

**REGULAR MEETING  
OF  
CACHUMA OPERATION AND MAINTENANCE BOARD  
AND  
CACHUMA CONSERVATION RELEASE BOARD  
at Cachuma Operation and Maintenance Board Office  
3301 Laurel Canyon Road  
Santa Barbara, CA 93105**

---

**CACHUMA OPERATION AND MAINTENANCE BOARD**

**Monday November 20, 2006**

**Approximate Start Time**

**\*3:15 P.M.\***

**AGENDA**

1. COMB CALL TO ORDER, ROLL CALL. (COMB Board of Directors.) *(1 minute)*.
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. *(30 minutes)*
3. PUBLIC COMMENT. (Public may address the Board on any subject matter not on the agenda and within the Board's jurisdiction. See "Notice to the Public" below.) *(5 minutes)*
4. CONSENT AGENDA. (For Board Action by Vote on One Motion Unless Member Requests Separate Consideration.) *(2 minutes)*
  - a. Minutes
    - October 23, 2006 Regular Board Meeting,
  - b. Investment of Funds
    - Financial Reports
    - Investment Reports
  - c. Payment of Claims
5. REPORT FROM THE AUDITOR FOR FISCAL YEAR 2005-2006: RECOMMENDATION TO ACCEPT THE AUDIT AND DISPOSITION OF EXCESS FUNDS. (For Board action.) *(20 minutes)*
6. REPORTS FROM THE MANAGER. (For information.) *(3 minutes)*
  - a. Water Storage
  - b. Water Production & Use, SWP Accounting
  - c. Operations Report
  - d. Verbal Report - Cachuma Reservoir Current Conditions

7. LAURO DAM SAFETY OF DAMS PROJECT. (For information.) *(5 minutes)*
  - a. Execution of Lauro Dam SOD Repayment Agreement
  - b. **Verbal Report** - Reclamation Transfer Inspection held November 14, 2006
  - c. **Verbal Report** - Habitat Mitigation Plan
  
8. REPORT ON LAURO DEBRIS BASIN REHABILITATION PROJECT. (For information.) *(5 minutes)*
  
9. DEVELOPMENT OF INTEGRATED REGIONAL WATER MANAGEMENT PLAN. (See CCRB Item No. 6)*(1 minute)*
  
10. CACHUMA PROJECT RENEWAL MASTER CONTRACT INTEREST RATE ADJUSTMENT. For information) *(5 minutes)*
  - a. Counsel's Opinion Letter Regarding COMB's Approval of Revised Interest Rate.
  - b. Follow-up letter to Kirk Rodgers, Reclamation Regional Director
  - c. Revised Interest Rate Calculation
  
11. MEETING SCHEDULE.
  - November 27, 2006 Joint Special COMB/CCRB Board Meeting 2:00-5:00 P.M., at COMB Office
  - December 18, 2006 following CCRB at 2:15 P.M., COMB Office
  
12. COMB ADJOURNMENT.

#### NOTICE TO PUBLIC

**Public Comment:** Any member of the public may address the Board on any subject within the jurisdiction of the Board that is not scheduled for a public hearing before the Board. The total time for this item will be limited by the President of the Board. If you wish to address the Board under this item, please complete and deliver to the Secretary of the Board before the meeting is convened, a "Request to Speak" forms including a description of the subject you wish to address.

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

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

**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, October 23, 2006**

---

**1. Call to Order, Roll Call**

The meeting was called to order at 3:37 p.m. by President Chuck Evans, who chaired the meeting. Those in attendance were:

**Directors present:**

Chuck Evans	Goleta Water District
Robert Lieberknecht	Carpinteria Valley Water District
Das Williams	City of Santa Barbara
Jan Abel	Montecito Water District

**Others present:**

Kate Rees	Chip Wullbrandt
Bob Roebuck	Steve Mack
Gary Kvistad	Alex Keuper
Janet Gingras	David McDermott

**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 went into closed session at 3:38 p.m. Closed session ended at 4:54 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:** September 25, 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 Lieberknecht. Motion carried, 5/0/2, Director Loudon was absent and Director Abel abstained.

**5. Reports from the Manager**

**d. Cachuma Reservoir Current Conditions**

Date 10/23/2006

Lake elevation	746.42 feet
Storage	177,406 acre feet
Rain (for the month to date)	0.16 inches
Rain YTD (for the season to date)	0.16 inches
Fish Release-Hilton Creek	12.8 acre feet per day
Month to Date Fish Release	306 acre feet
Month to Date Spill	0.00 acre feet

**6. Meeting with Kirk Rodgers, Reclamation Mid-Pacific Regional Director, October 17, 2006**

**a. Cachuma Renewal Master Contract Interest Rate Adjustment**

**b. Lauro Dam SOD Repayment Agreement**

For several years, COMB staff has been attempting to reopen negotiations with Reclamation in order to adjust the Cachuma Renewal Master Contract M&I interest rate. At the regular Board meeting on September 25, 2006 the Board authorized Ms Rees to meet with Kirk Rodgers, Reclamation's Regional Director. On October 16, 2006, Ms Rees and Greg Wilkinson of Best Best & Krieger met with Mr. Rodgers regarding the Cachuma Renewal Master Contract interest rate adjustment and the Lauro Dam SOD Repayment Agreement. Ms Rees asked that the Cachuma Project receive the same 3.5% interest rate as the Friant Water Authority renewal contracts and that the negotiated water use allocations in the Lauro SOD Repayment Agreement remain at 50.72% irrigation and 49.28% M&I. Mr. Rodgers explained that because the Friant contracts were not negotiated in the same manner as the Cachuma contract it would not be appropriate for Cachuma to receive the same negotiated M&I interest rate. Mr. Rodgers addressed the Cachuma interest rate and the Lauro Dam SOD Repayment Agreement together. He stated he would agree to sign the Lauro SOD Repayment Agreement as accepted by the COMB Board in March 2006, if the Member Units agreed to accept a 4.59% revised interest rate for the interest payable on the M&I capital costs of the Renewal Master Contract. This offer is outside the normal Reclamation procedural requirements for contract changes; therefore, Mr. Rodgers has requested an answer as soon as possible.

COMB is not a signatory to the Cachuma Renewal Master Contract. However, COMB's General Counsel has suggested that COMB may act on behalf of its Member Units as provided under Article 3.1 Powers of the 1996 Amended and Restated Agreement for establishment of a Board of Control to Operate and Maintain the Cachuma Project. Gary Kvistad, counsel for ID #1, was of the opinion that an amendment to the Renewal Master Contract may be needed to secure the proposed interest rate instead of simple approval by COMB's Board.

Mr. Hair disagreed and after discussion, Mr. Kvistad requested an "opinion letter" from Mr. Hair regarding Board approval to accept the revised interest rate.

*(the Board next considered item# 12)*

**Approval of Cachuma Project Renewal Master Contract Interest Rate Adjustment**

Director Williams moved that the COMB Board of Directors, acting on behalf of the Cachuma Project Member Units, accept Reclamation's proposed revised interest rate of 4.59% for payment of the M&I portion of the remaining capital cost of the Cachuma Project from October 1, 2005 through September 30, 2015 and to direct staff to send a letter to Kirk Rodgers, Regional Director, Mid-Pacific Region, accepting the proposed revised interest rate and request written acknowledgment and approval of the revised interest rate. Seconded by Director Abel, passed 6/0/1, Director Loudon was absent.

**7. Lauro Dam SOD Repayment Agreement**

There was no further discussion or action needed following the action taken by the Board on item #12. With the Board's acceptance of the revised interest rate of 4.59% for payment of the M&I portion of the remaining capital cost of the Cachuma Project, Mr. Rodgers agreed to sign the Lauro SOD Repayment Agreement with no changes to the negotiated Irrigation (50.72%) and M&I (49.28%) percent water use allocations.

**8. Update on Lauro Debris Basin Rehabilitation Project**

Ms Rees reported having received a revised Lauro Debris Basin Rehabilitation Project design from Flowers Engineering and has requested one cost estimate from Cushman Contracting Corporation to provide the Board with an idea of the cost for a smaller project. The Ad Hoc project committee of Director Evans, Director Williams, Steve Mack and Kevin Walsh will be meeting with staff prior to bringing the new design and cost estimate before the Board in November.

**9. Status Report and Request for Increased Budget for Remaining Tasks for Facilitation Services for Reorganization**

This was discussed during the CCRB meeting item #10, and there was nothing further to add.

Director Abel moved to increase the COMB budget by \$7,710 for the remaining services of John Jostes' facilitation of the reorganization, seconded by Director Williams, passed 6/0/1, Director Loudon was absent.

**10. Development of Integrated Regional Water Management Plan**

Ms Rees reported on the status of the IRWMP MOU during the CCRB meeting Item #8, there was nothing further to discuss.

ITEM # 4a

PAGE 3

**11. Response to the Santa Ynez River Water Conservation District Improvement District No. 1 Letter to the CCRB and COMB Board of Directors, September 22, 2006**

The letter was thoroughly discussed during the CCRB meeting, Item #11, there was nothing more to add.

Director Williams moved to send the response letter from COMB to ID #1's Board of Trustees, as revised during the CCRB meeting, seconded by Director Lieberknecht, passed 6/0/1, Director Loudon was absent.

**12. Approval of Cachuma Project Renewal Master Contract Interest Rate Adjustment**

Action was taken after discussion of Item # 6.

**13. Meeting Schedule**

The COMB Board concurred with the CCRB Board to change the regular Board meeting from November 27<sup>th</sup> to November 20<sup>th</sup> so that Michelle Ouellette could attend the COMB closed session.

They also concurred to schedule the next Joint Special COMB/CCRB meeting for November 27, 2006 from 2:00 to 5:00 p.m.

**14. COMB Adjournment**

There being no further business, the meeting was adjourned at 5:16 p.m.

Respectfully submitted,

\_\_\_\_\_  
Kate Rees, Secretary of the Board

**APPROVED:**

\_\_\_\_\_  
Chuck Evans, President

Approved \_\_\_\_\_

Unapproved \_\_\_\_\_ ✓

comb2  
**Balance Sheet**  
 As of October 31, 2006

	<u>Oct 31, 06</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1050 · GENERAL FUND	159,918.75
1100 · REVOLVING FUND	4,085.43
TRUST FUNDS	
1220 · RENEWAL FUND	5,287.34
1210 · WARREN ACT TRUST FUND	29,074.62
Total TRUST FUNDS	<u>34,361.96</u>
Total Checking/Savings	198,366.14
Other Current Assets	
1010 · PETTY CASH	400.00
1200 · LAIF	815,698.44
1300 · DUE FROM CCRB	50,997.78
1302 · ASSESSMENTS RECEIVABLE-CARP	100,480.09
1303 · SOD Act Assessments Receivable	49,902.00
1400 · PREPAID INSURANCE	11,696.72
1401 · W/C INSURANCE DEPOSIT	3,906.00
Total Other Current Assets	<u>1,033,081.03</u>
Total Current Assets	1,231,447.17
Fixed Assets	
1500 · VEHICLES	241,943.65
1505 · OFFICE FURN & EQUIPMENT	102,547.22
1510 · TRAILERS	97,803.34
1515 · FIELD EQUIPMENT	305,473.34
1525 · PAVING	22,350.00
1550 · ACCUMULATED DEPRECIATION	-527,362.02
Total Fixed Assets	<u>242,755.53</u>
Other Assets	
1910 · LT SOD Act Assess Receivable	6,423,143.07
Total Other Assets	<u>6,423,143.07</u>
<b>TOTAL ASSETS</b>	<u><u>7,897,345.77</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2200 · ACCOUNTS PAYABLE	74,936.02
Total Accounts Payable	<u>74,936.02</u>
Other Current Liabilities	
2550 · VACATION/SICK	61,815.80
2561 · BRADBURY DAM SOD ACT	49,902.00
2590 · DEFERRED REVENUE	34,361.96
Payroll-DepPrm Admin	35.00
Payroll-DepPrm Ops	4.62
Total Other Current Liabilities	<u>146,119.38</u>
Total Current Liabilities	221,055.40
Long Term Liabilities	
2603 · LT SOD Act Liability - Lauro	660,000.00
2600 · Lease Obligation Payable	29,810.84
2601 · Note Payable SBB&T	100,480.09
2602 · SOD Act Liability-Long Term	5,763,143.07
Total Long Term Liabilities	<u>6,553,434.00</u>
Total Liabilities	6,774,489.40
Equity	

12:40 PM  
11/14/06  
Accrual Basis

comb2  
**Balance Sheet**  
As of October 31, 2006

	<u>Oct 31, 06</u>
3000 - Opening Bal Equity	0.95
3901 - Retained Earnings	785,863.52
Net Income	<u>336,991.90</u>
Total Equity	<u>1,122,856.37</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>7,897,345.77</u></b>



12:40 PM

11/14/06

Accrual Basis

comb2

# Profit & Loss Budget vs. Actual

July through October 2006

TOTAL

	Jul - Oct 06	Budget	\$ Over Budget	% of Budget
<b>Income</b>				
3000 REVENUE				
3001 · O&M Budget	914,067.81			
3003 · Assessment Revenue-Carp	1,039.33			
3010 · Interest Income	16,915.51			
3020 · Misc Income	0.00			
<b>Total 3000 REVENUE</b>	<b>932,022.65</b>			
<b>Total Income</b>	<b>932,022.65</b>			
<b>Gross Profit</b>	<b>932,022.65</b>			
<b>Expense</b>				
3100 LABOR				
3150 · Health & Workers Comp	41,959.35	141,991.00	-99,431.65	29.7%
3155 · PERS	20,370.92	69,669.00	-49,498.08	29.2%
3160 · Payroll Comp FICA Ops	8,739.89	30,449.70	-21,709.81	28.7%
3165 · Payroll Comp MCARE Ops	2,044.03	7,121.30	-5,077.27	28.7%
3100 LABOR - Other	0.00	456,501.00	-456,501.00	0.0%
<b>Total 3100 LABOR</b>	<b>200,793.43</b>	<b>705,332.00</b>	<b>-504,538.57</b>	<b>28.5%</b>
3200 VEH & EQUIPMENT				
3201 · Vehicle/Equip Mnce	6,992.81	30,000.00	-23,007.19	23.3%
3202 · Fixed Capital	1,312.03	50,000.00	-48,687.97	2.6%
3203 · Equipment Rental	5,786.14	23,000.00	-17,213.86	25.2%
3204 · Miscellaneous	3,414.82	15,000.00	-11,585.18	22.8%
<b>Total 3200 VEH &amp; EQUIPMENT</b>	<b>17,505.80</b>	<b>118,000.00</b>	<b>-100,494.20</b>	<b>14.8%</b>
3300 · CONTRACT LABOR				
3301 · Conduit, Meter, Valve & Misc	1,631.37	10,000.00	-8,368.63	16.3%
3302 · Buildings & Roads	10,210.57	15,000.00	-4,789.43	68.1%
3303 · Reservoirs	19,538.01	50,000.00	-30,461.99	39.1%
3304 · Engineering, Misc Services	0.00	20,000.00	-20,000.00	0.0%
<b>Total 3300 · CONTRACT LABOR</b>	<b>31,379.95</b>	<b>95,000.00</b>	<b>-63,620.05</b>	<b>33.0%</b>
3400 · MATERIALS & SUPPLIES				
3401 · Conduit, Meter, Valve & Misc	1,068.47	20,000.00	-18,931.53	5.3%
3402 · Buildings & Roads	6,226.25	20,000.00	-13,773.75	31.1%
3403 · Reservoirs	21.10	10,000.00	-9,978.90	0.2%
<b>Total 3400 · MATERIALS &amp; SUPPLIES</b>	<b>7,315.82</b>	<b>50,000.00</b>	<b>-42,684.18</b>	<b>14.6%</b>
3500 · OTHER EXPENSES				
3501 · Utilities	1,309.63	6,300.00	-4,990.37	20.8%
3502 · Uniforms	2,416.21	6,500.00	-4,083.79	37.2%
3503 · Communications	4,131.88	18,190.00	-14,058.12	22.7%
3504 · USA & Other Services	1,123.74	4,000.00	-2,876.26	28.1%
3505 · Miscellaneous	1,536.96	6,000.00	-4,463.04	25.6%
3506 · Training	888.37	7,000.00	-6,111.63	12.7%
<b>Total 3500 · OTHER EXPENSES</b>	<b>11,406.79</b>	<b>47,990.00</b>	<b>-36,583.21</b>	<b>23.8%</b>
4999 · GENERAL & ADMINISTRATIVE				
5000 · Director Fees	358.83	856.00	-497.17	41.9%
5001 · Director Mileage				

