional sales revenue which will result in actual revenue in FY 2000/01 and ongoing as the developments progress into the future.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Deliveries ¹
1996	562
1997	613
1998	652
1999	714
2000	711

¹ All Groundwater.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ²	Annual Payments
Apio Cooler	28,752	\$ 93,444
Guadalupe Union School District	5,594	18,181
Lupe Alvarez	3,184	10,348
Waller Genetics	2,209	7,179
Far Western Tavern	2,129	6,919
P&M Properties	1,803	5,859
Simplot Soilbuilders	1,631	5,300
Guadalupe Cemetery	1,560	5,070
Playa, Inc.	846	2,750
McKenzie Junior High	<u>789</u>	<u>2,564</u>
TOTAL	46,497	\$157,614

These ten customers accounted for approximately 21% of water service revenues for the year ended June 30, 2000.

WATER SYSTEM RATES AND CHARGES

Consumption Charges. All classes of water users are charged the same rate. Specifically, all users pay \$19.45 monthly for the first six (6) units [one (1) unit = 100 cubic feet] as a minimum charge. For each unit above the base six (6) units the charge is \$3.25 per unit.

Connection Charges. The City charges connection fees for improvement or expansion of water treatment and distribution facilities as follows:

<u>Meter Size</u>	<u>Connection Charge</u>
¾"	\$1,449.74
1"	1,630.86
1 ½"	2,174.48
2"	4,349.23
3"	5,798.97
4"	8,095.38
6"	14,135.19

Immediate Availability Charges. On July 26, 1993, the City initiated a standby/availability charge on vacant parcels in the City. The charge was set at \$5.00 per month per parcel less than one (1) acre, and \$10.00 per month per acre for parcels larger than one (1) acre. The standby charge is added to the tax bill for each vacant parcel and is collected by the Santa Barbara County Tax Collector.

² Hundred Cubic Feet

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for Fiscal Year 1999/00. These results have been estimated by the City, but exclude certain non-cash items and include certain other adjustments. This table has not been audited by the City's auditor.

CITY OF GUADALUPE

<u>REVENUES</u> ⁽³⁾	<u>June 30, 2000</u>
M&I Sales	\$ 883,233
Connection Fees	18,828
Interest Income	22,971
Other Revenues	32,732
TOTAL REVENUES:	<u>957,764</u>
<u>OPERATING EXPENSES</u>	
Salaries and Benefits	82,231
Operations and Maintenance ⁴	75,124
TOTAL OPERATING EXPENSES:	<u>157,355</u>
<u>NET REVENUES</u>	800,409
Rate Coverage Reserve Fund Deposit	154,212
Adjusted Net Revenues	<u>954,621</u>
State Water Payments ⁵	597,949
Total Contract Payments	<u>597,949</u>
<i>Coverage Ratio:</i>	1.60
Available for Capital improvements and other purposes	\$ 202,460

Source: City of Guadalupe

³ Includes stand-by/availability charges.

⁴ Exclusive of depreciation. Includes lease-purchase payments.

⁵ State water payments represent payments made during FY 1999/00.

LA CUMBRE MUTUAL WATER COMPANY

The information set forth below has been provided by the La Cumbre Mutual Water Company (the "Company"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the Company's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues (exclusive of monthly service charges).

Historic Water Connections and Sales Revenues

Fiscal Year Ending December 31	Connections					Sales Revenues				
	Dom.	%	Ag.	%	Total	Dom.	%	Ag.	%	Total
1995	1,363	98	28	2	1,391	1,129,302	95	58,742	5	\$1,188,044
1996	1,361	98	30	2	1,391	1,422,894	95	69,653	5	1,492,547
1997	1,398	98	27	2	1,425	1,883,002	95	97,611	5	1,980,613
1998	1,383	98	32	2	1,415	1,304,971	95	65,891	5	1,370,862
1999	1,389	98	32	2	1,421	1,552,380	95	84,978	5	1,637,358

Total water sales revenues for FY 1999 are lower than the December 1996 official statement projections by 25%, however, the combined fixed meter and land charges are higher by 30%. Taking this into account, the total water sales and fixed charges for FY 1999 are lower than the December 1996 projections by only 15%. **The Company Board of Directors chose to increase fixed income sources to better match fixed expenses, rather than increase the variable income sources as projected in the December 1996 official statement.**

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In Acre-Feet per Year)*

Fiscal Year Ending Dec. 31	Domestic Deliveries	Agricultural Deliveries	Total
1995	1,151	87	1,238
1996	1,291	84	1,375
1997	1,512	121	1,633
1998	1,258	79	1,337
1999	1,438	103	1,541

The actual water deliveries for FY 1999 are 6% higher than the December 1996 projection of 1,450 AF.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the Company's water system as of December 31, 1999, as determined by the amount of their respective annual payments.

<u>Customer</u>	<u>Water Usage (HCF)</u>	<u>Annual Payment</u>
La Cumbre Golf & Country Club	33,670	\$84,691
ELK Trust	12,427	42,974
Mariposa Land Development Co.	10,431	24,097
Carriage Hill Association	5,505	22,716
Stephen Redding	7,713	21,025
Stanford Farms	3,805	14,430
William Foley	5,218	13,987
Laguna Blanca School	3,256	13,489
Lewis Geysler	3,332	12,023
Christopher Conway	<u>2,895</u>	<u>9,708</u>
TOTAL	88,252	\$259,140

These ten customers account for approximately 16% of all water service revenues in fiscal year 1999.

WATER SYSTEM RATES AND CHARGES

The District's current rates and charges are as follows:

	CURRENT (effective Oct. 6, 1997)
Residential and Commercial	\$2.40/HCF
Schools and Golf Courses	\$2.15/HCF
Agricultural	\$2.40 for first 90 HCF per bi-monthly billing and \$1.65 for excess

<u>Item</u>	CURRENT (effective Oct. 6, 1997) <u>Bi-Monthly Charge</u>
"A" less than 50 HCF/Year *	\$8.33
"B" less than 100 HCF/Year *	\$16.67
3/4" meter	\$25.00
1" meter	\$41.67
1 1/2" meter	\$83.33
2" meter	\$133.33
3" meter	\$250.00
4" meter	\$416.67
Fire Sprinkler System	\$17.50
Private Fire Hydrant	\$17.50

* This special bi-monthly charge is for 3/4" services that used less than the noted HCF for the previous year beginning on the last working day in December.

<u>Item</u>	<u>CURRENT (effective March 18, 1997)</u> <u>Connection Charge</u>
3/4" meter	\$4,200
1" meter	\$7,000
1 1/2" meter	\$14,000
2" meter	\$22,000
3" meter	\$42,000
4" meter	\$70,000
Fire Sprinkler System	\$1,000 + material & labor
Private Fire Hydrant	\$500 + material & labor

	<u>CURRENT (effective Nov. 15, 1998)</u>
Land Charges	\$20 per acre per bi-monthly period

Water service charges were adjusted in 1997 to produce more fixed income. Bi-monthly meter service charges were increased an average of 300%. To offset this large increase in fixed fees, the basic water rate was decreased approximately 9%. The increased fixed income will balance the state water fixed expenses.

Service connection charges were also adjusted in 1997 to reflect the capital costs of state water. These were increased an average of 300%.

