

**MINUTES OF A REGULAR MEETING
of the
CACHUMA OPERATION & MAINTENANCE BOARD
held at the**

Cachuma Operation & Maintenance Board Office
3301 Laurel Canyon Road, Santa Barbara, CA

Monday, August 28, 2006

1. Call to Order, Roll Call

The meeting was called to order at 3:52 p.m. by President Chuck Evans, who chaired the meeting. Those in attendance were:

Directors present:

C. Charles Evans	Goleta Water District
Jan Abel	Montecito Water District
Robert Lieberknecht	Carpinteria Valley Water District
Matt Loudon	SYR Water Conservation Dist., ID#1
Das Williams	City of Santa Barbara

Others present:

Kate Rees	William Hair
Brett Gray	Steve Mack
Chip Wullbrandt	Charles Hamilton
Bob Roebuck	Kevin Walsh

2. [Closed Session] Conference with Legal Counsel to Discuss Pending Litigation Pursuant to Government Code Section 54956.9 (a). One Case: Crawford-Hall v COMB, Superior Court of California, County of Santa Barbara, Case No. 1171135.

The Board began Closed Session at 3:52 p.m. Closed Session ended at 4:08 p.m. There was nothing to report out of Closed Session.

3. Public Comment

There were no comments from the public.

4. Consent Agenda

- a. **Minutes:** July 24, 2006 Regular Board Meeting
- b. **Investment of Funds**
 - Financial Report
 - Investment Report
- c. **Payment of Claims**

Director Abel moved to approve the Consent Agenda, seconded by Director Loudon. Motion carried, 7/0/0.

5. **Committee Appointments for FY 2006-07**

It was recommended that the President of the Board make appointments for FY 2006-2007 to the following committees: Capital Improvements, Finance, Management & Public Affairs, Operations, and Legal Affairs. Each committee should consist of two board members plus an alternate to serve on each committee.

President Evans' committee appointments for FY 2006-2007 were:

Capital Improvements: Directors Abel and Evans, Director Williams as alternate

Finance: Directors Loudon and Williams, Director Lieberknecht as alternate

Management & Public Affairs: Director Lieberknecht and Loudon, Director Evans as alternate

Operations: Directors Lieberknecht and Evans, Director Abel as alternate

Legal Affairs: Directors Abel and Williams, Director Loudon as alternate

6. **Cachuma Reservoir Current Conditions**

Date 08/28/2006

Lake elevation	749.06 feet
Storage	185,188 acre feet
Rain (for the month to date)	0.00 inches
Rain YTD (for the season to date)	0.00 inches
Fish Release-Hilton Creek	19.8 acre feet per day
Month to Date Fish Release	554 acre feet
Month to Date Spill	0.00 acre feet

7. **Status of Lauro Dam Seismic Safety Modifications Project**

Ms Rees reported that the seismic modifications to Lauro Dam are about 99% complete. Brett Gray updated the Board on the final stages of the project. He reported there are basically four items remaining to be done; repair work to San Roque Road, building of the new access roads, hydro seeding and fencing, and valve actuator work in the tunnel. The contractor's cost to date is \$4,544,630, and the total cost will be about \$7.5 million COMB's repayment cost will be 15% of the total cost.

Ms Rees reviewed background information with the Board. After many months of negotiations, COMB and Reclamation reached agreement on all terms, and the COMB Board approved the Repayment Agreement in final form in March 2006. The final contract was to be forwarded to COMB for signature shortly thereafter from the Regional Director's office, however by August 2006, it still had not been received. Ms Rees met with Michael Jackson, SCC Area Manager, in Fresno to ascertain the reasons for the delay and to discuss two issues that had recently been

raised regarding the terms of the repayment contract. The first issue dealt with COMB's commitment to repay 15% of the total cost. John Davis, Deputy Regional Director, wanted to strengthen the language in the contract to assure that COMB would pay the 15% of the total cost without further negotiation if the cost exceeded the \$17 million appropriated by Congress. Because the project has been completed with a total cost of about \$7.5 M to \$8 M, this has become a mute point. The other issue relates to the basis of negotiation for the cost allocation between irrigation use and M&I use. The contract was negotiated in good faith by Reclamation using the historical split of 51% irrigation and 49% M&I. However, Reclamation now thinks it should be based on actual water usage instead of historical use. Therefore, the Regional Office has suggested that the contractual percentage split be changed to a 25% irrigation allocation and 75% M&I allocation. The Board requested that this be discussed at the next Manager/Attorney meeting and that a recommendation be brought back to the Board at the September 25th meeting.