12:40 PM

11/14/06

Accrual Basis

# comb2 Profit & Loss Budget vs. Actual July through October 2006

TOTAL

	Jul - Oct 06	Budget	\$ Over Budget	% of Budget
Total 5000 · Director Fees	4,710.83	10,840.00	-6,129.17	43.5%
5100 · Legal	16,395.00	72,000.00	-55,605.00	22.8%
5101-1 · Audit	5,927.00	20,000.00	-14,073.00	29.6%
5150 · Unemployment Tax	0.00	6,500.00	-6,500.00	0.0%
5200 · Liability Insurance	36,713.00	38,000.00	-1,287.00	96.6%
5201 · Health & Workers Comp	18,990.14	47,399.00	-28,408.86	40.1%
5250 · PERS	6,698.01	28,632.00	-19,933.99	30.4%
5260 · Comp FICA Admin	3,482.28	12,156.05	-8,673.77	28.6%
5265 · Comp MCARE Admin	845.22	2,842.95	-1,997.73	29.7%
5300 · Manager Salary	12,707.76	42,993.00	-30,285.24	29.6%
5301 · Administrative Manager	23,536.42	77,615.00	-54,078.58	30.3%
5306 · Administrative Assistant	15,827.84	51,441.00	-35,613.16	30.8%
5310 · Postage/Office Exp	1,803.57	9,000.00	-7,196.43	20.0%
5311 · Office Equip/Leases	1,814.37	5,750.00	-3,935.63	31.6%
5312 · Misc Admin Expenses	4,724.59	10,000.00	-5,275.41	47.2%
5313 · Communications	964.58	5,000.00	-4,035.42	19.3%
5314 · Utilities	2,308.84	5,300.00	-2,991.16	43.6%
5315 · Membership Dues	346.50	6,150.00	-5,803.50	5.6%
5316 · Admin Fixed Assets	0.00	7,000.00	-7,000.00	0.0%
5320 · Admin Facilitator Consultant	12,622.50	27,700.00	-15,077.50	45.6%
5325 · Emp Training/Subscriptions	898.41	4,500.00	-3,601.59	20.0%
5330 · Admin Travel/Conferences	1,617.88	5,000.00	-3,382.12	32.4%
5331 · Public Information	47.31	2,000.00	-1,952.69	2.4%
5332 · Transportation	83.20	1,200.00	-1,116.80	6.9%
Total 4999 · GENERAL & ADMINISTRATIVE	175,065.25	499,019.00	-323,953.75	35.1%
5510 · Integrated Reg. Water Mgt Plan	5,000.00	10,000.00	-5,000.00	50.0%
6000 · SPECIAL PROJECTS				
6062 · SCADA	6,452.11	60,000.00	-53,547.89	10.8%
6090-1 · COMB Bldg/Grounds Repair	17,051.85	50,000.00	-32,948.15	34.1%
6092 · SCC Improv Plan & Design	19,163.23	300,000.00	-280,836.77	6.4%
6095 · SCC Valve & Cntrl Sta Rehab	27,616.02	600,000.00	-572,383.98	4.6%
6096 · SCC Structure Rehabilitation	20,495.18	400,000.00	-379,504.82	5.1%
6097 · GIS and Mapping	6,274.29	100,000.00	-93,725.71	6.3%
Total 6000 · SPECIAL PROJECTS	97,052.68	1,510,000.00	-1,412,947.32	6.4%
6400 · STORM DAMAGE				
6401 · Storm Damage 2005	6,856.00	100,000.00	-93,144.00	6.9%
Total 6400 · STORM DAMAGE	6,856.00	100,000.00	-93,144.00	6.9%
7000 · LEGAL & LITIGATION				
7002 · Spec Counsel-FMP-BO EIS/R	41,753.65	100,000.00	-58,246.35	41.8%
Total 7000 · LEGAL & LITIGATION	41,753.65	100,000.00	-58,246.35	41.8%
7006 · INTEREST EXPENSE	901.54	100,000.00	-99,098.46	0.9%

ITEM # 46  
PAGE 4

12:40 PM  
 11/14/06  
 Accrual Basis

comb2  
**Profit & Loss Budget vs. Actual**  
 July through October 2006

	TOTAL			
	Jul - Oct 06	Budget	\$ Over Budget	% of Budget
PAYROLL				
Gross	-0.92			
Gross-CCRB	0.76			
Total PAYROLL	-0.16			
Total Expense	595,030.75	3,235,341.00	-2,640,310.25	18.4%
Net Income	336,991.90	-3,235,341.00	3,572,332.90	-10.4%

ITEM # 46  
 PAGE 5



P.O. BOX 1098  
NORTHRIDGE, CA 91328-1098

RECEIVED

NOV 06 2006

CACHUMA OPERATION AND MAINTENANCE BOARD

**This Statement Covers**  
From: 10/01/06  
Through: 10/31/06

CACHUMA OPERATION AND MAINTENANCE BOARD  
3301 LAUREL CANYON RD  
SANTA BARBARA CA 93105-2017

294248

**Need assistance?**  
To reach us anytime,  
call 1-800-788-7000  
or visit us at [wamu.com](http://wamu.com)



Get a quote for Safeco auto insurance today. With just a few minutes of your time, we'll give you an instant auto quote that's customized just for you. If you like the quote, we can start your coverage today. Go to [www.WaMutns.com](http://www.WaMutns.com) or call 1-800-685-9551.

### Your Account at a Glance

<b>Beginning Balance</b>	<b>\$5,059.63</b>	Interest Earned	\$237.71
Checks Paid	-\$238,453.00	Annual Percentage Yield Earned	2.69%
Other Withdrawals	-\$10.00	YTD Interest Paid	\$270.94
Deposits	+\$238,690.71	YTD Interest Withheld	\$0.00
<b>Ending Balance</b>	<b>\$5,287.34</b>		

Date	Description	Withdrawals (-)	Deposits (+)
10/02	WIRE TRANSFER DEPOSIT		\$86,439.00
10/02	FEE INCOMING DOMESTIC WIRE	\$10.00	
10/04	Customer Deposit		\$152,014.00
10/31	Interest Payment		\$237.71

### Checks Paid

\*Indicates check out of sequence

Check Number	Date	Amount Paid	Check Number	Date	Amount Paid
1022	10/17	\$238,453.00			

**MEMO TO:** Board of Directors  
Cachuma Operation & Maintenance Board

**FROM:** Kathleen Rees, Secretary

**SUBJECT:** COMB INVESTMENT POLICY

The above statement of investment activity for the month of October, 2006, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all Washington Mutual Bank investments of this agency for the period indicated.

Kathleen Rees  
Secretary

ITEM # 46  
PAGE 6

P.O. BOX 1098  
NORTHRIDGE, CA 91328-1098

RECEIVED

NOV 06 2006

CACHUMA O&M BOARD

**This Statement Covers**

From: 10/01/06  
Through: 10/31/06

**Need assistance?**

To reach us anytime,  
call 1-800-788-7000  
or visit us at [wamu.com](http://wamu.com)

CACHUMA OPERATION AND MAINTENANCE BOARD  
TRUST FUND  
3301 LAUREL CANYON RD  
SANTA BARBARA CA 93105-2017

146245



**Your Guaranteed Great Rate Money Market Detail Information**

CACHUMA OPERATION AND MAINTENANCE BOARD      Account Number: 871-849358-3  
TRUST FUND      Washington Mutual Bank, FA

Get a quote for Safeco auto insurance today. With just a few minutes of your time, we'll give you an instant auto quote that's customized just for you. If you like the quote, we can start your coverage today. Go to [www.WaMulns.com](http://www.WaMulns.com) or call 1-800-685-9551.

**Your Account at a Glance**

<b>Beginning Balance</b>	<b>\$12,613.68</b>	Interest Earned	\$34.94
Checks Paid	\$0.00	Annual Percentage Yield Earned	2.08%
Other Withdrawals	\$0.00	YTD Interest Paid	\$395.80
Deposits	+\$16,460.94	YTD Interest Withheld	\$0.00
<b>Ending Balance</b>	<b>\$29,074.62</b>		

Date	Description	Withdrawals (-)	Deposits (+)
10/17	Customer Deposit		\$16,426.00
10/31	Interest Payment		\$34.94

**MEMO TO:** Board of Directors  
Cachuma Operation & Maintenance Board

**FROM:** Kathleen Rees, Secretary

**SUBJECT:** COMB INVESTMENT POLICY

The above statement of investment activity for the month of October, 2006, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all Washington Mutual Bank investments of this agency for the period indicated.

Kathleen Rees  
Secretary

ITEM # 46

PAGE 7

## OFFICE OF THE TREASURER

SACRAMENTO

Local Agency Investment Fund  
 PO Box 942809  
 Sacramento, CA 94209-0001  
 (916) 653-3001  
 www.treasurer.ca.gov/pmia-laif

RECEIVED

NOV 13 2006

CACHUMA O&amp;M BOARD



October, 2006 Statement

CACHUMA OPERATION AND MAINTENANCE BOARD

Attn: GENERAL MANAGER  
 3301 LAUREL CANYON ROAD  
 SANTA BARBARA CA 93105-2017

Account Number : 70-42-001

Transactions

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10-03-2006	10-02-2006	RW	1091975	KATHLEEN REES	- 50,000.00
10-05-2006	10-05-2006	RW	1092307	KATHLEEN REES	- 70,000.00
10-13-2006	10-12-2006	QRD	1094278	SYSTEM	9,830.07
10-16-2006	10-13-2006	RW	1095663	KATHLEEN REES	- 10,000.00

Account Summary

Total Deposit :	9,830.07	Beginning Balance :	935,868.37
Total Withdrawal :	- 130,000.00	Ending Balance :	815,698.44

MEMO TO: Board of Directors  
 Cachuma Operation & Maintenance Board

FROM: Kathleen Rees, Secretary

SUBJECT: COMB INVESTMENT POLICY

The above statement of investment activity for the month of October, 2006, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all LAIF investments of this agency for the period indicated.