Land charges were adjusted in 1998 from \$10 to \$20 per acre per bi-monthly billing to produce more fixed income.

FISCAL YEAR 1999 OPERATING RESULTS

The following table is a summary of operating results of the water system of the Company for the Fiscal Year ended December 31, 1999. These results have been derived from the Company's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the Company's auditor.

LA CUMBRE MUTUAL WATER COMPANY

<u>REVENUES</u>	<u>December 31, 1999</u>
Water Sales	\$ 1,637,358
Meter Charges	367,834
Land Charges	247,602
Connection Fees	18,600
Other Income	11,711
Rental Income	85,373
Interest Income	89,482
TOTAL REVENUES	<u>2,457,960</u>
<u>OPERATING EXPENSES</u>	
Water Source	200,680
Water Treatment	12,894
Transmission & Distribution	97,535
Admin. & General	317,953
Conservation	939
Taxes	50,476
Miscellaneous	21,228
TOTAL OPERATING EXPENSES	<u>701,705</u>
NET REVENUES	1,756,255
Rate Coverage Reserve Fund Deposit	325,688
Adjusted Net Revenues	<u>2,081,943</u>
State Water Payments (1999)	635,697
Total Contract Payments	<u>635,697</u>
<i>Coverage Ratio:</i>	3.27
Available for Capital improvements and other purposes	\$ 1,120,588

Source: La Cumbre Mutual Water Co.

MONTECITO WATER DISTRICT

The information set forth below has been provided by the Montecito Water District (the "District"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of annual water sales revenues:

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections				Sales Revenue			
	Domestic	%	Agricultural	%	Domestic	%	Agricultural	%
1996	4,049	98	69	2	\$ 4,366,068	94	\$ 261,687	6
1997	4,133	98	66	2	5,019,892	95	262,502	5
1998	4,174	99	64	1	4,367,044	94	266,237	6
1999	4,219	99	61	1	5,227,456	95	260,470	5
2000	4,275	99	64	1	5,907,658	95	326,511	5

The total actual connections for FY 1999/00 were 4,339 which as compared to the projected December 1996 official statement estimate of 4,352 is lower by thirteen (13) connections. Domestic sales revenues for FY 1999/00 were \$5,907,658 is approximately 7.9% below the December 1996 official statement projection of \$6,412,400. Agricultural sales revenues for FY 1999/00 were \$326,511 are approximately 22 % above the December 1996 official statement projection of \$267,900

The difference between the domestic sales revenues and the December 1996 official statement projections is due to lower water sales for the residential and recreational water categories.

Total water sales revenues for FY 1999/00 are lower than in the December 1996 official statement projection by 6.7%. However, water service charges and connection fee revenues for the year are higher than the December 1996 official statement projections by \$451,282 and \$137,514 or 40.0% and 49.6%, respectively. The District's Board of Directors chose to increase fixed income sources to better match fixed expenses, rather than increase the variable income sources as initially projected in December 1996 official statement.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years:

*Historic Water Deliveries and Water Production¹
(In acre-feet per year)*

Fiscal Year Ending June 30	Agricultural	Deliveries Domestic	Total
1996	455	3,914	4,369
1997	472	4,502	4,974
1998	472	3,838	4,310
1999	448	4,365	4,813
2000	551	4,786	5,337

Actual water deliveries for FY 1999/00 of 5,337 are approximately 13% lower than the December 1996 prospectus projection of 6,112 primarily due to lower water sales for the domestic and recreational water categories. Please note that the prior year 1997/98 was a record rainfall year. Table 3 summarizes Water Production by source:

*Water Production By Sources¹
(In acre-feet per year)*

Fiscal Year Ending June 30	Groundwater	Cachuma Project	Other ² Sources	Total
1996	126	1,937	2,455	4,518
1997	143	2,652	2,588	5,383
1998	129	2,313	2,346	4,788
1999	117	2,840	2,273	5,230
2000	90	2,736	2,746	5,572

¹ Total production exceeds total deliveries due to general system losses and water owed to the City of Santa Barbara; the District is presently rehabilitating its water system through its capital improvement program.

² Other sources include water from Jameson Lake and Fox and Alder Creeks, infiltration water from Doulton Tunnel, and beginning in 1997/98, water from the State Water Project.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system for Fiscal Year 1999/00, as determined by the amount of their respective annual payments:

Largest Customers

Customer	Water Usage ³	Annual Payment
Four Seasons Hotel	40,589	\$188,811
Birnam Wood Golf Club	82,054	156,481
Westmont College	43,391	118,289
Valley Club of Montecito	40,383	72,810
Montecito Retirement Association	19,584	67,113
Aliases Ranch	39,420	53,969
Kismet/Drown	29,610	44,517
Jackson Raunchy	27,733	44,018
Ellen Knell	20,689	33,560
Ross Sheldon	16,372	29,625
	359,825	\$809,193

These ten customers accounted for approximately 13% of water service revenues in Fiscal Year 1999/00.

WATER SYSTEM RATES AND CHARGES

Water Service Charges. The District has separated its customer base into several classes of service. Rates charged to each class of customers vary. A schedule of the District's water rates and charges as of June 30, 2000 is as follows:

Meter Size	Meter Charge	Meter Size	Meter Charge
5/8" x 3/4"	\$17.00	2"	\$90.70
3/4"	17.00	3"	204.00
1"	28.30	4"	340.00
1-1/2"	51.00	6"	566.70

Quantity Water Rates in Addition to Monthly Service Charge

Commercial	\$4.25 per hcf ³
Domestic	2.84 per hcf
Schools	2.63 per hcf
Recreational ⁴	1.61 per hcf
Agricultural ⁴	1.29 per hcf
East Valley Non-Potable	1.29 per hcf

³ Hundred cubic feet (hcf)

⁴ Recreational and Agricultural users with dwelling units on the property are charged 12 hcf per month at the domestic rate for each dwelling unit.

Connection Fees. The District charges connection fees to cover the costs of installing meters. (Please note that the District no longer installs 5/8" x 3/4" meters.) In addition, a Capital Cost Recovery Fee is charged as a buy-in fee for new customers to buy into the District's capital facilities. The breakdown of Connection and Capital Cost Recovery Fees as of June 30, 2000 is as follows:

<u>Meter Size</u>	<u>Connection Fee</u>	<u>Capital Cost Recovery Fee</u>
3/4"	\$1,125.00	\$5,483.00
1"	1,180.00	9,063.00
1-1/2"	1,740.00	16,313.00
2"	2,190.00	29,000.00

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for Fiscal Year 1999/00. These results have been derived from the District's financial statements and exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District's auditors:

MONTECITO WATER DISTRICT

<u>REVENUES⁵</u>	<u>June 30, 2000</u>
Water Sales	\$6,234,169
Water Service Charges	1,578,582
Connection/Capital Cost Recovery Fees	414,714
Water Availability Charge	305,089
Interest Income	313,685
Other Income	121,583
TOTAL REVENUES:	<u>8,967,822</u>
<u>OPERATING EXPENSES</u>	
Water Purchased	628,826
Pumping	122,674
Water Treatment	682,913
General & Administrative	1,413,228
Operations & Maintenance	419,652
TOTAL OPERATING EXPENSES:	<u>3,267,293</u>
NET REVENUES	5,700,529
Rate Coverage Reserve Fund Deposit	905,573
Adjusted Net Revenues	<u>6,606,102</u>
State Water Payments	<u>3,382,482</u>
Total Contract Payments	<u>3,382,482</u>
Coverage Ratio:	1.95
Other Debt Service ⁶	\$507,064
Available for Capital improvements and other purposes	\$1,810,983

⁵ Excludes taxes and assessments.