8. Reclamation Meeting Held July 26, 2006, Fresno, CA

In addition to the Lauro SOD Repayment Agreement, Ms Rees discussed with Reclamation the status of changing the interest rate for M&I water in the Renewal Master Contract. For ten years the M&I component was 3% interest, at the end of ten years it was to increase to 7.5% unless another Project successfully negotiated a lower interest rate in its renewal contract with Reclamation. In the event that occurred, Reclamation must re-open negotiations with the Cachuma Project in order to adjust the M&I interest rate accordingly. In 2001, the Friant Water Authority did negotiate a lower interest rate for two of its member agencies of about 3.75%. Bob Wignot, the former COMB General Manager, began discussions with Reclamation's financial staff in 2005, and all were in agreement that the interest rate should be adjusted to the rate given to the Friant agencies. To date, however, COMB has not received a formal acknowledgement from Reclamation nor has Reclamation adjusted its water billings to reflect a new interest rate. In order to bring this issue to a timely conclusion, Bob Roebuck, Montecito Water District GM, suggested that COMB's legal counsel send a letter to Kirk Rodgers, Reclamation's Regional Director, quoting the applicable section of the Renewal Master Contract and indicate the appropriate interest rate that should be charged based on the Friant contracts. He also suggested that Mr. Hair draft an amendment to the Cachuma Renewal Master Contract to be attached to the letter with a request that Reclamation sign and execute the revised agreement for the indicated interest rate. Matt Loudon requested that a copy of the letter and contract amendment be sent to Representative Elton Gallegly. The Board directed Counsel Bill Hair to write the letter and draft an amendment.

Ms Rees also asked Reclamation about the status of our request to add the cost for the Bradbury Dam Flashboard Project to the capital cost of the Cachuma Project and receive a "front end credit" to offset the \$500,000 already paid by the Member Units. Although Reclamation agreed in April 2005 that this was a legitimate capital improvement, the increase in total capital cost would have to have been appropriated by Congress before the project began. Because COMB has already paid for the flashboard construction, Reclamation can find no way to back it out. They said that the Member Units would have to be responsible for submitting legislation to attempt

to re-coup this money. Ms Rees felt this would entail a lot of time and money and we may not be successful. Therefore, she recommended that we accept Reclamation's decision.

Ms Rees also discussed the Member Units' desire to renegotiate the Renewal Master Contract to a straight repayment agreement as opposed to the current water service agreement with a repayment component. Reclamation would be willing to consider doing this and asked that Ms Rees draft a letter stating we would like to start contract negotiations on this change.

Ms Rees reported that Reclamation inquired if we had further considered title transfer of the Cachuma Project. She told them that there is currently no interest in taking over title to Bradbury Dam because of liability issues and state seismic requirements. Reclamation thought the Army Corp of Engineers might be a possibility for taking over the liability for the dam. She did indicate that the Member Units are interested in transferring title for the South Coast Facilities. Reclamation would also like the Member Units to consider taking over the O&M of the Dam.

9. Lauro Debris Basin Rehabilitation Project – Ad Hoc Committee Report; Recommendation to Approve Preliminary Design, Environmental and Permitting Work

The Ad Hoc committee consisting of Director Evans, Director Williams, Kevin Walsh and Steve Mack reported on their July 24th meeting. The committee was appointed to negotiate an equitable cost allocation for the Lauro Debris Basin project. Goleta Water District (GWD) was of the opinion that the standard Cachuma entitlement cost allocation was not appropriate for this project. GWD feels it is a water quality project and of less benefit to GWD than the other Member Units. Director Williams reported that the City of Santa Barbara rejected Director Evans suggestion of changing the cost allocation for this project. The committee's only viable recommendation was for staff to search for a less costly method for constructing the debris basin and bring back to the Board a new recommendation at the September 25th Board meeting.

10. Proposition 50 – Integrated Regional Water Management Plan

Ms Rees reported on the IRWMP development during the CCRB meeting, item #10. There was no additional information or discussion.

11. Resolution 450 in Support of Proposition 84 – 2006 Water Bond

The support of Proposition 84 – 2006 Water Bond was thoroughly discussed during the CCRB meeting, item #11. There was no additional information or discussion.

Director Williams moved to approve Resolution No. 450 declaring support of Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control,

River and Coastal Protection Bond Act of 2006, seconded by Director Abel. A roll call vote was taken, passed 7/0/0.

12. Meeting Schedule

October 2, 2006 Joint Special COMB/ Board Meeting at 2:00-5:00 P.M., at COMB Office

September 25 2006 Regular Board Meeting following CCRB at 2:15 p.m., COMB Office

13. COMB Adjournment

There being no further business, the meeting was adjourned at 5:37 p.m.

Respectfully submitted,

Kate Rees, Secretary of the Board

APPROVED:

Chuck Evans, President