*Kathleen Rees*  
 Secretary

ITEM # 46  
 PAGE 8

## Payment of Claims

As of October 31, 2006

Date	Num	Name	Memo	Split	Amount
<b>1050 - GENERAL FUND</b>					
10/4/2006	15445	Bureau of Reclamation	5th Annual installment SOD Act	2200 · ACCO...	-164,870.00
10/4/2006	15446	COMB - Revolving Fund	Oct 6 & 20, 2006 payrolls/taxes	2200 · ACCO...	-92,995.21
10/10/2006	15447	Acorn Landscape Managem...	Monthly mtce	2200 · ACCO...	-239.70
10/10/2006	15448	ACWA Services Corporation ...	Oct EAP	2200 · ACCO...	-47.46
10/10/2006	15449	Angelus Block Co., Inc.	Block/pallet charge	2200 · ACCO...	-697.46
10/10/2006	15450	Aqua-Flo Supply		2200 · ACCO...	-91.64
10/10/2006	15451	AT&T	Sep 27, 2006 statement	2200 · ACCO...	-201.67
10/10/2006	15452	Ben Meadows Company	Pelican case/packer containers	2200 · ACCO...	-194.27
10/10/2006	15453	Boyle Engineering Corp.		2200 · ACCO...	-11,062.83
10/10/2006	15454	Butera's	Wire/tester	2200 · ACCO...	-37.45
10/10/2006	15455	CDW Government, Inc.	Powerware PO#8649	2200 · ACCO...	-289.20
10/10/2006	15456	Cedant Web Hosting	Web host & Parked domain Reg#249...	2200 · ACCO...	-19.94
10/10/2006	15457	Central Machine & Welding	Fabricate pipe spools	2200 · ACCO...	-452.55
10/10/2006	15458	CIO Solutions, Inc.	Support	2200 · ACCO...	-1,046.25
10/10/2006	15459	City of Santa Barbara-Centra...	Gloves/ear plugs/insoles/plunger	2200 · ACCO...	-154.44
10/10/2006	15460	City of SB-Refuse		2200 · ACCO...	-155.74
10/10/2006	15461	Coastal Copy	Monthly mtce KM5035 7/4-8/3/06	2200 · ACCO...	-86.88
10/10/2006	15462	COMB-Petty Cash	Replenish petty cash	2200 · ACCO...	-78.45
10/10/2006	15463	Conney Safety Products		2200 · ACCO...	-209.42
10/10/2006	15464	County of Santa Barbara	Hazardous waste disposal	2200 · ACCO...	-96.17
10/10/2006	15465	Cox Communications	Business Internet 9/18-10/17/06	2200 · ACCO...	-199.00
10/10/2006	15466	Culligan Water	RO system Oct	2200 · ACCO...	-20.95
10/10/2006	15467	Cushman Contracting Corp.	Stegall/Cornfield PO#05-06-14	2200 · ACCO...	-1,478.94
10/10/2006	15468	Draganchuk Alarm Systems	Alarm/lease-monitoring Oct-Dec 2006	2200 · ACCO...	-82.50
10/10/2006	15469	ECHO Communications	Answering service	2200 · ACCO...	-59.30
10/10/2006	15470	Farwest Corrosion Control Co.	Densyl tape/denso paste PO#8658	2200 · ACCO...	-979.35
10/10/2006	15471	Flowers & Associates, Inc.	Aug chrgs Lauro Res Rd mtce impro...	2200 · ACCO...	-3,476.05
10/10/2006	15472	GE Capital	Copier lease Billing ID#90133603185	2200 · ACCO...	-427.77
10/10/2006	15473	Global Financial Services	Copier lease 10/10/06-1/10/07	2200 · ACCO...	-442.86
10/10/2006	15474	Home Depot Credit Services		2200 · ACCO...	-218.18
10/10/2006	15475	Interactive Planning and Man...	Facilitator services 8/4-10/3/06	2200 · ACCO...	-6,352.50
10/10/2006	15476	Intuit, Inc.	COMB Revolving Fund checks (Qty 2...	2200 · ACCO...	-85.65
10/10/2006	15477	J&C Services		2200 · ACCO...	-500.00
10/10/2006	15478	Jeff Butterworth	Supply/build/install laminate counter ...	2200 · ACCO...	-2,500.00
10/10/2006	15479	Kirkwood Silk Screening	Logo imprinting-T-shirts/shirts	2200 · ACCO...	-314.52
10/10/2006	15480	McCormix Corp.	Diesel fuel	2200 · ACCO...	-110.40
10/10/2006	15481	McMaster-Carr Supply Co.		2200 · ACCO...	-64.51
10/10/2006	15482	Milpas Rental		2200 · ACCO...	-380.46
10/10/2006	15483	Network Solutions	CACHUMA-BOARD.ORG domain na...	2200 · ACCO...	-49.98
10/10/2006	15484	Nextel Communications	Cellular 8/19-9/18/06	2200 · ACCO...	-318.88
10/10/2006	15485	Nordman, Cormany, Hair & ...	Gen Counsel Aug services	2200 · ACCO...	-5,200.00
10/10/2006	15486	Orchard Supply Hardware		2200 · ACCO...	-286.19
10/10/2006	15487	PAPA		2200 · ACCO...	-325.00
10/10/2006	15488	Paychex, Inc.	9/8 & 22/06 payrolls/taxes	2200 · ACCO...	-204.12
10/10/2006	15489	Permacolor, Inc.		2200 · ACCO...	-1,841.58
10/10/2006	15490	PG&E		2200 · ACCO...	-206.19
10/10/2006	15491	Pitney Bowes, Inc.	Postage meter tapes	2200 · ACCO...	-82.93
10/10/2006	15492	Praxair Distribution	Cylinder rental	2200 · ACCO...	-35.87
10/10/2006	15493	Republic Elevator	Scheduled mtce	2200 · ACCO...	-220.69
10/10/2006	15494	Reserve Account	Postage refill	2200 · ACCO...	-400.00
10/10/2006	15495	Safety-Kleen Systems, Inc.	Regular service	2200 · ACCO...	-124.15
10/10/2006	15496	Santa Barbara Concrete Cult...	Concrete pipe core	2200 · ACCO...	-250.00
10/10/2006	15497	Southern California Edison	Main ofc/outlying stations	2200 · ACCO...	-1,402.95
10/10/2006	15498	Specialty Tool, LTD	Misc bolts for rehab riser	2200 · ACCO...	-65.30
10/10/2006	15499	State Compensation Insuran...	Payroll report-Sep 2006	2200 · ACCO...	-2,758.41
10/10/2006	15500	The Gas Company	Gas-main office	2200 · ACCO...	-2.24
10/10/2006	15501	The Wharf		2200 · ACCO...	-222.49
10/10/2006	15502	Tri-Counties Training Semin...	Drinking Water Primary Inst. & Basic ...	2200 · ACCO...	-180.00
10/10/2006	15503	Underground Service Alert	59 new tickets	2200 · ACCO...	-94.40
10/10/2006	15504	Verizon Wireless	Cellular	2200 · ACCO...	-182.66
10/10/2006	15505	Platinum Plus For Business	JG-meals/hotel	2200 · ACCO...	-521.76
10/10/2006	15506	Platinum Plus For Business		2200 · ACCO...	-1,351.35
10/10/2006	15507	Platinum Plus For Business		2200 · ACCO...	-511.30
10/10/2006	15508	C. Charles Evans	9/25 Reg mtg	2200 · ACCO...	-132.45
10/10/2006	15509	Coastal Copy	Monthly mtce KM5035 8/4-9/3/06	2200 · ACCO...	-119.65
10/10/2006	15510	Cushman Contracting Corp.	Ortega Reservoir equipment pad	2200 · ACCO...	-1,388.90
10/10/2006	15511	Das Williams	9/25 Reg mtg	2200 · ACCO...	-131.69
10/10/2006	15512	Ferguson Waterworks	Cust#8599 PO#8647	2200 · ACCO...	-1,950.69

Payment of Claims

As of October 31, 2006

Date	Num	Name	Memo	Split	Amount
10/10/2006	15513	Fleet Fueling	Fuel/fuel cards	2200 · ACCO...	-1,607.71
10/10/2006	15514	MarBorg Industries		2200 · ACCO...	-163.04
10/10/2006	15515	Matt Loudon	9/25 Reg mtg	2200 · ACCO...	-153.24
10/10/2006	15516	MGB Industrial Supply		2200 · ACCO...	-113.03
10/10/2006	15517	Nordman, Cormany, Hair & ...	Gen Counsel Sep services	2200 · ACCO...	-6,515.00
10/10/2006	15518	Robert Lieberknecht	9/25 Reg mtg	2200 · ACCO...	-140.59
10/10/2006	15519	Robert Puddicombe	9/25 Reg mtg	2200 · ACCO...	-136.90
10/10/2006	15520	Santa Barbara Sand & Top S...	Haul rock	2200 · ACCO...	-396.37
10/10/2006	15521	Southern California Edison	Glen Anne gate	2200 · ACCO...	-31.03
10/10/2006	15522	Standard Automation & Cont...	WW Basic Cal-license w/server/Activ...	2200 · ACCO...	-1,236.35
10/10/2006	15523	Ventura Hydraulic & Machine...	Blade for nut splitter	2200 · ACCO...	-343.20
10/13/2006	15524	Caterpillar Financial Services...	Backhoe lease Contract #001-02586...	2200 · ACCO...	-1,294.06
10/13/2006	15525	MacFarlane Faletti & Co, LLP	Client #20006	2200 · ACCO...	-175.00
10/13/2006	15526	McMaster-Carr Supply Co.		2200 · ACCO...	-606.24
10/13/2006	15527	Prudential Overall Supply		2200 · ACCO...	-360.05
10/13/2006	15528	Smarden-Hatcher Co.	Blades for pipe cutter	2200 · ACCO...	-31.01
10/13/2006	15529	Staples Credit Plan	Ofc supplies	2200 · ACCO...	-1,080.46
10/13/2006	15530	Verizon California		2200 · ACCO...	-332.33
10/19/2006	15531	ACWA Services Corp. (ASC)	Cov period 11/1-12/1/06	2200 · ACCO...	-8,843.64
10/19/2006	15532	Bartlett, Pringle & Wolf, LLP	Client #A6145.1100	2200 · ACCO...	-5,252.00
10/19/2006	15533	Gary A. Smith, CPA	Acct/Consult services COMB Stmt 1...	2200 · ACCO...	-500.00
10/19/2006	15534	Verizon California	SCADA	2200 · ACCO...	-509.89
10/20/2006	15535	Cox Communications	Business Internet 10/18-11/17/06	2200 · ACCO...	-199.00
10/23/2006	15536	Adele Capponi	Relmb-coffee maker for office	2200 · ACCO...	-118.51
10/27/2006	15539	Squidly's Car Wash	Vehicle wash/mtce	2200 · ACCO...	-95.00
Total 1050 · GENERAL FUND					-341,515.14
<b>TOTAL</b>					<b>-341,515.14</b>



12:33 PM  
11/14/06  
Accrual Basis

comb2  
**Payment of Claims-Renewal Fund**  
October 2006

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Split</u>	<u>Amount</u>
Oct 06					
10/2/2006		Bank charge	Wire transfer fee	2590 - D...	-10.00
10/16/2006	1022	Cachuma Conservation Rel...	Funds transfer to CCRB ...	2590 - D...	-238,453.00
Oct 06					<u>-238,463.00</u>

# CACHUMA OPERATION AND MAINTENANCE BOARD

## MEMORANDUM

DATE: November 20, 2006  
TO: Members of the Board of Directors  
FROM: Kate Rees, Interim General Manager  
RE: **REPORT FROM THE AUDITOR FOR FISCAL YEAR 2006 AND 2005**

### Recommendation:

1. That the Board of Directors accept the Financial Statements for the fiscal year ended June 30, 2006 and the Independent Auditor's Report.
2. That the Board of Directors authorize a surplus of funds in the amount \$572,920 be constructively applied toward the 3<sup>rd</sup> Quarter COMB assessment for FY 2006-07 or toward a special project at the Board's discretion.

### Discussion:

Enclosed in your board package are copies of the Financial Statements for the Fiscal Year ending June 30, 2006 and the Independent Auditors' Report prepared by COMB's Auditor Bartlett, Pringle & Wolf, LLP.

I am pleased to report that the Financial Statements and Auditor's Report for fiscal year 2005-2006 has been completed within the normal 180 day timeframe and is presented here for your consideration. Danna McGrew and Stacey Hansen were greatly assisted in the preparation of the FY 2005-2006 Audit by Administrative Manager, Janet Gingras, and Administrative Assistant, Adelle Capponi.

The auditor has identified a surplus of \$572,920 from assessments collected from the Member Units but not used for last year activities. I would recommend that the Board authorize these funds to be constructively applied toward the 3<sup>rd</sup> quarter COMB assessment for FY 2006-07 or toward a special project at the Board's discretion.

COMB's Finance Committee and I have reviewed the Management Discussion and Analysis, the Financial Statements, Notes to the Financial Statements, and the Independent Auditor's Report, and found everything to be acceptable. Ms. McGrew has advised us that her firm did not identify any management concerns or reportable conditions in conducting the audit.

The substantive portions of the FY 2005-2006 Audit and the Notes to the Financial Statements will be brought to your attention during discussion on this item at the Board meeting.

**DRAFT**

November 6, 2006

**To the Board of Directors  
Cachuma Operation and Maintenance Board:**

In planning and performing our audit of the financial statements of the Cachuma Operation and Maintenance Board (COMB) for the year ended June 30, 2006, we considered COMB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the COMB's internal control. Accordingly, we do not express an opinion on the effectiveness of COMB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects COMB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the COMB's financial statements that is more than inconsequential will not be prevented or detected by the COMB's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

**Journal Entry Approval**

During our audit we noted that journal entries were not reviewed for accuracy and propriety by someone other than the preparer. To prevent possible misstatement all entries should be reviewed and approved to ensure accurate recording and reporting of financial information. It is suggested that the Administrative Manager review and approve all journal entries prepared by the Administrative Assistant and that the General Manager review and approve all journal entries prepared by the Administrative Manager.

**Conclusion**

This communication is intended solely for the information and use of the Board, management, and others within COMB, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report

ITEM # 5  
PAGE 2

Board of Directors  
Cachuma Operations and Maintenance Board  
November 6, 2006  
Page 2

dated November 6, 2006 on the financial statements of the Cachuma Operation and Maintenance Board.

We will review the status of the comments during our next audit engagement. We would be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to express our appreciation of the cooperation extended to us by the COMB's staff during the course of our audit work. If you have any questions regarding the above issue, do not hesitate to call.

Very truly yours,

**BARTLETT, PRINGLE & WOLF, LLP**  
*Certified Public Accountants and Consultants*

ITEM # 5  
PAGE 3

**DRAFT**

**CACHUMA OPERATION AND MAINTENANCE BOARD**

FINANCIAL STATEMENTS

June 30, 2006 and 2005



**BARTLETT, PRINGLE & WOLF, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

ITEM # 5  
PAGE 4

**CACHUMA OPERATION AND MAINTENANCE BOARD**

---

---

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 10
Statement of Net Assets .....	11 - 12
Statement of Revenue, Expenses and Changes in Net Assets .....	13
Statement of Cash Flows .....	14 - 15
Notes to Financial Statements.....	16 - 28
Supplemental Information:	
Supplemental Schedule of Operation and Maintenance, General and Administrative and Other Maintenance Expense .....	29
Supplemental Schedule of Operation and Maintenance, General and Administrative, Other Maintenance Expense and Other Budgeted Expenses Actual to Budget.....	30

November 6, 2006

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
Cachuma Operations and Maintenance Board**

We have audited the accompanying statement of net assets of Cachuma Operation and Maintenance Board ("COMB") as of June 30, 2006 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of COMB's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of COMB for the year ended June 30, 2005 were audited by other auditors whose report, dated November 21, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the COMB at June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of COMB's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

# DRAFT

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included in the supplemental schedules on pages 29 and 30 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of COMB's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**DRAFT**

**FISCAL YEAR ENDED JUNE 30, 2006**

This section presents management's analysis of the financial condition and activities of the Cachuma Operation and Maintenance Board (COMB) for the fiscal year ended June 30, 2006. This information should be read in conjunction with the financial statements and the additional information included herewith.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

COMB operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets and where appropriate, total net assets (i.e., fund equity) are segregated into invested in capital and unrestricted net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

**Summary of Organization and Business**

COMB is a public entity duly organized and existing in accordance with enabling legislation of the State of California: Chapter 5, Division 7, Title 1, of the Government Code (Section 6500 et seq.), the Joint Exercise of Powers Act. COMB was officially established as a joint powers agency as of January 1, 1957 by and among six public agencies (Member Units) in Santa Barbara County, two of which have subsequently reorganized (merged). On May 23, 1996 the Joint Exercise of Powers Agreement (Agreement) for COMB was amended and restated. The Member Units entered into the Agreement to exercise their common power to provide for the rights to, the facilities of, and the operation, maintenance and use of the United States, Department of the Interior, Bureau of Reclamation project known as the Cachuma Project, including storage, treatment, transport and appurtenant facilities, and all necessary tangible and intangible property and rights. In particular, the Member Units expressed their desire to create COMB for the purpose of providing authority for the financing of "costs" for the capture, development, treatment, storage, transport and delivery of water; and for repayment of notes, bonds, loans, warrants, and revenue bonds as may be issued to finance facilities, operations or services.

COMB currently has a staff of 14 full time employees. Of these, four are employed in an administrative capacity and ten are in field operations.

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DRAFT**

COMB is presently composed of five Member Units, all of which are public agencies: the Carpinteria Valley Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District Improvement District No. 1, and the City of Santa Barbara. (A founding Member Unit of COMB, the Summerland Water District, reorganized with the Montecito Water District, with Montecito Water District as the successor agency. Another founding Member Unit of COMB, the Santa Ynez River Water Conservation District, assigned its Member Unit water contract to the Santa Ynez River Water Conservation District Improvement District No. 1.)