⁶ Inclusive of the Cachuma Project Authority Bonds, the 1993 Department of Water Resources Loan and the 1998A Montecito Water District Revenue Certificates of Participation.

CITY OF SANTA BARBARA

The information set forth below has been provided by the City of Santa Barbara (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections		Sales Revenues	
	Dom.	%	Dom.	%
1996	24,702	100	\$ 17,979,681	100
1997	24,971	100	19,338,989	100
1998	25,076	100	18,220,227	100
1999	25,169	100	19,742,981	100
2000	25,233	100	21,196,803	100

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Urban Deliveries
1996	13,055
1997	13,916
1998	13,124
1999	13,961
2000	14,881

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ¹	Annual Payments
Fess Parker's Red Lion Inn	32,588	\$ 124,987
S. B. Zoological Foundation	30,869	122,868
City Of Santa Barbara	81,739	120,041
Montecito Country Club	63,901	92,965
St. Francis Hospital	22,311	83,645
S. B. Cottage Hospital	12,876	52,225
S. B. Cottage Hospital	11,867	51,244
La Colina Jr. High School	12,637	50,637
Mission Linen Supply	11,785	44,437
B P P Retail, Llc 5 Points	<u>9,328</u>	<u>38,277</u>
	289,901	\$ 781,327

These ten customers accounted for approximately 4.9% of the annual water consumption for Fiscal Year 1999/00.

¹ Hundred Cubic Feet

Water System Rates and Charges During FY 1999/00

Customer Class	Water Service Rates
Single Family Residential	First 4 HCF @ \$2.16 Next 16 HCF @ \$3.60 All other @ \$3.81
Multi-Family Residential 1-4 dwelling units	First 4 HCF per dwelling unit @ \$2.16 Next 8 HCF per dwelling unit @ \$3.60 All other @ \$3.81
Multi-Family Residential 5+ dwelling units	First 4 HCF per dwelling unit @ \$2.16 Next 8 HCF per dwelling unit @ \$3.60 All other @ \$3.81
Commercial	100% of base allotment ² @ \$3.60 per HCF; All other @ \$3.81
Industrial	100% of base allotment ² @ \$3.60 per HCF; All other @ \$3.81
Irrigation - Residential	Billed as if used through associated residential meter, OR annual allotment of 654 HCF/acre @ \$3.60; all other @ \$3.81
Irrigation - Recreation/Parks/Schools	Annual allotment of 1,404 HCF/acre @ \$1.70 Next 240 HCF/acre/year @ \$3.60 All other @ \$3.81
Irrigation - Commercial	100% of base allotment ² @ \$3.60 per HCF; All other @ \$3.81
Irrigation - Agriculture	Annual allotment of 870 HCF/acre @ \$1.36 Next 240 HCF/acre/year @ \$3.60 All other @ \$3.81
Recycled Water	All usage @ \$1.36/HCF
Outside City Limits	130% of corresponding in-City rates

Monthly Service Charges for Water Meters by Size During FY 1999/00

Meter Size	Monthly Service Charge
5/8"	\$ 5.67
3/4"	8.51
1"	14.18
1 1/2"	28.35
2"	45.36
3"	90.72
4"	141.75
6"	283.50
8"	453.60
10"	652.05

Connection Charges During Fiscal Year 1999/00

	5/8" Meter	1" Meter
Connection Charges on 1" Service:	\$1,513	\$1,564
Buy-in Fee (per single family residence or residence equivalent)	1,505	3,762
	<u>\$3,018</u>	<u>\$5,326</u>

² Base allotment = average monthly consumption during most recent January - June period.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for Fiscal Year 1999/00. These results have been derived from the City's financial statements and exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF SANTA BARBARA

<u>REVENUES</u>	<u>June 30, 2000</u>
M&I Sales	\$ 21,196,803
Utility Users Tax	560,641
JPA Reimbursement	876,280
Interest Income	1,357,118
Other Revenues	<u>2,223,383</u>
TOTAL REVENUES:	<u>\$26,214,225</u>
<u>OPERATING EXPENSES</u>	
Salaries & Benefits	3,773,832
Materials & Supplies	4,531,244
Interest Expense ³	157,030
Other	<u>41,436</u>
TOTAL OPERATING EXPENSES:	<u>\$8,503,542</u>
NET REVENUES	17,710,683
State Water Payments ⁴	3,952,515
Parity Debt Service ⁵	<u>2,397,796</u>
Total Contract Payments	<u>6,350,311</u>
Coverage Ratio:	2.78
Available for Capital improvements and other purposes	\$ 11,360,372

Source: City of Santa Barbara

³ Includes 1988 and 1991 DWR Water Reclamation Loans and a Goleta Water District obligation.

⁴ State water payments made during FY 1999/00

⁵ Represents debt service on the 1994 Water Revenue Refunding Bonds and the 1992 Water COP's, which are on a parity with payments to the Authority under the Water Supply Agreement. Coverage calculations take into consideration both payments to the Authority under the Water Supply Agreement and Parity Debt Service.

CITY OF SANTA MARIA

The information set forth below has been provided by the City of Santa Maria (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER AND WASTEWATER CONNECTIONS AND SALES AND SERVICE REVENUES

The following table shows the number of active water and wastewater connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water and wastewater sales revenues.

Historic Water and Wastewater Connections and Sales and Service Revenues

Fiscal Year Ending June 30	Connections ¹	Water Sales Revenues	Wastewater Service Revenues
1996	16,006	\$ 8,797,200	\$ 2,553,539
1997	16,198	10,671,207	2,687,787
1998	16,406	11,577,701	3,000,771
1999	16,586	11,733,020	2,626,840
2000	17,539	14,029,540	2,865,750

The City's water sales revenues for the fiscal year ended June 30, 2000 are approximately 33% below the 1996 projections due to lower than anticipated population growth and greater conservation efforts.

HISTORIC WATER DELIVERIES

The City records the volume of water delivered by its water system. Over the past five years, the volume of water delivered by the City has fluctuated, ranging from a low of approximately 11,003 acre-feet in fiscal year 1998 to a high of approximately 12,999 acre-feet in fiscal year 1996. The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

Historic Water Deliveries In Acre-Feet per Year

Fiscal Year Ending June 30	Deliveries
1996	12,999
1997	12,876
1998	11,003
1999	12,807
2000	11,992

The City's water deliveries for the fiscal year ended June 30, 2000 are approximately 30% below the 1996 projections due to lower than anticipated population growth and greater conservation efforts.

¹ All domestic.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000 as determined by the amount of their respective annual payments.

Largest Water Customers

Customer ²	Water Usage ³	Annual Payments
City of Santa Maria	145,092	\$ 454,390
Allan Hancock College	89,712	262,990
Santa Maria Elementary Schools	88,380	241,288
Casa Grande Mobile Homes	81,960	215,905
Santa Maria Associates	49,200	135,755
Marian Hospital	34,524	121,038
Pictsweet Frozen Foods	28,896	80,741
Mission Linen Supply	26,448	70,975
Meridian Apartments	20,436	58,098
Culligan Water Conditioning	<u>19,176</u>	<u>51,335</u>
TOTAL	583,824	\$1,692,515

The ten largest water customers accounted for approximately 21.7% of water service by volume in fiscal year 2000.

The following table sets forth the ten largest customers of the City's wastewater system as of June 30, 2000 as determined by the amount of their respective annual payments.

Largest Wastewater Customers as of June 30, 2000

Customer	Wastewater Usage ³	Annual Payment
Frozsun Foods	130,655	\$ 212,428
Pictsweet Frozen Foods	28,897	25,140
Mission Linen Supply	21,921	24,536
Casa Grande Mobile Homes	38,247	24,031
Allan Hancock College	21,454	18,665
Culligan Water Conditioning	18,004	18,184
Wash 4 Less Laundromat	15,609	12,175
Okonite Company	11,873	11,992
Rayne of Santa Maria	10,484	10,589
El Capitan Trailer Park	<u>18,696</u>	<u>9,612</u>
TOTAL	315,840	\$ 367,352

The ten largest wastewater customers accounted for approximately 11% of wastewater service by volume in fiscal year 2000.

² Some food processors use private well water for their operations and therefore do not appear as largest water customers. However, their wastewater is treated by the City and they are among the largest wastewater customers.

³ Hundred Cubic Feet

WATER AND WASTEWATER SYSTEM RATES AND CHARGES

General. The City is not subject by statute to the jurisdiction of, or regulation by, the California Public Utilities Commission. City staff annually determines the adequacy of Water and Wastewater System rate structure after full consideration of expected operations, maintenance, and capital costs. The City currently sets water and wastewater charges to pay water costs for purchased water, wastewater treatment costs, costs of groundwater pumping and current operating expenses for the Water and Wastewater System. Capital improvements are funded from water/wastewater charges and from connection fees.

Water Service Charges. A schedule of the City's current bi-monthly water rates and charges is set forth below:

Bi-Monthly Service Charges for Water Meters by Size

Meter Size	Inside City
¾"	\$ 30.32
1"	47.54
1 ¼"	56.38
1 ½"	75.14
2"	103.92
3"	225.54
4"	375.92
6"	939.94

Capacity Charge

1 - 1000 cubic feet	\$ 1.652 per 100 cubic feet
1001 - 2000 cubic feet	1.959 per 100 cubic feet
2001 - 3000 cubic feet	2.290 per 100 cubic feet
Above 3001 cubic feet	2.607 per 100 cubic feet

Wastewater Treatment Charges. A schedule of the City's current bi-monthly wastewater treatment rates and charges is set forth below:

Bi-Monthly Wastewater Rates

Single Family Residence	\$ 14.90
Multiple Apartments:	
2 Rooms or Less	10.54
3 + Rooms	11.46
Mobile Homes (number of spaces)	10.54
Motel/Hotel (per unit)	7.34

Per 100 cubic feet

Office Buildings	.87
Restaurants	2.09
Commercial	1.26
Food Processing	1.21
Machinery	1.01
Miscellaneous	1.01

FISCAL YEAR 1999 OPERATING RESULTS

The following table is a summary of operating results of the water and wastewater system of the City for Fiscal Year 1999/00. These results have been derived from the City's financial statements and exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF SANTA MARIA

<u>REVENUES</u>	<u>June 30, 2000</u>
Water & Wastewater Fees & Charges	\$ 16,657,265
Other Revenues	2,887,167
Interest Income	1,084,760
TOTAL REVENUES:	<u>20,629,192</u>
<u>OPERATING EXPENSES</u>	
Salaries, Wages & Benefits	1,656,640
Materials & Supplies	534,933
Equipment Maintenance and Operation	522,338
Contracts & Services	2,454,074
Bad Debts	9,402
TOTAL OPERATING EXPENSES:	<u>5,177,387</u>
NET REVENUES	15,451,805
Rate Coverage Fund Deposit	3,173,781
TOTAL NET REVENUES	<u>18,625,586</u>
State Water Payments	10,228,806
Total Contract Payments	<u>10,228,806</u>
Coverage Ratio:	1.82
Other Debt Service ⁴	0
Available for Capital improvements and other purposes	5,222,999

Source: City of Santa Maria

⁴ Payments with respect to the City's 1993 Certificates of Participation, which financed improvements to the water system and refinanced other City indebtedness and interest expense on internal loans. Payments shown represent amounts paid from water revenues. In 1997, the City partially refunded the 1993 COP to provide cash flow relief through 2005.

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, Improvement
District #1**

The information set forth below has been provided by the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District"), with the exception of the information presented for the City of Solvang. The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

Solvang has represented to the District that the information presented for the City is accurate, and the District has (i) relied on this information in preparing this information, and (ii) not independently investigated that information. The District makes no representations or warranties as to the accuracy or completeness of any information set forth in the City's continuing disclosure information.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections				Sales Revenues					
	Dom.	%	Ag.	%	Dom.	%	Ag.	%	Solvang	%
1996	2,067	96	90	4	\$1,415,013	75	\$310,121	17	\$149,447	8
1997	2,083	95	100	5	1,679,873	77	399,457	18	114,860	5
1998	2,131	96	89	4	1,621,071	80	352,100	17	60,675	3
1999	2,171	96	95	4	2,036,028	83	373,028	15	59,095	2
2000	2,180	97	82	3	2,325,493	79	414,127	14	205,223	7

The actual FY 1999/00 total water sales revenues are approximately 16 % higher than the FY 1998/99 revenues due to an increase in agricultural water use and conversion of fallow, grazing and open space acreage to vineyards. In addition, mild spring and higher summer temperatures and average precipitation during the rain season resulted in an increase in domestic and rural residential water use.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

Historic Water Deliveries (in acre feet)

Fiscal Year Ending June 30	Ag. Deliveries	Domestic	Solvang	Total
1996	2,464	3,079	436	5,979
1997	2,896	3,362	247	6,505
1998	1,925	2,522	95	4,542
1999	2,105	2,784	74	4,963
2000	2,222	3,135	293	5,650

The FY 1999/00 actual water deliveries are about 14% higher than FY 1998/99 due to increase in water rates and meter charges, increase in agricultural water use and conversion of fallow or grazing lands to vineyards, mild spring and higher summer temperatures and average precipitation during the rain season. The FY 1999/00 water usage and revenues reflect a rebound from the previous wetter than normal rainfall years.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ¹	Annual Payments
City of Solvang	293	\$205,223
Ramirez Brothers	566	77,498
Gainey Ranch/Vineyard	364	64,507
Rancho Marcelino Water Company	75	50,483
Dunn School	76	32,032
S.Y. Valley Union High School	65	20,446
AFL Farming	125	17,690
Douglas Herthel	76	15,517
Buttonwood Farm	94	11,184
Royal Oaks	56	<u>10,142</u>
TOTAL	1,790	\$504,722

These ten customers accounted for approximately 17% of the water service revenues for Fiscal Year 1999/00.