Under the Agreement, each of the five Member Units appoints a representative to the COMB Board of Directors. The following table shows each Member Unit's share of the Cachuma Project yield (water entitlement) and the number of votes each has on the Board of Directors:

<u>Member Unit</u>	<u>Entitlement Percentage</u>	<u>Board Representation</u>
Carpinteria Valley WD	10.94 %	1 vote
Goleta Water District	36.25 %	2 votes
Montecito Water District	10.31 %	1 vote
Santa Ynez RWCD ID No. 1	10.31 %	1 vote
City of Santa Barbara	32.19 %	2 votes
<b>Total</b>	<b>100.00%</b>	<b>7 votes</b>

Votes representing a majority of the number of votes authorized under the Agreement are required for the approval of any decision, other than adjournment, which requires action of the Board of Directors. Also, the affirmative vote of at least three representatives to the Board of Directors is necessary for the approval of such a decision. The unanimous consent of the representatives of all the Member Units is required for COMB to take action on the following matters:

1. Approval of a Cachuma Project Master Contract amendment, renewal or extension;
2. A matter involving water rights of any party;
3. Acquisition of significant facilities from the United States;
4. Issuance of bonds, loans or other forms of indebtedness in excess of one million (\$1,000,000) dollars.

A decision of COMB authorizing a capital expenditure in excess of one million dollars or incurring an indebtedness or obligation in excess of one million dollars is not effective unless it has been ratified by a resolution approved by all of the Member Units.

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**DRAFT**

**Operating Assessments**

Current operations of COMB are funded by assessment of the Member Units, with the assessments based on the Member Units' Cachuma Project entitlement percentages. All five Member Units fund the general and administrative portion of the annual budget as well as the cost of special projects (capital improvements, rehabilitation & betterment, maintenance & modifications, etc.) for Bradbury Dam and Lake Cachuma, the main Cachuma Project storage facility, located on the Santa Ynez River in northern Santa Barbara County.

Four of the Member Units, not including Santa Ynez RWCD ID No. 1, fund the operation and maintenance portion of the annual budget as well as the cost of special projects for other Cachuma Project storage and conveyance facilities that serve the South Coast of Santa Barbara County. These facilities include the Tecolote Tunnel, the South Coast Conduit (SCC), and four dams and reservoirs (Glen Anne, Lauro, Ortega and Carpinteria). During the year ended June 30, 2006 COMB conducted and/or completed a number of special studies and projects totaling over \$1.1 million using revenue provided by these assessments. These included SCC improvement plans and life expectancy studies; and rehabilitation and betterment of control stations, valves and structures.

**COMB Committees**

COMB has five committees: Capital Improvements, Finance, Operations, Management and Public Relations. Each committee is composed of two Board members and one alternate Board member. Appointments to the committees are made by the President of the Board. The committees meet with staff on an as-needed basis and review and recommend actions to the Board of Directors with regard to capital improvements, finance and other matters.

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DRAFT**

**FINANCIAL HIGHLIGHTS**

The following table shows a condensed version of COMB's statement of net assets with corresponding analysis regarding significant variations.

<b>Condensed Statement of Net Assets</b>				
	<u>Year Ended</u>		<u>Variance</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Dollars</u>	<u>Percent</u>
Current Assets	\$ 967,099	\$ 521,226	\$ 445,873	85.5%
Restricted Assets	38,364	396,141	(357,777)	-90.3%
Property, Plant & Equipment	242,755	279,086	(36,331)	-13.0%
Other Assets	6,481,449	5,561,890	919,559	16.5%
<b>Total Assets</b>	<b>\$ 7,729,667</b>	<b>\$ 6,758,343</b>	<b>\$ 971,324</b>	<b>14.4%</b>
Current Liabilities	\$ 447,146	\$ 705,620	\$ (258,474)	-36.6%
Long-Term Liabilities	6,496,657	5,590,496	906,161	16.2%
<b>Total Liabilities</b>	<b>6,943,803</b>	<b>6,296,116</b>	<b>647,687</b>	<b>10.3%</b>
Net Assets				
Invested in Capital Assets	212,944	235,240	(22,296)	-9.5%
Unrestricted	572,920	226,987	345,933	152.4%
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 7,729,667</b>	<b>\$ 6,758,343</b>	<b>\$ 971,324</b>	<b>14.4%</b>

**Statement of Net Assets Analysis**

- Total assets as of June 30, 2006 are \$7.73 million, or \$0.97 million more than the June 30, 2005 amount; the changes are discussed below.
- Current assets are approximately \$0.45 million more than the prior year amount primarily due to an increase in the carrying amount of cash in the Local Area Investment Fund.
- Restricted assets are 90.3% less than the prior year due to a decrease in the amount of Renewal Fund / Trust Fund bank accounts.
- The value of property, plant and equipment is slightly less than the prior year amount due to depreciation of COMB's fixed assets.

CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

---

DRAFT

Statement of Net Assets Analysis (Continued)

- Other assets are \$0.92 million more than the prior year amount due to the increase in long term assessments receivable affiliated with the Bradbury and Lauro Dam SOD Act repayment contracts.
- Current liabilities are \$0.26 million less than the prior year amount, primarily due to a decrease the amount of restricted assets.
- Long term liabilities are \$0.90 million more than the prior year amount due to the increase in long term liabilities affiliated with the Bradbury and Lauro Dam SOD Act repayment contracts.

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DRAFT**

The following table shows a condensed version of COMB's Statement of Revenues, Expenses and Changes in Net Assets, with corresponding analysis regarding significant variances.

<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>				
	<u>Year Ended</u>		<u>Variance</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Dollars</u>	<u>Percent</u>
<b>Operating Revenues (Expenses):</b>				
Operating Revenues	\$ 3,030,790	\$ 2,868,103	\$ 162,687	5.7%
Operating Expenses, excluding Depreciation Expense	(2,504,959)	(2,799,893)	294,934	-10.5%
Depreciation	(101,330)	(109,366)	8,036	-7.3%
<b>Operating Income (Deficit)</b>	<u>424,501</u>	<u>(41,156)</u>	<u>465,657</u>	<u>-1131.4%</u>
Non-operating Revenues	21,281	20,873	408	2.0%
Non-operating Expenses	(122,145)	(128,782)	6,637	-5.2%
<b>Change in Net Assets</b>	<u>\$ 323,637</u>	<u>\$ (149,065)</u>	<u>\$ 7,045</u>	<u>-4.7%</u>

**Statement Analysis**

- Operating Revenues as of June 30, 2006 are about \$0.16 million more than the prior year amount. This increase is primarily due to larger budget assessments and receipt of state disaster relief funds.
- Operating expenses, excluding depreciation and amortization expense is about \$0.29 million lower than the prior year amount due primarily to a decrease in litigation costs.
- Non-Operating income was consistent with prior year and consisted of investment income and gains on disposal of assets.
- Non-Operating expenses were consistent with the prior year and consisted primarily of the interest expense relating to the SOD Act contract payable interest.

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DRAFT**

**Capital Assets**

The following table provides a summary of COMB's capital assets and changes from the prior year.

	<b>Capital Assets</b>			
	<u>Year Ended</u>		<u>Variance</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Dollars</u>	<u>Percent</u>
Vehicles	\$ 241,944	\$ 231,648	10,296	4.4%
Office Furniture and Equipment	102,547	113,041	(10,494)	-9.3%
Field Equipment	305,473	284,120	21,353	7.5%
Mobile Offices Used for Facilities	97,803	97,803	-	0.0%
Resurfacing	22,350	22,350	-	0.0%
<b>Total Capital Assets</b>	<u>770,117</u>	<u>748,962</u>	<u>21,155</u>	<u>2.8%</u>
Accumulated Depreciation	<u>(527,362)</u>	<u>(469,876)</u>	<u>(57,486)</u>	<u>12.2%</u>
<b>Net Capital Assets</b>	<u>\$ 242,755</u>	<u>\$ 279,086</u>	<u>\$ (36,331)</u>	<u>-13.0%</u>

**Debt Administration**

COMB and the Cachuma Project Authority (CPA) merged in 1996, with COMB as the successor agency. With this merger, COMB assumed responsibility for the oversight and payment of the Series 1993 CPA revenue bonds. However, the bonds are not recorded on the books of COMB because, under Joint Participation Agreements between COMB and three of the Member Units, these Member Units are obligated to make the bond principal and interest payments on behalf of COMB. The Series 1993 bonds were refinanced by COMB in the first quarter of FY 2004/05.

COMB obtained \$220,000 in financing in FY 2003/04 on behalf of one of its Member Units, the Carpinteria Valley Water District (District). This was for the District's portion of a special project assessment to fund the Bradbury Dam radial gates project. Repayment of the loan principal and interest associated with this financing is solely the responsibility of the District.

Under the terms and conditions of a repayment contract executed in 2002, COMB is responsible for payment to the United States of fifteen percent (15%) of the total amount of Safety of Dams (SOD) Act funds expended by the United States for structural stability and related work at Bradbury Dam. The debt total under the contract as executed is approximately \$6,791,000 plus interest and is to be repaid by annual payments over a 50-year period. COMB assesses the Member Units annually to collect the revenue for the payment due that year, with the assessments based on the Member Units' Cachuma Project entitlement percentages.

Work activities related to the completion of the Bradbury SOD Act rehabilitation produced

ITEM # 5  
PAGE 14

**CACHUMA OPERATION AND MAINTENANCE BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**DRAFT**

additional costs which increased the original obligation by approximately \$2,438,683 as of June 30, 2006. Fifteen percent of that total equals \$365,803 which has been reflected in the long term liability obligation.

The funds expended from Reclamation through June 30, 2006 regarding the Lauro Dam rehabilitation project totaled approximately \$4,174,825. The fifteen percent obligation plus interest during construction equates to approximately \$660,000 for the Lauro SOD Act repayment debt which appears in the long term liability account.

**Budget and Actual Results**

The following narrative discussion provides information on COMB's budget and actual results for the year ended June 30, 2006. A table in the Supplemental Information section at the end of this report provides a numerical summary of COMB's budget and actual results for the year.

- Operating assessments from the Member Units include amounts for operating expenses and interest payments for the loan referenced above under Debt Administration.
- Budgeted operating assessments exclude interest and other credits which are applied against the current year invoices as the credits are received by COMB.
- Interest and other credits applied against operating reimbursements include interest income credits on all cash balances and the FY 2005/06 year-end credits payable to the Member Units for unexpended operating assessments.
- Operation and Maintenance Expense stayed below the overall O&M budget, although vehicle maintenance and certain other expenses were slightly more than anticipated.
- General and Administrative Expense stayed within the overall G&A budget, even though there was a greater than expected miscellaneous costs.
- Other Maintenance Expense (for Special Projects) also stayed within the overall budget during the year, while a great deal of beneficial work was accomplished by COMB staff and COMB contractors and consultants. This included in particular Special Projects such as SCC improvement plans, designs and structure rehabilitation and betterment work on Cachuma Project facilities on the Santa Barbara County South Coast.



**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006 and 2005**

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current Assets		
Cash (Note 3)	\$ 40,773	\$ 56,927
Investments (Note 3)	739,854	306,500
Receivable from related entity (Note 13)	63,868	28,729
Receivable - FEMA/OES	-	16,399
Accrued interest receivable	-	2,485
Prepaid insurance	11,559	9,108
Deposits	5,043	-
Current portion of long-term accounts receivable (Note 5)	56,100	53,937
Current portion of SOD Act assessments receivable (Note 6)	49,902	47,141
Total current assets	<u>967,099</u>	<u>521,226</u>
Restricted Cash (Note 4)	<u>38,364</u>	<u>396,141</u>
Capital Assets (Note 7)		
Vehicles	241,944	231,648
Office furniture and equipment	102,547	113,041
Field equipment	305,473	284,120
Mobile offices used for facilities	97,803	97,803
Resurfacing	22,350	22,350
Subtotal	770,117	748,962
Less: accumulated depreciation	<u>(527,362)</u>	<u>(469,876)</u>
Capital assets, net	<u>242,755</u>	<u>279,086</u>
Other Assets		
Long-term accounts receivable (Note 5)	58,306	114,647
Long-term assessments receivable SOD Act (Note 6)	<u>6,423,143</u>	<u>5,447,243</u>
Total other assets	<u>6,481,449</u>	<u>5,561,890</u>
Total assets	<u>\$ 7,729,667</u>	<u>\$ 6,758,343</u>

*See accompanying notes*

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006 and 2005**

**LIABILITIES AND NET ASSETS**

	<b>2006</b>	<b>2005</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 226,343	\$ 86,093
Accrued wages	18	27,682
Accrued vacation and sick leave benefits	61,816	79,386
Payable to related entity (Note 4)	38,364	396,141
Current portion of capital lease (Note 8)	14,603	15,240
Current portion of note payable (Note 9)	56,100	53,937
Current portion of SOD Act contract payable (Note 6)	49,902	47,141
Total current liabilities	447,146	705,620
<b>Long-Term Liabilities</b>		
Capital lease, net of current portion (Note 8)	15,208	28,606
Note payable, net of current portion (Note 9)	58,306	114,647
SOD Act contract payable, net of current portion (Note 6)	6,423,143	5,447,243
Total long-term liabilities	6,496,657	5,590,496
Total liabilities	6,943,803	6,296,116
<b>Commitments and Contingencies (Note 14)</b>		
<b>Net Assets</b>		
Invested in capital assets, net of related debt	212,944	235,240
Unrestricted:		
Designated to be constructively returned	572,920	226,987
Total net assets	\$ 785,864	\$ 462,227

*See accompanying notes*

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Operating assessments from member agencies	\$ 2,894,465	\$ 2,846,290
State disaster relief funds	131,998	16,399
Other revenues	4,327	5,414
Total operating revenues	<u>3,030,790</u>	<u>2,868,103</u>
Operating Expenses		
Operation and maintenance of Cachuma Project		
Operation and maintenance	834,832	805,142
General and administrative	475,388	476,411
Litigation	58,748	173,928
Other maintenance	1,135,991	1,344,412
Depreciation	101,330	109,366
Total operating expenses	<u>2,606,289</u>	<u>2,909,259</u>
Net Operating Income (Loss)	<u>424,501</u>	<u>(41,156)</u>
Non-Operating Revenues (Expenses)		
Interest income	14,156	15,773
Interest expense	(122,145)	(128,782)
Gain on disposal of assets	7,125	5,100
Total non-operating revenues (expenses)	<u>(100,864)</u>	<u>(107,909)</u>
Change in Net Assets	323,637	(149,065)
Total Net Assets, Beginning of Year	<u>462,227</u>	<u>611,292</u>
Total Net Assets, End of Year	<u>\$ 785,864</u>	<u>\$ 462,227</u>

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from member agencies	\$ 2,995,784	\$ 2,928,376
Cash received from Office of Emergency Services	148,397	-
Cash received from other sources	4,327	5,414
Cash payments to suppliers for operations	(1,770,361)	(2,620,410)
Cash payments to employees	(682,215)	(568,520)
Net cash provided (used) by operating activities	<u>695,932</u>	<u>(255,140)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Increase (decrease) in restricted assets	(357,777)	(186,207)
(Increase) decrease in deposits held for related entity	357,777	186,207
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of capital assets	(66,429)	(95,444)
Proceeds from sale of assets	7,125	5,100
Payments on note payable	(55,676)	(59,861)
Payments on capital lease	(19,714)	(13,486)
Payments on SOD Act contract payable	(162,109)	(164,870)
Net cash flows used by capital and related financing activities	<u>(296,803)</u>	<u>(328,561)</u>
<u>Cash Flows From Investing Activities</u>		
Interest received	16,641	16,302
Purchase of investments	(2,153,924)	(2,982,195)
Proceeds from redemptions of investments	1,722,000	3,543,000
Net cash flows provided (used) by investing activities	<u>(415,283)</u>	<u>577,107</u>
Net Decrease in Cash	(16,154)	(6,594)
Cash and Cash Equivalents - Beginning of Year	<u>56,927</u>	<u>63,521</u>
Cash and Cash Equivalents - End of Year	<u>\$ 40,773</u>	<u>\$ 56,927</u>

See accompanying notes

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Reconciliation of net operating gain (loss) to net cash provided (used)</u>		
<u>by operating activities</u>		
Net operating income (loss)	\$ 424,501	\$ (41,156)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation expense	101,330	109,366
Changes in operating assets and liabilities		
Receivable from related entity	(35,139)	3,272
Receivable from OES	16,399	(16,399)
Prepaid insurance	(2,451)	(212)
Deposits	(5,043)	-
Receivable from member unit	54,178	51,832
Current portion of SOD Act assessment receivable	47,141	44,533
Accounts payable	140,250	(416,148)
Accrued wages	(27,664)	6,311
Accrued vacation and sick leave benefits	(17,570)	8,875
	<u>695,932</u>	<u>(249,726)</u>
Net cash provided (used) by operating activities	\$ <u>695,932</u>	\$ <u>(249,726)</u>

*See accompanying notes*

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 1 - Organization**

The Cachuma Operation and Maintenance Board (COMB) is a joint powers agency organized to operate and maintain the water delivery system of the Cachuma Project located in Santa Barbara County. COMB's member agencies (Member Units) consist of five water purveyors as follows: Carpinteria Valley Water District, City of Santa Barbara, Goleta Water District, Montecito Water District, and Santa Ynez River Water Conservation District Improvement District No. 1.