¹ Acre Feet

WATER SYSTEM RATES AND CHARGES

The District's current rates and charges are as follows:

Monthly Meter Charge

Meter Size	Domestic/Limited Agricultural	Agricultural
$\frac{5}{8}$ " - $\frac{3}{4}$ "	\$ 16.20	-
$\frac{3}{4}$ "	19.40	-
1"	32.40	-
1 $\frac{1}{2}$ "	64.70	\$ 38.00
2"	102.80	59.00
3"	206.70	117.00
4"	291.50	164.00
6"	646.60	366.00
8"	1,034.60	-

Consumption Charge:

Domestic	Rural Residential / Limited Agricultural	Agriculture
\$1.43 per HCF	1 st 70: \$1.43 per HCF Over 70: \$0.35 per HCF	\$0.26 per HCF
Temporary Rate	(Conn. Fee \$50.00; minimum chg.: \$25.00)	Cachuma Park & City of Solvang \$1.43 per HCF

Connection Charges. The following prices include Capital Facilities Charges:

Connection Charge

Meter Size	Meter Only	Service and Meter
$\frac{5}{8}$ " - $\frac{3}{4}$ "	\$ 2,370.00	\$3,110 ($\frac{3}{4}$ " service)
$\frac{3}{4}$ "	\$ 2,835.00	\$3,580 ($\frac{3}{4}$ " service)
$\frac{3}{4}$ "		\$3,600 (1" service)
1"	\$ 4,660.00	\$5,425 (1" service)
(2) $\frac{5}{8}$ " - $\frac{3}{4}$ "		\$5,555 (1" double service)
1 $\frac{1}{2}$ "	\$ 9,285.00	\$10,230 (2" service)
2"	\$14,780.00	\$15,730 (2" service)
3"	\$29,465.00	*see below

Fire Service Connection Fee: \$360 per inch of diameter of Service size

Capital Facilities Charge on Larger Services:

Meter Size	Charge	
3"	\$ 28,480.00	+ Serv. & Meter Costs
4"	\$ 40,050.00	+ Serv. & Meter Costs
6"	\$ 89,000.00	+ Serv. & Meter Costs
8"	\$ 142,400.00	+ Serv. & Meter Costs

Installation Charge: The meter and service installation charge shall equal the cost of installation as determined by the District from time to time.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for Fiscal Year 1999/2000. These results have been derived from the District's financial statements and exclude certain non-cash items and include certain other adjustments. The table has not been audited by the Districts auditor.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT, NO. 1

<u>REVENUES</u>	<u>June 30, 2000</u>
M&I Water Sales	\$2,325,493
Ag. Water Sales	414,127
Water Sales to City of Solvang	205,223
SWP Revenue from City of Solvang ²	1,836,214
Connection Fees	154,290
Special Assessments ³	747,545
Other Fees & Income	684,744
Litigation Judgment	1,100,000
Interest Income	340,552
TOTAL REVENUES:	<u>7,808,188</u>
<u>OPERATING EXPENSES</u>	
Water Purchased	321,810
Pumping	351,770
Water Treatment	22,235
Transmission & Distribution	331,485
Other Expenses/Legal	316,924
Administration & General	748,185
TOTAL OPERATING EXPENSES:	<u>2,092,409</u>
NET REVENUES	5,715,779
Rate Coverage Reserve Fund Deposit	327,769
Adjusted Net Revenues	<u>6,043,548</u>
State Water Payments (Includes Solvang) ⁴	<u>2,688,507</u>
Total Contract Payments	<u>2,688,507</u>
<i>Coverage Ratio:</i>	2.24
Other Debt Service ⁵	\$ 437,794
Available for Capital improvements and other purposes	\$ 2,589,478

Source: Santa Ynez Improvement District #1

² The amount shown as SWP Revenue from the City of Solvang represents the actual cash payments made by the City of Solvang to the District during FY 1999/00.

³ Special assessment levied to pay operation and maintenance expenses for the water system

⁴ State water payments represents ID#1 and Solvang payments made the ID#1 for FY 1999/00.

⁵ Debt service on 1993 Cachuma Project Authority Revenue Bonds, exclusive of general obligation portion.

TRUSTEES:

DIVISION 1 — LOS OLIVOS

Harlan J. Burchardi

DIVISION 2 — SOLVANG

Charles Clarke

DIVISION 3 — SOLVANG

Lee F. Bettencourt

DIVISION 4 — SANTA YNEZ

Harry F. Poor

TRUSTEE-AT-LARGE

Matthew Loudon

**SANTA YNEZ RIVER
WATER CONSERVATION DISTRICT**

IMPROVEMENT DISTRICT NO. 1

P.O. BOX 157 • 3622 SAGUNTO STREET
SANTA YNEZ, CALIFORNIA 93460

TEL: (805) 688-6015 • FAX: (805) 688-3078

CHRIS DAHLSTROM
Manager/Secretary

STANLEY C. HATCH
General Counsel

January 02, 2001

Mr. Ray Stokes, Controller/Treasurer
Central Coast Water Authority
255 Industrial Way
Buellton, CA

Subject: City of Solvang Rate Covenant Non-Compliance

Dear Mr. Stokes:

The purpose of this letter is to respond to your request for information concerning the City of Solvang's compliance with the rate covenant contained in the Water Supply Agreement between the City of Solvang and the District dated August 1, 1991.

In November 1999, the District authorized its general counsel to commence enforcement proceedings with respect to the City's rate covenant. Responding to this action, the Solvang City Council approved a water rate increase effective on January 24, 2000. Both quantity charges and fixed charges were increased. Based on information provided by Solvang at that time, the District had made an effort to determine whether this rate increase was sufficient to bring Solvang into compliance with the rate covenant.

Since then and according to the City's fiscal year 1999/2000 CAFR and continuing disclosure submittals, Solvang did not achieve compliance with the rate covenant for the fiscal year 1999/2000. Under the City's current rate structure and participation in the Rate Coverage Reserve Fund program, its coverage is only 101% of the required 125%.

As a result, on December 14, 2000 the District notified the City of its non-compliance with the Rate Covenant (Section 14a) of the Water Supply Agreement with a demand to cure the violation within the period of time specified in the Agreement. Should this violation not be cured by January 23, 2001, the District will proceed with enforcement of the Rate Covenant. Enclosed is the default notification letter to the City of Solvang.

If you have further questions, please contact me.