The Member Units entered into a Joint Exercise of Powers Agreement to exercise their common power to provide for the rights to, the facilities of, and the operation, maintenance and use of the United States, Department of the Interior, Bureau of Reclamation project known as the Cachuma Project, including storage, treatment, transport and appurtenant facilities, and all necessary tangible and intangible property rights.

**Note 2 - Summary of Significant Accounting Policies**

A) Basis of Accounting

This report has been prepared in conformance with Accounting Principles Generally Accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Additionally, COMB applies all Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

B) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits and money market accounts, but does not include restricted cash or funds invested in the Local Agency Investment Fund (LAIF).

C) Capital Assets

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally 5 years. Title to the assets of the Cachuma Project is with the United States of America; the assets are not recorded as assets of COMB. Costs relating to capital improvements, rehabilitation, betterment, maintenance and modifications are therefore reported as expenditures when incurred by COMB.

D) Accrued Vacation and Sick Pay

Employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences vest and accumulate and are accrued when they are earned.

ITEM # 5  
PAGE 21

## NOTES TO THE FINANCIAL STATEMENTS

**Note 2 - Summary of Significant Accounting Policies**E) Unspent Operating Assessments

The operating assessments represent amounts received from COMB's Member Units to fund current operations. To the extent that revenues exceed expenses in a given year, they are constructively returned to the Member Units in subsequent years. Thus, the current year's unrestricted net assets will be used to reduce operating assessments required from the Member Units in future periods.

F) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. COMB's principal areas that include estimates are the liabilities and related receivables for Safety of Dams Act construction in process and the lives of capitalized assets. Actual results could differ from those estimates.

**Note 3 - Cash and Investments**Cash

At June 30, 2006 and 2005 the carrying amounts of cash in banks were \$40,373 and \$56,927 and the corresponding bank balances were \$88,190 and \$207,741, respectively. Of the bank balances at June 30, 2006 and 2005, \$88,190 and \$100,000, respectively, were covered by federal depository insurance and \$107,741 for 2005 were secured with collateral. The California Government Code requires all California financial institutions to secure a local government agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of the agency's total deposits. All COMB cash held by a financial institution is, therefore, entirely insured and collateralized.

Investments

Under the provisions of COMB's investment policy, the agency may invest in state or national banks, state or federal saving and loan associations, the State of California Local Agency Investment Fund (LAIF), or may invest as provided in the California Government Code.

In accordance with governmental accounting standards, investments are categorized by level of credit risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by COMB or its agency in COMB's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in COMB's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, by its trust department or agency but not in COMB's name. All of COMB's investments are non-categorized at June 30, 2006 and 2005.

CACHUMA OPERATION AND MAINTENANCE BOARD  
NOTES TO THE FINANCIAL STATEMENTS

DRAFT

Note 3 - Cash and Investments (Continued)

Investments (Continued)

Short-term investments consist of deposits with the LAIF, a fund established by the State of California to assist local agencies in the achievement of maximum earnings. The interest rate on the LAIF deposit varies. For the years ended June 30, 2006 and 2005, the average earnings rate was approximately 4% and 2.256%, respectively. The amounts on deposit as of June 30, 2006 and 2005 were \$739,854 and \$306,500, respectively.

Investment Risk

GASB Statement No. 40 requires a determination as to whether the Board was exposed to the following investment risks at the year end and if so, the reporting of certain related disclosures:

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At June 30, 2006, COMB's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>S&amp;P Rating</u>
Local Agency Investment Fund (LAIF)	Not rated

*Custodial Credit Risk* – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in COMB's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in COMB's name.

At year end, COMB was not exposed to custodial credit risk.

*Concentration of Credit Risk* – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, COMB was not exposed to concentration of credit risk.

*Interest Rate Risk* – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, COMB was not exposed to interest rate risk.

*Foreign Currency Risk* – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, COMB was not exposed to foreign currency risk.



NOTES TO THE FINANCIAL STATEMENTS

**Note 4 - Restricted Cash**

The Cachuma Project Renewal Fund (Renewal Fund) and Cachuma Project Trust Fund (Trust Fund) are two separate funds that have been established through contracts with the U.S. Bureau of Reclamation (Reclamation).

The Trust Fund is a requirement of the Warren Act contract that the Central Coast Water Authority (CCWA) negotiated with Reclamation for the use of the Cachuma Project for transport of State Water Project (SWP) water through Cachuma Project facilities. The memorandum of understanding (MOU) creating the Trust Fund established a two person Fund Committee and an Advisory Committee. One member of the Fund Committee is appointed by the Member Units through COMB or CCRB. The other member of the Fund Committee is appointed by Santa Barbara County Board of Supervisors from the County Water Agency.

The Renewal Fund is a requirement of the Cachuma Project Renewal Master Contract for water service from the Cachuma Project to the five Cachuma Project Member Units. The Cachuma Project Renewal Master Contract is mostly silent on the process for managing the Renewal Fund, other than stating that the Fund Committee must agree on its use.

Both the Trust Fund and the Renewal Fund require annual and five-year plans. Reclamation and the Cachuma Project Member Units agreed to use the committee process for both funds and to have common annual and five-year plans. To date the annual and five-year plans have called for the funds to be used for environmental studies and projects related to the Cachuma Project water rights hearings before the State Water Resources Control Board. COMB manages both the Trust Fund and the Renewal Fund accounts.

Summary of restricted cash as of June 30:

	<u>2006</u>	<u>2005</u>
Trust Fund	\$ 33,320	\$ 390,757
Renewal Fund	<u>5,044</u>	<u>5,384</u>
Total Restricted Cash	<u>\$ 38,364</u>	<u>\$ 396,141</u>

**Note 5 - Accounts Receivable**

In 2004 COMB obtained financing on behalf of Carpinteria Valley Water District for a portion of the special project assessment relating to the Bradbury Dam radial gates project. Carpinteria Valley Water District is solely responsible for the repayment of the loan principal and interest associated with the financial arrangement. See Note 9 for the terms and payment schedule of the loan. Management deems the accounts receivable to be fully collectable.

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 6 - SOD Act Assessments Receivable and Contract Payable**

Bradbury Dam

On July 1, 2002, COMB executed a repayment contract with U.S. Bureau of Reclamation in the Department of Interior of the United States (Reclamation). Under the terms of the agreement and in accordance with the United States Safety of Dams (SOD) Act, COMB will reimburse Reclamation for fifteen percent (15%) of the total amount of SOD Act funds expended by Reclamation to preserve the structural integrity of Bradbury Dam and related Cachuma Project facilities.

COMB entered into a repayment contract with Reclamation when the project was deemed to be substantially complete. The repayment contract, as executed, calls for a repayment of 15% of a total cost of \$45,276,008 or approximately \$6,791,000 plus interest, as appropriate, over a 50-year period. The repayment obligation has been allocated fifty-one and three tenths percent (51.3%) to irrigation uses (Irrigation Allocation) or \$3,483,989, and forty eight and seven tenths percent (48.7%) to municipal and industrial (M&I) uses (M&I Allocation) or \$3,307,412. The Irrigation allocation bears no interest and repayment commences in fiscal year end 2017. The M&I Allocation balance due during the construction period accrued interest in the amount of \$325,477. During construction COMB made advances in the amount of \$1,496,148 that were applied against the M&I Allocation amounts. Accounting for advances made by COMB during construction, the balance due under the M&I Allocation contract was \$2,136,741.

COMB will assess the Member Units annually amounts equal to the obligation due Reclamation. The annual payment requirements at June 30, 2006 to retire the contract as of June 30, 2052, including interest payments at 5.856%, are presented in the following table. This table does not include adjustments that will be made to the Bradbury Dam repayment contract due to additional incurred costs or for payments that will be required under the Lauro Dam repayment contract.

	<u>M&amp;I Allocation</u>		<u>Irrigation Allocation</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2007	\$ 49,902	\$ 114,968	\$ -	\$ 164,870
2008	52,824	112,046	-	164,870
2009	55,917	108,953	-	164,870
2010	59,192	105,678	-	164,870
2011	62,658	102,212	-	164,870
2012-2016	372,821	451,529	-	824,350
2017-2021	495,539	328,811	483,887	1,308,237
2022-2026	658,651	165,699	483,887	1,308,237
2027-2031	155,750	9,120	483,887	648,757
2032-2036	-	-	483,887	483,887
2037-2041	-	-	483,887	483,887
2042-2046	-	-	483,887	483,887
2047-2051	-	-	483,887	483,887
2052	-	-	96,780	96,780
	<u>\$ 1,963,254</u>	<u>\$ 1,499,016</u>	<u>\$ 3,483,989</u>	<u>\$ 6,946,259</u>

ITEM # 5  
PAGE 25

CACHUMA OPERATION AND MAINTENANCE BOARD  
NOTES TO THE FINANCIAL STATEMENTS

**DRAFT**

**Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)**

The interest expense for the SOD Act contract payable was \$114,968 and \$120,337 for the year ended June 30, 2006 and 2005, respectively.

The total cost of the Bradbury Dam SOD Act project is to be reevaluated and the repayment agreement amended as necessary by Reclamation and COMB when all phases of the work are completed. Total project costs as of June 30, 2006 were \$47,714,691, \$2,438,683 higher than the total cost authorized under the repayment contract. It is management's opinion that COMB will be responsible for reimbursing Reclamation 15% of the total construction costs in excess of the costs per the original repayment contract. An additional liability of \$365,802 was recorded at June 30, 2006 representing 15% of the total construction costs incurred to date in excess of \$45,276,008. This is an estimate based on management's best judgment which may be adjusted as more current information becomes available.

Reclamation can also reevaluate the ability of COMB's Member Units to repay the Irrigation Allocation every five years, commencing in fiscal year end 2008. No adjustment has been made to the Irrigation Allocation balance to reflect a discount due to the non-interest bearing feature of the contract.

Lauro Dam

Reclamation and COMB have prepared a repayment agreement for execution for the Lauro Dam SOD Act modification project. Lauro Dam is a Cachuma Project facility on the Santa Barbara county South Coast. The modification project is to improve the dam's seismic stability. When the Lauro Dam SOD Act modification project is completed, COMB and its Member Units will be responsible for reimbursement of 15% of the total modification costs incurred by reclamation and for interest during construction. The maximum expected total cost of the modifications is \$17,314,125. The primary contract for construction of the modification project was awarded by Reclamation in September 2005 and the work was substantially completed by September 2006.

The Lauro Dam SOD Act repayment agreement will have a 50-year term and other terms and conditions similar to the Bradbury Dam SOD Act repayment agreement. The first payment of the Lauro Dam repayment obligation is expected to be made on October 1, 2008. As of June 30, 2006, Reclamation has expended \$4,174,825 on the Lauro Dam SOD Act modification project and the 15% repayment obligation as of the date was \$626,224. A liability of \$660,000 is recorded at June 30, 2006 for repayment of COMB's portion of the project cost to date at plus estimated interest during construction. This is an estimate based on management's best judgment which may be adjusted as more current information becomes available.

Management deems the assessments receivable related to the Bradbury and Lauro Dams SOD Act projects to be fully collectable.

## NOTES TO THE FINANCIAL STATEMENTS

**Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)**

Bradbury Dam repayment contract:	
M&I principal	\$ 1,963,254
Irrigation principal	3,483,989
	<hr/>
Total Bradbury Dam repayment contract obligation excluding interest	5,447,243
Bradbury Dam liability for 15% of additional costs incurred over repayment contract	365,802
Lauro Dam liability for 15% of construction costs	660,000
	<hr/>
Total SOD Act liability	6,473,045
Less current portion	(49,902)
	<hr/>
Long-term portion of SOD Act liability	\$ 6,423,143

**Note 7 - Capital Assets**

The following is a summary of capital assets which include property, plant and equipment at June 30, 2006 and 2005.

	Beginning Balance 2006	Additions	Deletions	Ending Balance 2006
Vehicles	\$ 231,648	\$ 30,749	\$ (20,453)	\$ 241,944
Office furniture and equipment	113,041	13,440	(23,934)	102,547
Field equipment	284,120	22,239	(886)	305,473
Mobile offices used for facilities	97,803	-	-	97,803
Resurfacing	22,350	-	-	22,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	748,962	66,428	(45,273)	770,117
Less accumulated depreciation and amortization	(469,876)	(101,330)	43,844	(527,362)
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 279,086	\$ (34,902)	\$ (1,429)	\$ 242,755
	<hr/>	<hr/>	<hr/>	<hr/>
	Beginning Balance 2005	Additions	Deletions	Ending Balance 2005
Vehicles	\$ 179,422	\$ 55,987	\$ (3,761)	\$ 231,648
Office furniture and equipment	96,661	16,380	-	113,041
Field equipment	256,045	28,079	-	284,120
Mobile offices used for facilities	97,803	-	-	97,803
Resurfacing	22,350	-	-	22,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	652,281	100,446	(3,761)	748,962
Less accumulated depreciation and amortization	(364,271)	(109,366)	3,761	(469,876)
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 288,010	\$ (8,920)	\$ -	\$ 279,086

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 8 - Capital Lease Obligation**

COMB leases the following equipment under an agreement accounted for as a capital lease obligation as of June 30:

	2006	2005
Caterpillar Backhoe Loader payment is due in monthly installments of \$1,294, including interest at 4%; final payment is due in May, 2008. The equipment has a recorded value of \$70,501 with accumulated depreciation of \$43,421 and \$29,321 as of June 30, 2006 and 2005, respectively	\$ 29,811	\$ 43,846
Less current portion	(14,603)	(15,240)
Long-term portion	\$ 15,208	\$ 28,606

The following is a schedule of the minimum payments required under the lease together with the present value at June 30, 2006:

2007	\$ 15,529
2008	15,529
Total minimum lease payments	31,058
Amount representing interest	(1,247)
Present value of lease obligation	\$ 29,811

Interest expense on the capital lease for the year ended June 30, 2006 and 2005 was \$ 1,498 and \$2,047, respectively. Total depreciation expense for this equipment for the years ended June 30, 2006 and 2005 was \$14,100 and \$14,046, respectively.