Sincerely,



Chris Dahlstrom
General Manager

cc: Steven A. Amerikaner

CITY OF SOLVANG

Except as otherwise noted, the information set forth below has been provided by the City of Solvang (the "City"). Neither the Central Coast Water Authority (the "Authority") nor the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District") makes any representations or warranties as to the accuracy or completeness of any of the information set forth below except to the extent that either of them is identified as the source thereof.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1996	1,821	\$ 1,459,267	1,611
1997	1,836	1,942,808	1,556
1998	1,854	1,764,735	1,275
1999	1,887	1,857,632	1,558
2000	2,005	2,105,851	1,524

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Largest Customers as of June 30, 2000

Customer	Water Usage ¹	Annual Payments
Rancho Santa Ynez Mobile Estate	25,545	\$91,232
Alisal Guest Ranch	19,259	62,723
Royal Scandinavian Inn	8,157	32,147
Lutheran Home	9,633	32,062
Alisal Oak Apartments	5,805	28,272
Oak Park Apartments	4,398	19,757
Solvang School	6,599	17,077
Danish Country Inn	5,113	16,827
Alisal Golf Courses	2,541	13,563
Quality Inn	<u>2,885</u>	<u>12,718</u>
TOTAL	89,935	\$326,378

¹ Hundred Cubic Feet

WATER SYSTEM RATES AND CHARGES

Monthly Service Charges for Water Meters by Size

Meter Size	Inside City	Outside City
5/8"	\$34.02	\$ 35.27
3/4"	35.27	37.15
1"	37.77	40.90
1 1/2"	44.02	50.27
2"	51.52	61.52
3"	71.52	91.52
4"	87.77	115.90
6"	156.52	219.02

Source: City of Solvang

Quantity Charges

Inside City	Outside City ²
\$2.22/ccf	\$3.33/ccf

² The City has approximately eleven customers which receive the City's surplus water at a rate of 1½ times the standard rate.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for fiscal year 1999/00. These results have been derived from the City's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF SOLVANG

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Sales	\$2,193,311
Interest Income	48,386
TOTAL REVENUES:	<u>2,241,697</u>
<u>OPERATING EXPENSES</u>	
Operating Expenses ³	842,919
TOTAL OPERATING EXPENSES:	<u>842,919</u>
NET REVENUES	1,398,778
Rate Coverage Reserve Fund Deposit	456,044
Adjusted Net Revenues	<u>1,854,822</u>
State Water Payments ⁴	1,836,214
Total Contract Payments	<u>1,836,214</u>
<i>Coverage Ratio:</i>	<i>1.01</i>
Available for Capital improvements and other purposes	\$ (437,436)

Source: City of Solvang

³ Operating expenses per City of Solvang audited financial statements exclusive of State Water Payments and depreciation expense.

⁴ State water payments made during FY 1999/00.

SAN LUIS OBISPO COUNTY



AVILA BEACH REC'D JAN 23 2001
COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA. 93424
Office and Meeting Room - 191 San Miguel Street, Avila Beach
Telephone (805) 595-2664 FAX (805) 595-7623

January 18, 2001

Mr. Ray Stokes
Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427

Subject: Avila Beach Community Services District

Dear Mr. Stokes:

The purpose of this letter is to provide you with a summary of the actions adopted by the Avila Beach Community Services District Board of Directors to increase water system revenues over the past year and additional actions that they will be considering in the near future. The District recognizes its obligations under its Water Treatment and Local Facilities agreement with the San Luis Obispo County Flood Control and Water Conservation District, and the need to meet rate covenants for bonds issues by the Central Coast Water Authority. In April, 2000, the Directors adopted a 100+% increase in water system connection charges, and in October, 2000, a 70% increase in water system service charges.

As you may know, the District's challenges have resulted from the Unocal project to remedy soil contamination created by the company's petroleum processing operations. The December 2000 edition of Civil Engineering magazine provides an interesting article on the Unocal project. The town's entire commercial area was demolished along with numerous residential properties. Overall, the project resulted in a 50% decrease in annual water demand, with a corresponding decrease in annual water sales revenues. To exasperate the challenge of rebuilding the town and reestablishing the District's financial condition, the District's infrastructure serving its commercial areas predates the current uniform fire code requirements. Consequently, the District must invest in significant storage and pipeline improvements to comply with uniform fire code requirements before the redevelopment of demolished properties can proceed.

Although a settlement agreement with Unocal provided the District with revenues, including funds to mitigate the loss of water sales revenues, the District's auditor recently determined that remaining settlement revenues must be allocated to the District's general fund and that they therefore do not add to the District's calculation of water system revenues. In addition, while recently considering actions to increase water system revenues, the Board had to balance the need to increase revenues with the challenge to not charge the remaining customers (those whose properties were not demolished) service charges in excess of the cost of the service that the District continues to provide to them. In essence, the public policy decision was to not charge remaining customers for lost revenues resulting from the Unocal project. The District analyzed the impact on existing reserves that might result if redevelopment took anywhere from one (1) to six (6) years. The District determined that existing reserves could fund the shortfall provided that

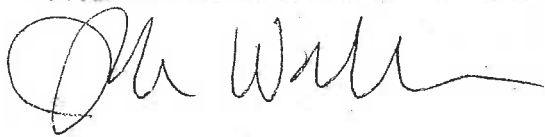
other sources of revenues could be obtained to fund the needed infrastructure enhancements noted in the preceding paragraph. On January 4th, 2001, State Senator Jack O'Connell and Assemblyman Abel Maldonado announced an award of a \$500,000 grant and \$147,000 non-interest bearing loan from the State Department of Fish and Game Unocal account that has been allocated to help pay for those needed infrastructure improvements. As a result, the District's connection charges, that will be generated once redevelopment proceeds, together with the additional water service charges, that will result from an increase in water deliveries, should provide the additional water system revenues to meet the District's obligations.

As you might imagine, the financial analysis that was the basis for the increase in connection charges adopted by the Directors in April, 2000, and the increase in water service charges adopted by the Directors in October, 2000 included all of the District's obligations including State Water. The single factor that will determine the District's ability to annually meet CCWA bond covenants is the timing of the town's reconstruction. With the announcement of funding by our State legislators, the District is optimistic. Yet, the District understands that economic conditions and other factors beyond the District's control can affect the town's reconstruction. Consequently, the District is committed to frequent and periodic review of its financial condition and has scheduled February 13th, 2001 for a special meeting to consider its mid-year budget status.

We understand the need of CCWA to understand and monitor the District's financial condition. With this update, we hope that CCWA is satisfied that the District is undertaking every possible action that it can to reestablish the financial condition of the District and to meet District obligations. The final assurance that the District can provide to CCWA is that if the District's actions, while clearly significant, are not sufficient to meet all of its obligations in the future, then the District is committed to continue its efforts on behalf of its constituents and its creditors.

Sincerely,

JOHN L. WALLACE & ASSOCIATES



John L. Wallace
General Manager, Avila Beach Community Services District

cc: Board of Directors
San Luis Obispo Board of Supervisors
San Luis Obispo County Engineering Department

AVILA COMMUNITY SERVICES DISTRICT

The information set forth below has been provided by the Avila Beach Community Services District (the "District"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections	Sales Revenues
1996	156	\$ 93,209
1997	157	88,922 ¹
1998	157	91,035
1999	157	89,043
2000	157	95,589

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries and the source of that water in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Deliveries ²
1996	61
1997	54
1998	64
1999	51
2000	45

¹ Excludes \$73,383 of water sales to Unocal.

² All Lopez Project Water

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ³	Annual Payments
Villa Avila Apartments	1,548	\$ 5,263
Inn at Avila/Western Inns	1,497	5,090
Dun Sailing Apartments	371	1,261
Top of the Hill Apartments	367	1,248
E. Phelan Apartments	285	969
Kelsey Apartments	246	836
J. Slatterly	229	779
P. Prather	215	748
R. Kennedy Apartments	196	666
R. Waibel	<u>186</u>	<u>832</u>
TOTAL	5,140	\$ 17,692

These ten customers accounted for approximately 21% of water service revenues in fiscal year 1999/00.