**Note 9 - Note Payable**

On January 20, 2004 COMB entered into an unsecured interest only loan agreement for \$220,000 with Santa Barbara Bank and Trust. On June 30, 2004 the loan converted to a fully amortizing loan with sixteen quarterly principal and interest payments of \$14,965 each, beginning September 30, 2004, with interest at 4.0% calculated on the unpaid principal balances.

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 9 - Note Payable (Continued)**

The future principal payments as of June 30, 2006 are summarized as follows:

2007	\$	56,100
2008		58,306
Total note payable		114,406
Current portion		(56,100)
Long term portion	\$	58,306

Interest expense for this loan for the years ended June 30, 2006 and 2005 was \$5,679 and \$3,104, respectively.

Changes in long term debt amounts for years ended June 30, 2006 and 2005 were as follows:

	<u>Beginning Balance 2006</u>	<u>Addition</u>	<u>Principal Payments</u>	<u>Ending Balance 2006</u>
Santa Barbara Bank & Trust	\$ 168,584	\$ -	\$ 54,178	\$ 114,406
SOD Act Liabilities	5,494,384	1,025,802	47,141	6,473,045
	\$ 5,662,968	\$ 1,025,802	\$ 101,319	\$ 6,587,451
	<u>Beginning Balance 2005</u>	<u>Addition</u>	<u>Principal Payments</u>	<u>Ending Balance 2005</u>
Santa Barbara Bank & Trust	\$ 220,000	\$ -	\$ 51,416	\$ 168,584
SOD Act Liabilities	5,538,917	-	44,533	5,494,384
	\$ 5,758,917	\$ -	\$ 95,949	\$ 5,662,968

**Note 10 - Joint Powers Insurance Authority**

COMB participates in the property and liability program organized by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). Employees working for CCRB receive the benefits of this plan through the employee services agreement. ACWA/JPIA is a Joint Powers Authority created to provide a self-insurance program to water agencies in the State of California. The ACWA/JPIA is not a component unit of COMB for financial reporting purposes, as explained below.

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 10 - Joint Powers Insurance Authority (Continued)**

ACWA/JPIA provides liability, property and workers' compensation insurance for approximately 300 water agencies for losses in excess of the member agencies specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA/JPIA is governed by a board comprised of members from participating agencies. The board controls the operations of ACWA/JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond the representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA/JPIA.

Additional information and complete financial statements for the ACWA/JPIA are available for public inspection at 5620 Birdcage Street, Suite 200, Citrus Heights, CA, between the hours of 8 a.m. and 5 p.m., Monday through Friday.

**Note 11 - Defined Benefit Pension Plan**

Plan Description

COMB contributes to the California Public Employees Retirement System Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). A menu of benefit provisions, as well as other requirements, is established by State statutes within California Public Employee Retirement Law. COMB selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the Board of Directors' (the "Board") authorization.

CalPERS issues a separate comprehensive annual financial report for the Miscellaneous 2% at 55 Risk Pool. Copies of the annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members in the COMB defined benefit plan (the "Plan") are required to contribute 7% of their annual covered salary. COMB pays this amount to CalPERS on behalf of their employees. The required employer contribution rates for 2006 and 2005 were 9.62% and 5.215%, respectively. The contribution requirements of the Plan's members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 11 - Defined Benefit Pension Plan (Continued)**

Annual Pension Cost

For the years ended June 30, 2006 and 2005, COMB's annual pension cost (APC) of \$153,730 and \$69,117, respectively, was equal to COMB's required and actual contributions. The required contribution for the years ended June 30, 2006 and 2005, was determined as part of the actuarial valuation using the entry-age-normal-actuarial-cost method, with the contributions determined as percentage of pay. The actuarial assumptions included (a) 7.75% and 8.25% investment rate of return (net of administrative expenses), for 2006 and 2005, respectively; (b) projected salary increases of 3.25% to 14.45% and 3.75% to 14.20% a year compounded annually, depending on age, service, and type of employment, attributable to inflation, for 2006 and 2005, respectively, and (c) merit increases. Both (a) and (b) include an inflation component of 3.0% and 3.5%, for 2006 and 2005, respectively. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 56,920	100%	\$ -
2005	69,117	100%	-
2006	153,730	100%	-

Effective for the June 30, 2003 valuation, CalPERS requires mandatory pooling for plans with less than 100 active members. For the current year the pooled employer contribution rate is the same as the stand alone employer contribution rate. The difference between the pool's normal cost and the stand alone normal cost will be phased out over five years, beginning next year.

The schedule for funding progress below represents the recent history of the risk pool's actuarial value of assets, accrued liabilities, and the relationship of the unfunded liability.

Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
June 30, 2003	\$ 2,596,966,545	\$ 2,372,879,034	\$ 224,087,511	91.4%	\$ 725,020,458	30.9%
June 30, 2004	\$ 2,746,095,668	\$ 2,460,944,656	\$ 285,151,012	89.6%	\$ 743,691,970	38.3%

ITEM # 5  
PAGE 31



**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

**Note 12 - Deferred Compensation Plan**

COMB offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are maintained (until paid or made available to the participant or beneficiary) in a trust account administered by State Street Bank and Trust. Participants have sole rights under the plan in an amount equal to the fair market value of the deferred for each participant. Contributions made by COMB for the employees to the plan for the years ended June 30, 2006 and 2005 were \$52,337 and \$53,686, respectively.

**Note 13 - Related Party Transactions**

The Member Units of COMB are the same as the Member Units of another joint powers agency, the Cachuma Conservation and Release Board (CCRB), with the exception of the Santa Ynez Water Conservation District Improvement District No. 1 (ID#1), which is not a voting member of CCRB.

COMB has an Employee Services Agreement with CCRB and ID#1. The costs of materials and supplies, and salaries and related benefits for services performed by COMB under the Employee Services Agreement are recorded by CCRB as operating expenses. CCRB assesses its for Member Units to fund 89.69% of this obligation and receives the 10.31% balance from ID#1, in accordance with provisions of the Employee Services Agreement. These items are not shown as operating expenses in these financial statements. As of June 30, 2006 and 2005, CCRB owed COMB \$63,730 and \$28,729, respectively for these services.

COMB receives and remits the Restricted Cash as described in Note 3 to CCRB.

**Note 14 - Commitments and Contingencies**

Legal Proceedings

COMB is involved in certain matters of litigation that have arisen in the course of conduction business. Specifically, there exists one case of pending litigation. While it is not possible to predict the outcome, it is the opinion of management and its legal counsel that the proceedings will not have a material adverse effect on the financial statements of COMB.

1993 Cachuma Project Authority Bonds

In 1996 COMB merged with the Cachuma Project Authority (CPA) and as a result of this merger COMB became the agency responsible for the oversight and payment of the 1993 CPA bonds. These bonds have not been recorded on the books of COMB since three of the Member Units are obligated under Joint Participation Agreements to make the principal and interest payments on behalf of COMB.

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**DRAFT**

---

**Note 14 - Commitments and Contingencies (Continued)**

1993 Cachuma Project Authority Bonds (Continued)

On August 19, 2004, COMB refinanced the 1993 CPA bonds with the 2004 Cachuma Operation and Maintenance Board Bonds ("Bonds") for \$4,480,000 at varying interest rates from 3.000% to 4.625% on behalf of three Member Units. Each of the three Member Unit participants has entered into one or more joint participation agreements with COMB pursuant to which the Member Unit is obligated to make certain payments to COMB with respect to certain additions, betterments, extensions or improvements to such Member Unit's water system. Such payments, when received by or on behalf of COMB, will constitute revenues pledged to secure the payment of the principal of and interest on the Bonds.

Task Orders

There were no open task orders at June 30, 2006.

**Note 15 - Comparative Information**

The presentation of the June 30, 2005 financial statements has been modified to confirm with the June 30, 2006 presentation.

**DRAFT**

SUPPLEMENTAL INFORMATION

ITEM # 5  
PAGE 34

**CACHUMA OPERATION AND MAINTENANCE BOARD  
 SUPPLEMENTAL SCHEDULE OF OPERATION AND MAINTENANCE,  
 GENERAL AND ADMINISTRATIVE AND OTHER MAINTENANCE EXPENSE  
 For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operation and Maintenance Expense		
Salaries and benefits	\$ 663,240	\$ 583,706
Contract labor	64,796	94,895
Equipment	4,666	7,720
Equipment rental	3,923	3,019
Materials and supplies	35,785	54,865
Vehicle maintenance	26,050	24,009
Other expenses	36,372	36,928
Total operation and maintenance expense	<u>\$ 834,832</u>	<u>\$ 805,142</u>
General and Administrative Expense		
General manager's salary	\$ 87,535	\$ 101,425
Administrative manager's salary	69,466	80,133
Administrative assistant's salary	51,283	47,833
Accrued wages and vacation	2,203	8,142
Directors fees and expense	12,515	9,879
Legal and audit	61,922	66,538
Liability insurance	35,046	27,676
Health insurance and workers compensation	46,737	43,430
Retirement plan contributions	33,974	27,421
Payroll tax expense	19,543	17,689
Office supplies and expense	8,557	6,009
Administrative travel and conferences	4,401	1,335
Membership dues	4,654	4,396
Employee training	2,285	1,653
Public information	120	915
Other expenses	35,147	31,937
Total general and administrative expense	<u>\$ 475,388</u>	<u>\$ 476,411</u>
Other Maintenance Expense		
Flow meter upgrades and SCADA system	44,339	5,587
Seismic consultant	1,200	1,058
COMB office / garage building	62,523	51,778
SCC improvement plan and design	66,471	93,851
SCC life expectancy study	75,401	69,935
North portal rehabilitation	-	156,933
SCC Valves and control station rehabilitation	469,553	663,057
SCC structure rehabilitation	275,446	262,108
Bradbury Dam Radial Gates project	2,966	10,769
GIS and mapping	14,275	12,937
Storm damage	109,749	16,399
Lauro debris basin	14,068	-
Total other maintenance expense	<u>\$ 1,135,991</u>	<u>\$ 1,344,412</u>

*See accompanying notes*

CACHUMA OPERATION AND MAINTENANCE BOARD
SUPPLEMENTAL SCHEDULE OF OPERATION AND MAINTENANCE, GENERAL AND ADMINISTRATIVE,
OTHER MAINTENANCE EXPENSE AND OTHER BUDGETED EXPENSES
ACTUAL TO BUDGET
For the Year Ended June 30, 2006

Table with columns: Description, Budget Amounts (Original, Final), Actual Amounts, and Variance Favorable (Unfavorable). Rows include Operation and Maintenance Expense, General and Administrative Expense, Other Maintenance Expense, and Other Budgeted Expenses.

# CACHUMA OPERATION AND MAINTENANCE BOARD WATER STORAGE REPORT

MONTH: **October 2006**

**GLEN ANNIE RESERVOIR**

Capacity at 385' elevation:	518 Acre Feet
Capacity at sill of intake at 334' elevation:	21 Acre Feet
Stage of Reservoir Elevation	345.00 Feet
Water in Storage	74.06 Acre Feet

**LAURO RESERVOIR**

Capacity at 549' elevation:	600 Acre Feet
Capacity at sill of intake at 512' elevation:	84.39 Acre Feet
Stage of Reservoir Elevation	546.90 Feet
Water in Storage	547.83 Acre Feet

**ORTEGA RESERVOIR**

Capacity at 460' elevation:	65 Acre Feet
Capacity at outlet at elevation 440':	0 Acre Feet
Stage of Reservoir Elevation	449.70 Feet
Water in Storage	28.30 Acre Feet

**CARPINTERIA RESERVOIR**

Capacity at 384' elevation:	45 Acre Feet
Capacity at outlet elevation 362':	0 Acre Feet
Stage of Reservoir Elevation	374.60 Feet
Water in Storage	22.63 Acre Feet

**TOTAL STORAGE IN RESERVOIRS**

Change in Storage	-27.43 Acre Feet
-------------------	------------------

**CACHUMA RESERVOIR**

Capacity at 750' elevation:	188,030 Acre Feet
Capacity at sill of tunnel 660' elevation:	26,109 Acre Feet

Stage of Reservoir Elevation	746.06 Feet
------------------------------	-------------

Water in Storage	176,364 AF
------------------	------------

Area	2,895
------	-------

Evaporation	861.2 AF
-------------	----------

Inflow	-147.6 AF
--------	-----------

Downstream Release WR8918	0 AF
---------------------------	------

Fish Release	409.1 AF
--------------	----------

<b>Spill/Seismic Release</b>	0 AF
------------------------------	------

State Project Water	100 AF
---------------------	--------

Change in Storage	-3,839 AF
-------------------	-----------

Tecolote Diversion	2,560.4 AF
--------------------	------------

**Rainfall: Month: 0.16 Season: 0.16**

**Percent of Normal:**

ITEM # 6a  
PAGE 1

**06-07 ENTITLEMENT**

**CACHUMA OPERATION AND MAINTENANCE BOARD  
WATER PRODUCTION AND WATER USE REPORT  
FOR THE MONTH OF OCTOBER 2006 AND THE WATER YEAR TO DATE**

(All in rounded Acre Feet)

	MONTH				YTD	
	TOTAL				TOTAL	
<b>WATER PRODUCTION:</b>						
Cachuma Lake (Tec. Diversion)	2,560				2,560	
Tecolote Tunnel Infiltration	181				181	
Glen Anne Reservoir	0				0	
Cachuma Lake (County Park)	5				5	
State Water Diversion Credit	100				100	
Gibraltar Diversion Credit	0				0	
Bishop Ranch Diversion	0				0	
Meter Reads	2,527				2,527	
So. Coast Storage gain/(loss)	(27)				(27)	
<b>Total Production</b>	<b>2,747</b>				<b>2,747</b>	
<b>Total Deliveries</b>	<b>2,600</b>				<b>2,600</b>	
Unaccounted-for	147				147	
% Unaccounted-for	5.36%				5.36%	
	<b>GWD</b>	<b>SB CITY</b>	<b>MWD</b>	<b>CVWD</b>	<b>SYRWCD</b>	<b>TOTAL</b>
					<b>I.D. #1</b>	
<b>WATER USE:</b>						
M&I	1,085	590	281	122	5	2,083
Agricultural	271	0	51	122	0	444
<b>TOTAL FOR MONTH</b>	<b>1,356</b>	<b>590</b>	<b>332</b>	<b>244</b>	<b>5</b>	<b>2,527</b>
Same Mo/prev. yr	1,197	379	312	290	6	2,184
M&I Yr to date	1,085	590	281	122	5	2,083
Ag. Yr to date	271	0	51	122	0	444
<b>TOTAL YTD</b>	<b>1,356</b>	<b>590</b>	<b>332</b>	<b>244</b>	<b>5</b>	<b>2,527</b>
<b>USAGE % YTD</b>	<b>9.7%</b>	<b>4.2%</b>	<b>9.8%</b>	<b>5.4%</b>	<b>0.2%</b>	<b>6.5%</b>
<b>Previous Year/YTD</b>	<b>1,197</b>	<b>379</b>	<b>312</b>	<b>290</b>	<b>6</b>	<b>2,184</b>
Evaporation	28	38	4	10	0	80
Evaporation, YTD	28	38	4	10	0	80
Entitlement	9,322	8,277	2,651	2,813	2,651	25,714
Carryover	4,884	6,790	715	1,836	0	14,225
Carryover Balances Spilled YTD	0	0	0	0	0	0
Surplus^^	0	0	0	0	0	0
State Water Exchange^	78	53	53	35	(219)	0
Transfers*/Adjustment***	0	0	0	0	0	0
Passthrough H2O**	0	(6)	0	0	0	(6)
<b>TOTAL AVAILABLE</b>	<b>14,284</b>	<b>15,114</b>	<b>3,419</b>	<b>4,684</b>	<b>2,432</b>	<b>39,933</b>
<b>REMAINING BALANCE</b>	<b>12,900</b>	<b>14,486</b>	<b>3,083</b>	<b>4,430</b>	<b>2,427</b>	<b>37,326</b>

\*  
 \*\* City relinquished 6 AF per "Passthrough" agrmt for October 2006 (No Passthrough during spill conditions).  
 State Water Deliveries for October to Lake Cachuma were MWD 0 AF; CVWD 0 AF  
 GWD 0 AF(Morehart 0 AF); City of S.B. 0 AF; and LaCumbre 100 AF; (Ratheon 0 AF).  
 ^ Per SWP Exchange Agrmt GWD received 78 AF; MWD received 53;  
 City of SB received 53 AF; and CVWD received 35 AF from ID#1 in October 2006.

PERCENT OF WATER YEAR ELAPSED: 8.3%

COMB STATE WATER PROJECT ACCOUNTING - SOUTH COAST ONLY (Does not include SYRWCD, ID#1 or exchange water)

MONTH	DELVRD TO LAKE	Delvd CVWD		Transf from CV		Delvd S.B.		Delvd GWD		Delvd LCMWC		Delvd RSYS		Delvd MLC	
		to Lake	to SC	to Lake	to MW	to Lake	to SC	to Lake	to SC	to Lake	to SC	to Lake	to SC	to Lake	to SC
2005															
Bal. Fwvd		0	0	0	0	0	0	0	0	0	0	0	0	0	0
January	45	0	0	12	0	12	0	18	50	3	-76	0	0	0	0
February		0	0	0	0	0	0	0	0	0	0	0	0	0	0
March		0	0	0	0	0	0	0	0	0	0	0	0	0	0
April		0	0	0	0	0	0	0	0	0	0	0	0	0	0
May		0	0	0	0	0	0	0	0	0	0	0	0	0	0
June		0	0	0	0	0	0	0	0	0	0	0	0	0	0
July		0	0	0	0	0	0	0	0	0	0	0	0	0	0
August		0	0	0	0	0	0	0	0	0	0	0	0	0	0
September		0	0	0	0	0	0	0	0	0	0	0	0	0	0
October		0	0	0	0	0	0	0	0	0	0	0	0	0	0
November	185	0	0	0	0	0	0	0	0	131	95	0	20	0	34
December	276	0	0	0	0	0	0	0	0	196	0	30	0	0	50
Total	506	0	0	12	0	12	0	18	50	330	95	50	0	84	84

COMB STATE WATER PROJECT ACCOUNTING - SOUTH COAST ONLY (Does not include SYRWCD, ID#1 or exchange water)

MONTH	DELVRD TO LAKE	Delvd CVWD		Transf from CV		Delvd S.B.		Delvd GWD		Delvd LCMWC		Delvd RSYS		Delvd MLC	
		to Lake	to SC	to Lake	to MW	to Lake	to SC	to Lake	to SC	to Lake	to SC	to Lake	to SC	to Lake	to SC
2006															
Bal. Fwvd		0	0	0	0	0	0	0	0	0	0	0	0	0	0
January		0	0	0	0	0	0	0	0	0	-95	0	0	0	0
February	111	0	0	0	0	0	0	0	0	111	0	0	0	0	0
March		0	0	0	0	0	0	0	0	0	0	0	0	0	0
April		0	0	0	0	0	0	0	0	0	0	0	0	0	0
May		0	0	0	0	0	0	0	0	0	0	0	0	0	0
June	60	0	0	0	0	0	0	0	0	60	0	0	0	0	0
July	121	0	0	0	0	0	0	0	0	66	0	55	0	0	0
August	111	0	0	0	0	0	0	0	0	111	0	0	0	0	0
September	150	0	0	0	0	0	0	0	0	150	0	0	0	0	0
October	100	0	0	0	0	0	0	0	0	100	0	0	0	0	0
November	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
December	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	653	0	0	0	0	0	0	0	0	598	0	55	0	0	0



## Operations Report – October 2006

Cachuma Project water usage for the month of October 2006 was 2,527 acre-feet, compared with 2,184 acre-feet for the same period in 2005. Cachuma Project water use for the 12 months ending 31 October 2006 was 24,284 acre-feet, compared with 27,177 acre-feet for the 12 months ending 31 October 2005.

The average flow from Lake Cachuma into the Tecolote Tunnel was 83 acre-feet per day. Lake elevation was 747.35 feet at the beginning of the month and 746.06 feet at the end. Recorded rainfall at Bradbury Dam was 0.16 inches for the month and 0.16 inches for the rainfall season, which commenced on July 1, 2006.

Santa Barbara wheeled 533 acre-feet of Gibraltar water through Lauro Reservoir during the month. 100 acre-feet of State Water Project water was wheeled through Cachuma Project facilities and delivered to South Coast Member Units during the month.

Staff completed and submitted four project information forms for COMB Capital Improvement Projects to be included in the Integrated Regional Water Management Plan (IRWMP). The projects included were the Second Pipeline of the SCC, the Lauro Debris Basin Project, the SCC Vent Structure Modification and Rehabilitation, and the rehabilitation of 26 SCC stream crossings. It is important to get project into the plan to be eligible for bond funding. Staff will continue to evaluate future project to determine potential for inclusion in this process. In the near future the SCC Capital Improvement Program will be integrated into the IRWMP process.

Structure rehabilitation continued this month with work on blow-off piping. Training on the welding of HDPE occurred for use with blow-off structures. Staff welded one section of HDPE pipe for use as discharge piping at a blow-off. This piping was installed and tested. New covers were designed and ordered for meter vaults in the Carpinteria Reach. These covers are constructed of aluminum for low corrosion and light weight properties. One new cover was installed and tested. This work will continue through the fall until first rains.

Miscellaneous work completed this month includes:

- Weed abatement continued at Glen Anne Reservoir with California Department of Forestry.
- Corona Del Mar Water Turnout electrical work continued.
- Staff participated in a Tri-Counties training seminar for Distribution Certification continuing education hours.
- Fire extinguisher training for entire staff was conducted with large test fires.
- Work continued on the COMB GIS system.
- Yard cleanup was conducted on the Pesticide and Flammable Material Sheds.

Routine operation and maintenance activities conducted during the month included:

- Sample water at North Portal Intake Tower
- Complete Maintenance Management Program work orders
- Read anode rectifiers and monitor cathodic protection systems
- Monitor conduit right-of-way and respond to Dig Alert reports
- Read piezometers and underdrains at Glen Anne, Lauro and Ortega Dams
- Read meters, conduct monthly dam inspections, and flush venture meters



Brett Gray  
Operations Supervisor



# United States Department of the Interior

BUREAU OF RECLAMATION  
Mid-Pacific Regional Office  
2800 Cottage Way  
Sacramento, California 95825-1898

IN REPLY  
REFER TO:  
MP-440  
WTR-4.00

OCT 30 2006

RECEIVED

NOV 03 2006

CACHUMA O&M BOARD

Ms. Kathleen A. Rees  
Acting Manager-Secretary-Treasurer  
Cachuma Operation and Maintenance  
Board  
3301 Laurel Canyon Road  
Santa Barbara, California 93105

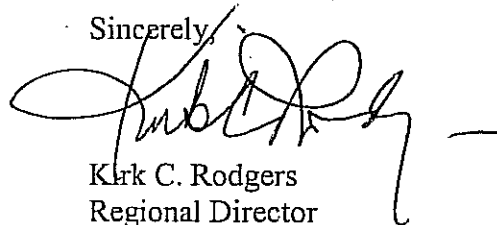
Subject: Safety of Dams Contract No. 05-WC-20-2923 Between the United States and  
Cachuma Operation and Maintenance Board (Board) – Lauro Dam - Cachuma  
Project

Dear Ms. Rees:

Enclosed are three bluebound originals of Contract No. 05-WC-20-2923. If the enclosed contract is acceptable to the Board, please have the authorized officials of the Board sign each of the originals. All of the originals of this contract should then be returned to this office at the above address, Attention: Ms. Leslie Barbre (MP-440), for execution by the Regional Director of the Bureau of Reclamation's Mid-Pacific Region. Please note that the contract will be dated after execution by the Regional Director. In addition, an original board resolution approving the contract as to form and authorizing the designated officials to sign the contract is to be submitted along with the contracts.

If you have any questions, please contact Ms. Kay Moore, Water Rights and Contracts Branch, at 916-978-5245 (TDD 916-978-5245).

Sincerely,



Kirk C. Rodgers  
Regional Director

Enclosures - 3

ITEM # 7a  
PAGE 1

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
Cachuma Project, California

CONTRACT BETWEEN THE UNITED STATES OF AMERICA AND  
THE CACHUMA OPERATION AND MAINTENANCE BOARD -  
FOR THE REPAYMENT OF FUNDS EXPENDED FOR FEDERALLY  
PERFORMED SAFETY OF DAMS ACT MODIFICATION PROGRAM  
AT LAURO DAM AND RESERVOIR

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble .....	1
	Explanatory Recitals .....	1-3
1	Term of the Contract .....	3
2	Reclamation Safety of Dams Act Modifications .....	5
3	Repayment Obligation--Terms of Repayment .....	5-7
4	Title to Remain in the United States .....	8
5	Charges for Delinquent Payments.....	8
6	General Obligation--Benefits Conditioned upon Payment .....	8-9
7	Confirmation of Contract.....	9
8	Contingent on Appropriation or Allotment of Funds .....	9
9	Officials not to Benefit.....	9
10	Assignment Limited--Successors and Assigns Obligated.....	9
11	Books, Records, and Reports .....	9-10
12	Rules, Regulations, and Determinations .....	10
13	Medium for Transmitting Payments .....	10
14	Contract Drafting Considerations .....	10

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
15	Notices .....	10
	Signature Page.....	11
	Exhibit A - Cost Sensitivity Study Identified in the Safety of Dams Design/Modification Phase Project Management Plan - Lauro Dam, Cachuma Project, California, Dated March 2005	
	Exhibit B - Safety of Dams Design/Modification Phase Project Management Plan - Laura Dam, Cachuma Project, Dated November 2005	
	Exhibit C - Municipal and Industrial Annual Payment Schedule	
	Exhibit D - Irrigation Annual Payment Schedule	
	Exhibit E - Five (5)-Year Payment Capacity Schedule	

1 UNITED STATES  
2 DEPARTMENT OF THE INTERIOR  
3 BUREAU OF RECLAMATION  
4 Cachuma Project, California

5 CONTRACT BETWEEN THE UNITED STATES OF AMERICA AND  
6 THE CACHUMA OPERATION AND MAINTENANCE BOARD  
7 FOR THE REPAYMENT OF FUNDS EXPENDED FOR FEDERALLY  
8 PERFORMED SAFETY OF DAMS ACT MODIFICATION PROGRAM  
9 AT LAURO DAM AND RESERVOIR

10 THIS CONTRACT, made this \_\_\_\_\_ day of \_\_\_\_\_, 2006, in  
11 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof or  
12 supplementary thereto, including the Reclamation Safety of Dams Act of November 2, 1978, as  
13 amended August 28, 1984 (92 Stat. 2471), October 27, 2000 (114 Stat. 1441), January 10, 2002 (115  
14 Stat. 2230), and December 3, 2004 (118 Stat. 2627), all collectively hereinafter referred to as the  
15 Federal Reclamation Laws, between the UNITED STATES OF AMERICA, hereinafter referred to as  
16 the United States, acting through the Regional Director, Mid-Pacific Region, Bureau of Reclamation  
17 (“Contracting Officer”), and the CACHUMA OPERATION AND MAINTENANCE BOARD  
18 (“Contractor”), a California Joint Powers Authority consisting of the Carpinteria Valley Water District,  
19 the Montecito Water District, the Goleta Water District, the City of Santa Barbara, and the Santa Ynez  
20 River Water Conservation District, Improvement District No. 1, (“Member Units”), duly organized,  
21 existing, and acting pursuant to the laws thereof, with its principal place of business in Santa Barbara,  
22 California.

23 EXPLANATORY RECITALS

24 A. The United States constructed Lauro Dam (Dam) and other related  
25 facilities, and acquired certain lands, water rights, and other property, all referred to as the Cachuma  
26 Project (Project).

27           B.       As a result of acquisition of new seismic data, and changes in  
28 state of art criteria, the United States has determined that the Dam and related facilities must be  
29 modified pursuant to the Reclamation Safety of Dams (SOD) Act, as amended, to preserve its  
30 structural integrity.

31           C.       The failure of the Dam would cause extensive flood damage downstream,  
32 potential loss of life, and would reduce the water supply available for Project purposes.

33           D.       The Reclamation SOD Act authorizes the Secretary of the Interior, through the  
34 Bureau of Reclamation, to perform the corrective work, provided that fifteen percent (15%) of the costs  
35 incurred to correct the safety problems, including appropriate interest, are reimbursed by Project  
36 beneficiaries.

37           E.       The estimated cost of the necessary SOD Act modification (Modification) to the  
38 Dam and related facilities is \$17,314,125 which is the "reasonable maximum cost" as determined by  
39 Reclamation, and which is set forth in Exhibit A. The "reasonable minimum cost" is estimated at  
40 \$9,062,514, and the "most likely cost" at \$12,679,942. Reclamation is committed to using its best  
41 efforts to manage this Modification so as to minimize costs and to provide a timely solution that will  
42 reduce the risk of Dam failure.

43           F.       In January 2005, Reclamation completed a Final Environmental Assessment for  
44 the SOD Modification of the Dam and issued a Finding of No Significant Impact on February 4, 2005,  
45 as amended by letter dated April 4, 2005.