RATES AND CHARGES

	Domestic/ Residential	Commercial	Institutional
Consumption Charge ⁴	\$28.90	\$28.90	\$28.90
Meter Charge	\$0.00	\$0.00	\$0.00
Connection Charge ⁵	Varies	Varies	Varies
Immediate Availability Charge	\$0.00	\$0.00	\$0.00
Other Charges ⁶	\$5.78	\$5.78	\$5.78

The rates and charges shown above reflect recent increases that went into effect after June 30, 2000. The water rate increase adopted by the District's Board of Directors targets a 70% increase in revenues, and connection fees approximately doubled.

³ Hundred Cubic Feet

⁴ Minimum consumption charge

⁵ Varies from \$4,780.57 to \$11,951.43 based on anticipated use for residential use for residential customers. Commercial charges based on \$17,057.09 per acre-foot and the anticipated use.

⁶ All customers charged \$5.78 per cubic foot for consumption above 5 cubic feet.

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for fiscal year 1999/00. These results have been derived from the District's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District's auditor.

AVILA COMMUNITY SERVICES DISTRICT
(Formerly Avila Beach County Water District)

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Sales	\$ 95,589
Assessments and Connections Fees	5,964
Interest	769
Other	1,115
TOTAL REVENUES:	<u>103,437</u>
<u>OPERATING EXPENSES</u>	
Lopez Water	52,457
Operations	16,889
General & Administration	80,387
TOTAL OPERATING EXPENSES:	<u>149,733</u>
NET REVENUES	(46,296)
Rate Coverage Reserve Fund Deposit	23,768
Adjusted Net Revenues	<u>(22,528)</u>
State Water Payments	95,639
Coverage Ratio:	(0.24)
Available for Capital improvements and other purposes	(141,935)

Source: Avila Beach Community Services District

CITY OF MORRO BAY

The information set forth below has been provided by the City of Morro Bay (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections	Sales Revenues
1996	4,825	\$ 3,437,371
1997	4,887	3,606,969
1998	4,949	3,599,977
1999	5,010	3,585,083
2000	5,118	3,641,293

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Deliveries
1996	1,475
1997	1,546
1998	1,402
1999	1,363
2000	1,397

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ¹	Annual Payments
San Luis Unified School District	2,007,800	\$209,677
City of Morro Bay	2,187,400	181,461
Pacific Care	1,124,800	113,931
Inn At Morro Bay	828,700	91,808
Mission Linen	802,500	88,220
St. Dept. of Recreation & Parks	630,200	56,045
Morro Dunes Trailer Park	535,400	49,171
Motel 6	391,700	37,886
Silver City Manor	409,600	36,773
Ascot Inn & Ascot Suite	<u>282,200</u>	<u>22,164</u>
TOTAL	9,200,300	\$887,135

These ten customers accounted for approximately 24% of water services revenues in fiscal year 1999/00.

¹ Cubic Feet

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for fiscal year 1999/00. These results have been derived from the City's financial statements, but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF MORRO BAY

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Sales	\$ 3,641,293
Connection Fees	7,400
Penalties & Reconnections	51,927
Miscellaneous	26,005
TOTAL REVENUES:	<u>3,726,625</u>
<u>OPERATING EXPENSES</u>	
Finance	20,861
Maintenance	552,537
TOTAL OPERATING EXPENSES:	<u>573,398</u>
NET REVENUES	3,153,227
State Water Payments	1,745,066
Total Contract Payments	<u>1,745,066</u>
Coverage Ratio:	1.80
Other Debt Service	
Desalination Debt Service	535,007
Total Other Debt Service	<u>535,007</u>
Available for Capital improvements and other purposes	\$ 873,154

Source: City of Morro Bay

OCEANO COMMUNITY SERVICES DISTRICT

The information set forth below has been provided by the Oceano Community Services District (the District) except as noted. The Central Coast Water Authority (the Authority) makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.
 Historic Water Connections and Sales Revenues

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending <u>June 30</u>	<u>Connections</u>	<u>Sales Revenues</u>
1996	1,817	758,775
1997	1,830	958,169
1998	1,848	1,057,473
1999	1,888	1,073,437
2000	-	-

The actual connections for FY 1998/99 are approximately 3% below the December 1996 projections. The actual sales revenues for FY 1997/98 are approximately 8% below the December 1996 projections as a result of heavy rainfall during the year.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year <u>Ending June 30</u>	<u>Urban Deliveries</u>
1996	818
1997	828
1998	799
1999	806
2000	-

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 1999, as determined by the amount of their respective annual payments.

Customer	Water Usage	Annual Payments
National Home Communities	12,119	\$ 35,027
Lucia Mar Unified School District	8,270	27,390
Sand and Surf (Transient RV Park)	6,666	22,322
Oceano 1 Condo Home Owners Assoc.	7,860	22,070
Duna Vista Mobile Home Park	6,613	21,456
State of California (Park Facility)	4,032	17,004
PTI Inc.	4,645	16,360
Porticos Mobile Home Park	5,411	15,871
Pleasant Hill Mobile Home Manor	3,965	10,812
Casa Del Rey Mobile Home Park	<u>2,741</u>	<u>9,550</u>
TOTAL	62,322	\$197,862

These ten customers accounted for approximately 18.5% of water service revenues in fiscal year 1998/99.

RATES AND CHARGES

Bi-Monthly Charges for Non-Residential Accounts. The following bi-monthly charges for water service for non-residential accounts were established April 12, 1997:

Meter Size	Domestic/Residential	Bi-Monthly Non-Residential Charge
5/8"	\$23.94	\$ 29.15
3/4"		36.55
1"		58.40
1 1/2"		109.20
2"		172.30
3"		276.95
4"		473.80
6"		741.30

The minimum bi-monthly charge, as listed, allows six hundred cubic feet of water. Additional needs shall be charged at the metered rate of:

7 - 25 ccf	\$2.25/ccf
Additional Needs	\$2.95/ccf

Bi-monthly Charges for Residential Accounts. The minimum bi-monthly charges for residential accounts will be \$23.94, which will allow six hundred cubic feet. Additional needs shall be charged at the metered rate of:

7 - 25 ccf	\$2.25/ccf
Additional Needs	\$2.95/ccf

For meters serving more than one residential dwelling unit, the minimum bi-monthly charge shall be calculated at \$3.99 multiplied by six (hundred cubic-feet), multiplied by the number of dwelling units served. All consumption above the minimum, but less than the amount equal to twenty-five multiplied by the number of dwelling units, shall be charged at the metered rate of \$2.24/ccf. Additional needs shall be charged at the metered rate of \$2.95/ccf.

For those properties that are outside the District boundaries but are receiving District water or sewer services, not on an emergency basis, there will be a \$7.10 administration charge per billing period.

Connection Charges

<u>Meter Size</u>	<u>Domestic/Residential</u>	<u>Bi-Monthly Non-Residential Charge</u>
5/8"	\$675	\$ 675
3/4"		950
1"		1,350
1 1/2"		2,700
2"		5,400
3"		10,800
4"		18,900
6"		43,200

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for FY 1999/00. These results have been derived from the District's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District's auditor.

OCEANO COMMUNITY SERVICES DISTRICT

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Sales	\$ 1,111,567
Service Charges	178,288
Interest Charges	85,901
TOTAL REVENUES	<u>1,375,756</u>
<u>OPERATING EXPENSES</u>	
Administration and General	439,512
Personnel	91,147
Utilities	27,165
Maintenance and Repairs	48,600
Subtotal	<u>606,424</u>
1979 Revenue Bond	16,125
CSC Note	62,578
TOTAL OPERATING EXPENSES	<u>685,127</u>
Net Revenues	690,629
Rate Coverage Fund Deposit	86,000
Adjusted Net Revenues	<u>776,629</u>
State Water Payments	519,540
<i>Coverage Ratio:</i>	<i>1.49</i>
Available for Capital improvements and other	257,089

Source: Oceano Community Services District

CITY OF PISMO BEACH

The information set forth below has been provided by the City of Pismo Beach (the "City"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the City's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections	Sales Revenues
1996	4,257	\$ 1,433,899
1997	4,250	1,410,581
1998	4,359	1,018,641
1999	4,429	1,118,375
2000	4,410	1,632,551

The actual connections for FY 1999/00 are approximately 4.2% below the December 1996 projections. The actual sales revenues for FY 1999/00 are approximately 31% below the December 1996 projection due to the lower connections and the adoption of a special availability charge implemented in 1997 to pay State water costs which are not included in sales revenues, but are available to pay State water costs. The special availability charge revenues are excluded from the sales revenues above. The availability charge was replaced by a special tax on July 1, 1997.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Urban Deliveries
1996	1,803
1997	1,873
1998	1,803
1999	1,959
2000	2,078

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the City's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage	Annual Payments
The Cliffs Hotel	17,906	\$ 23,154
Pismo Coast Village RV Park	15,651	22,438
Pismo Mobile Home Park	16,182	20,945
Hacienda del Pismo Mobile Home Park	12,478	18,212
Shore Cliff Lodge	13,356	17,609
Seacrest Motel	11,987	16,350
Oxford Suites	11,136	15,919
Motel 6	11,873	15,080
Whalers Inn	6,216	9,788
Kon Tiki Inn	<u>6,343</u>	<u>8,620</u>
TOTAL	123,128	\$168,115

These ten customers accounted for approximately 10.3 % of water service revenues in fiscal year 1999/00.

Rates and Charges
Bi-monthly fixed charges are as follows:

Meter Size	
All Meters	
5/8" & 3/4"	\$ 19.08
1"	37.95
1-1/2"	66.18
2"	107.15
3"	207.81
4"	321.03
6"	761.40

	Single Family Residential	All Other Metered Users
Consumption Charge:		
0-15 HCF	\$1.01/HCF	\$1.13/HCF
16 HCF and higher	\$1.28/HCF	\$1.13/HCF
Connection Charges:		
A) State Water Supply Fee	\$5,821.74 per equivalent dwelling unit	
B) Special Tax Levy FY 2000-01	\$99.10 per year per equivalent dwelling unit.	

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for FY 1999/00. These results have been derived from the City's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

CITY OF PISMO BEACH

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Service Charge	\$ 1,633,539
State Water Impact Fee	509,088
Interest	73,480
Assessments	895,806
Developmental Impact Fees	365,908
Other Revenues	25,891
TOTAL REVENUES:	<u>3,503,712</u>
<u>OPERATING EXPENSES</u>	
Administration and General	298,261
Lopez Contract Payments ¹	471,949
Operations & Maintenance	427,970
Utilities	50,535
TOTAL OPERATING EXPENSES:	<u>1,248,715</u>
NET REVENUES	2,254,997
State Water Payments	1,144,263
Total Contract Payments	<u>1,144,263</u>
Coverage Ratio:	1.97
Available for Capital improvements and other purposes	\$ 1,110,734

Source: City of Pismo Beach

¹ The Lopez obligation was previously reported as parity debt in the 1996 Revenue Bond official statement. The City has determined that this is not a debt obligation but is instead a contract obligation. Therefore, the amount is presented as an operating expense. If the Lopez contract obligation was shown on a parity with the State water contract payments, the City's coverage ration would be 1.66.

COUNTY OF SAN LUIS OBISPO C.S.A. NO. 16, ID#1

The information set forth below has been provided by the County of San Luis Obispo (the "County") on behalf of San Luis Obispo County Service Area No. 16, Improvement District No. 1 (the "District"). The Central Coast Water Authority (the "Authority") makes no representations or warranties as to the accuracy or completeness of any of the information set forth below.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

The following table shows the number of active water connections to the District's water system for the five most recent fiscal years, together with the amount of its annual water sales revenues.

Fiscal Year Ending June 30	Connections	Sales Revenues
1996	237	\$ 134,483
1997	243	148,173
1998	236	122,088
1999	234	143,398
2000	243	142,129

The actual connections for FY 1999/00 are approximately 1% below the December 1996 projections. The actual sales revenues for FY 1999/00 are approximately 8% below the December 1996 projections.

HISTORIC WATER DELIVERIES

The following table presents a summary of historic water deliveries in acre-feet per year for the five most recent fiscal years.

*Historic Water Deliveries
(In acre-feet per Year)*

Fiscal Year Ending June 30	Total Production	Total Sold	Park Irrigation
1996	90.1	80.1	32.4
1997	83.0	82.6	30.8
1998	103.1	69.1	23.7
1999	118.9	82.9	26.7
2000	121.6	81.6	28.3

The actual water deliveries for FY 1999/00 are approximately 2% lower than the December 1996 projections.

LARGEST CUSTOMERS

The following table sets forth the ten largest customers of the District's water system as of June 30, 2000, as determined by the amount of their respective annual payments.

Customer	Water Usage ¹	Annual Payments
Shandon School	964	\$4,034
Shandon Park	801	3,283
Caltrans	749	2,923
Residence	666	2,425
Residence	546	1,958
Residence	332	1,136
Residence	320	1,139
Shandon Methodist Church	319	1,094
Residence	317	1,124
Residence	<u>313</u>	<u>1,099</u>
TOTAL	5,327	\$20,215

These ten customers accounted for approximately 14% of water service revenues in fiscal year 1999/00.

¹ Hundred Cubic Feet

FISCAL YEAR 2000 OPERATING RESULTS

The following table is a summary of operating results of the water system of the District for fiscal year 1999/00. These results have been derived from the County's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the County's auditor.

SAN LUIS OBISPO COUNTY SERVICE AREA NO. 16, IMPROVEMENT DISTRICT NO. 1

<u>REVENUES</u>	<u>June 30, 2000</u>
Water Service Charge	\$ 142,129
Water Availability	9,583
Interest	10,521
Other	730
TOTAL REVENUES:	<u>162,963</u>
<u>OPERATING EXPENSES</u>	
Utilities	7,858
General & Administrative	22,271
Operations & Maintenance	64,213
TOTAL OPERATING EXPENSES:	<u>94,342</u>
NET REVENUES	68,621
Rate Coverage Reserve Fund Deposit	12,500
Adjusted Net Revenues	<u>81,121</u>
State Water Payments	55,135
Total Contract Payments	<u>55,135</u>
Coverage Ratio:	1.47
Available for Capital improvements and other purposes	\$ 13,486

Source: San Luis Obispo County