46 G. The parties agree that fifteen percent (15%) of the actual total  
47 Modification cost, less allowable cultural resources costs, plus appropriate interest, is reimbursable  
48 pursuant to this Contract.

49 TERM OF THE CONTRACT

50 1. (a) This Contract shall become effective on the date first written above, and shall  
51 remain in effect for a term of 50 years from the date of Substantial Completion as defined in  
52 Article 3(a) of this Contract, or until the Contractor has fully repaid to the United States the amount  
53 described in Article 3(f), whichever occurs first.

54 RECLAMATION SAFETY OF DAMS ACT MODIFICATION

55 2. (a) The United States shall finance and perform all appropriate Modification of the  
56 Dam and related facilities. Such Modification shall include, but are not limited to, the following  
57 activities:

- 58 (1) construction of filter and drain zones downstream of the impervious core;  
59 (2) construction of a filter drain; and  
60 (3) modification of the outlet works butterfly valve hydraulic system;

61 (b) In addition to the above, costs incurred by the United States for previous  
62 studies and investigations related to the Modification beginning July 8, 2002 (the beginning date  
63 of the corrective action study phase), and negotiations with the Contractor of this Contract are  
64 considered components of the amount expended as part of the Modification.



65 (c) The Modification charges shall not include or duplicate any costs  
66 chargeable to other projects (including SOD review or modification for other projects or general  
67 scientific or technical analysis not directly related to the Dam).

68 (d) Reclamation will provide the Contractor information on the Modification  
69 status, cost expenditures, and other issues arising from the Modification, consistent with the  
70 Communications Plan, as may be amended from time to time by mutual agreement of the parties,  
71 which was included in the final "Safety of Dams, Design/Modification Phase, Project  
72 Management Plan - Lauro Dam, Cachuma Project, California" dated March 2005, as superseded  
73 by the Safety of Dams, Design/Modification Phase, Project Management Plan, dated  
74 November 2005, attached as Exhibit B, and incorporated by this reference.

75 (e) When total actual costs of the Modification have been identified, the  
76 Contracting Officer shall provide to the Contractor, in writing, a final draft cost report and total  
77 repayment obligation for the Modification to the Dam. The Contractor shall have one hundred and  
78 twenty (120) days from receipt of this final draft to review and comment on the final cost report and  
79 the Contractor's final total repayment obligation. The Contractor shall have access to  
80 documentation relating to the Modification costs throughout the one hundred and twenty (120)-day  
81 period. The Contracting Officer shall issue the final cost report, final total repayment obligation and  
82 the annual irrigation (Irrigation) and municipal and industrial (M&I) repayment after consultation  
83 with the Contractor, not later than sixty (60) days after receipt of the Contractor's comments. The  
84 Contractor may appeal the Contracting Officer's decision on the final cost report and final total

85 repayment obligation to the Commissioner of Reclamation, who shall make the final administrative  
 86 agency determination. The Contracting Officer's final cost report, final total repayment obligation,  
 87 and the annual Irrigation and M&I repayment schedules shall take effect during the pendency of any  
 88 appeal.

89 REPAYMENT OBLIGATION--TERMS OF REPAYMENT

90 3. (a) The Contractor shall repay to the United States fifteen percent (15%) of the total  
 91 actual cost incurred by the United States for the Modification described in Article 2, and as determined  
 92 in accordance with provisions of Article 2(e). This repayment obligation shall be allocated fifty and  
 93 seventy-two hundredths percent (50.72%) to Irrigation uses (Irrigation Allocation), and forty-nine and  
 94 twenty-eight hundredths percent (49.28%) to M&I uses (M&I Allocation). The beginning repayment  
 95 date for the M&I Allocation shall be October 1, of the year following the determination that the  
 96 Modification is deemed "Substantially Complete," and shall be an amount equal to fifteen percent  
 97 (15%) of the then-identified total actual costs. Substantially Complete shall mean that time when the  
 98 majority of the construction work identified in Article 2 has been completed, the Dam and reservoir  
 99 can be operated within normal limits, and the risk that existed prior to the Modification is lowered to  
 100 an acceptable level. The Contracting Officer shall provide the Contractor written notification of the  
 101 date the Modification is deemed Substantially Complete.

102 (b) The M&I Allocation shall include interest during construction (IDC), which  
 103 commences on the date when the first expenditure of Federal funds is made toward the completion of  
 104 the Modification described in Article 2. IDC will cease to accrue on the date the Reclamation SOD  
 105 Act Modification is deemed Substantially Complete as defined in Article 3(a). The M&I Allocation, as

106 determined when the Modification is deemed Substantially Complete, is currently projected to be  
 107 \$1,279,860. The schedule of M&I annual payments as shown on Exhibit C shall be adjusted, if  
 108 necessary, to reflect the M&I Allocation based on actual costs as of the date the Modification is  
 109 deemed Substantially Complete and shall again be adjusted, if necessary, when the final reimbursable  
 110 cost of the Modification has been determined. The interest rate used in this Contract, is calculated in  
 111 accordance with the Act of August 28, 1984 (Public Law 98-404, 98 Stat. 1481); which says in part  
 112 that "The interest rate used shall be determined by the Secretary of the Treasury, taking into  
 113 consideration average market yields on outstanding marketable obligations of the United States with  
 114 remaining periods to maturity comparable to the application reimbursement period during the month  
 115 preceding the fiscal year in which the interest rates are incurred. To the extent that more than one  
 116 interest rate is determined pursuant to the preceding sentence, the Secretary of the Treasury shall  
 117 establish an interest rate at the weighted average of the rates so determined."

118 (c) The beginning repayment date for the Irrigation Allocation shall be October 1,  
 119 2016. Reclamation's Irrigation payment capacity study shows that the Contractor at this time, does not  
 120 have an ability to pay for the Irrigation Allocation. However, the Contractor agrees to make payments  
 121 to repay the Irrigation Allocation beginning October 1, 2016, and ending October 1, 2056. The  
 122 Contractor shall pay to the United States the annual payment as identified in Exhibit D which is based  
 123 on the estimated Irrigation Allocation of \$1,317,258. The schedule of Irrigation annual payments  
 124 shown on Exhibit D shall be adjusted, if necessary, to reflect the Irrigation Allocation based on the  
 125 actual costs as of the date the Modification is deemed Substantially Complete and shall again be  
 126 adjusted, if necessary, when the final reimbursable cost of the Modification has been determined.

127           (d)     The Contracting Officer will perform an Irrigation payment capacity study to  
128 reevaluate the Member Units Irrigation ability to pay at five (5)-year intervals, the first to be completed  
129 October 1, 2006, and the last on October 1, 2056, as shown on Exhibit E. If in the opinion of the  
130 Contracting Officer and in consultation with the Contractor, the updated payment capacity study  
131 indicates that there is an Irrigation ability to pay, greater than the annual payment shown on Exhibit D,  
132 the Contractor shall pay that amount for the next five (5)-year period. Any updated payment capacity  
133 study will be based on the residual farm income of the Member Units' irrigators, after deductions for  
134 on-farm production costs and investment expenses, less water distribution and other operating costs of  
135 the Member Units and considering the financial conditions of the Member Units. The Contractor and  
136 the Contracting Officer shall consult on the updated payment capacity no later than one (1) year prior to  
137 the upcoming five (5)-year period.

138           (e)     The Contractor reserves the right to prepay all or any portion of the outstanding  
139 balance of the M&I and/or Irrigation Allocation at any time without penalty.

140           (f)     The Contracting Officer shall make a good faith effort to keep the total actual  
141 costs of the Modification below the "reasonable maximum cost" as discussed in Exhibit A, and to  
142 bring the total actual costs as close to the "reasonable minimum cost" as possible. In the event the  
143 actual cost of the Modification exceeds \$17,314,125, the parties shall consult and determine a method  
144 whereby the reimbursable amount over the "reasonable maximum cost" will be paid.

TITLE TO REMAIN IN THE UNITED STATES

145 4. (a) Title to all the Project facilities shall be and remain in the name of the United  
146 States unless otherwise provided by Congress, notwithstanding the full payment to the United States, of  
147 the Contractor's repayment obligations under this Contract.

148 (b) The rights and obligations created hereby are supplementary to and do not  
149 supersede or affect the rights and obligations under any prior contracts between the United States and  
150 the Contractor.

CHARGES FOR DELINQUENT PAYMENTS

152 5. (a) The Contractor shall be subject to interest, administrative, and penalty charges  
153 on delinquent payments. If a payment is not received by the due date, the Contractor shall pay an  
154 interest charge on the delinquent payment for each day the payment is delinquent beyond the due date.  
155 If a payment becomes 60 days delinquent, in addition to the interest charge, the Contractor shall pay an  
156 administrative charge to cover additional costs of billing and processing the delinquent payment. If a  
157 payment is delinquent 90 days or more, in addition to the interest and administrative charges, the  
158 Contractor shall pay a penalty charge for each day the payment is delinquent beyond the due date,  
159 based on the remaining balance of the payment due at the rate of 6 percent per year. The Contractor  
160 shall also pay any fees incurred for debt collection services associated with a delinquent payment.

161 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in the  
162 Federal Register by the Department of the Treasury for application to overdue payments or the interest  
163 rate of 0.5 percent per month. The interest charge rate will be determined as of the due date and remain  
164 fixed for the duration of the delinquent period.

165 (c) When a partial payment on a delinquent account is received, the amount  
166 received shall be applied first to the penalty charges, second to the administrative charges, third to the  
167 accrued interest, and finally to the overdue payment.

GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

169 6. (a) The obligation of the Contractor to pay the United States as provided in this  
170 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation  
171 may be distributed among the Contractor's Member Units and notwithstanding the default of individual  
172 Member Units in their obligation to the Contractor.

ITEM # 7a  
PAGE 11

173 (b) The payment of charges becoming due pursuant to this Contract is a condition  
174 precedent to receiving benefits under this Contract. The United States shall not make water available  
175 to the Contractor through Project facilities during any period in which the Contractor may be in arrears  
176 for more than 12 months in the payment of any Reclamation Safety of Dams Act charges due the  
177 United States. The Contractor shall not deliver water under the terms and conditions of this Contract  
178 for lands or parties that in arrears more than 12 months in the payment of Reclamation Safety of Dams  
179 Act charges as levied or established by the Contractor.

180 CONFIRMATION OF CONTRACT

181 7. The Contractor, after the execution of this Contract, shall promptly seek to secure a  
182 decree of a court of competent jurisdiction of the State of California, confirming the execution of this  
183 Contract. The Contractor shall furnish the United States a certified copy of the final decree, the  
184 validation proceedings, and all pertinent supporting records of the court approving and confirming this  
185 Contract and decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This  
186 Contract shall not be binding on the United States until such final decree has been secured.

187 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

188 8. The expenditure or advance of any money or the performance of any obligation of the  
189 United States under this Contract shall be contingent upon appropriation or allotment of funds.  
190 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations  
191 under this Contract. No liability shall accrue to the United States in case funds are not appropriated or  
192 allotted.

193 OFFICIALS NOT TO BENEFIT

194 9. No Member of or Delegate to the Congress, Resident Commissioner, or official of the  
195 Contractor shall benefit from this Contract other than as a water user or landowner in the same manner  
196 as other water users or landowners.

197 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

198 10. The provisions of this Contract shall apply to and bind the successors and assigns of the  
199 parties hereto, but no assignment or transfer of this Contract or any right or interest therein shall be  
200 valid until approved in writing by the Contracting Officer.

201 BOOKS, RECORDS, AND REPORTS

202 11. The Contractor shall establish and maintain accounts and other books and records  
203 pertaining to administration of the terms and conditions of this Contract, including the Contractor's  
204 financial transactions. Reports shall be furnished to the Contracting Officer in such form and on such

205 date or dates as the Contracting Officer may require. Subject to applicable Federal laws and  
206 regulations, each party to this Contract shall have the right during office hours to examine and make  
207 copies of the other party's books and records relating to matters covered by this Contract.

208 RULES, REGULATIONS, AND DETERMINATIONS

209 12. The Contracting Officer shall have the right to make determinations necessary to  
210 administer this Contract that are consistent with the expressed and implied provisions of this Contract,  
211 the laws of the United States and the State, and the rules and regulations promulgated by the Secretary  
212 of the Interior. Such determinations shall be made in consultation with the Contractor.

213 MEDIUM FOR TRANSMITTING PAYMENTS

214 13. (a) All payments from the Contractor to the United States under this Contract shall  
215 be by the medium requested by the United States on or before the date payment is due. The required  
216 method of payment may include checks, wire transfers, or other types of payment specified by the  
217 United States.

218 (b) Upon execution of the Contract, the Contractor shall furnish the Contracting  
219 Officer with the Contractor's taxpayer's identification number (TIN). The purpose for requiring the  
220 Contractor's TIN is for collecting and reporting any delinquent amounts arising out of the Contractor's  
221 relationship with the United States.

222 CONTRACT DRAFTING CONSIDERATIONS

223 14. Articles 1 through 4 of this Contract have been drafted, negotiated, and reviewed by the  
224 parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and no one  
225 party shall be considered to have drafted the stated articles.

226 NOTICES

227 15. Any notice, demand, or request authorized or required by this Contract shall be deemed  
228 to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered to the  
229 Regional Director, Mid-Pacific Region, Bureau of Reclamation, 2800 Cottage Way, Sacramento,  
230 California 95825-1898, and on behalf of the United States, when mailed, postage prepaid, or delivered  
231 to the General Manager, Cachuma Operation and Maintenance Board, 3301 Laurel Canyon Road,  
232 Santa Barbara, California 93105-2017. The designation of the addressee or the address may be  
233 changed by notice given in the same manner as provided in this Article for other notices.

234 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of  
235 the day and year first above written.

236 UNITED STATES OF AMERICA

237 By: \_\_\_\_\_  
238 Regional Director, Mid-Pacific Region  
239 Bureau of Reclamation

240 (SEAL)

241 (SEAL) CACHUMA OPERATION AND  
242 MAINTENANCE BOARD

243 By: \_\_\_\_\_  
244 C. Charles Evans  
245 President, Board of Directors

246 Attest:

247 \_\_\_\_\_  
248 Kathleen A. Rees  
249 Secretary of the Board

250 Approved as to Form:

251 By: \_\_\_\_\_  
252 William H. Hair  
253 General Counsel



EXHIBIT A

Cost Sensitivity Study Identified in the Safety of Dams Design/Modification Phase Project  
Management Plan - Lauro Dam, Cachuma Project, California, Dated March 2005

## Cost Sensitivity Study

A cost sensitivity analysis was performed to better understand and identify budget and schedule risk. The 'Most Likely' category represents a set of assumptions that are reasonably expected to occur including encountering some unexpected problems or conditions that would be typical for a project of this type. The 'Reasonable Minimum' scenario represents a situation where few problems are encountered, including a fairly low bid for construction and a reasonably short construction duration. The 'Reasonable Maximum' scenario assumed that many problems would occur, such as extensive dewatering requirements, high materials costs, limited construction contract competition, and extended construction duration. The results of the analysis are tabulated below.

<u>Activity</u>	<u>Reasonable Minimum</u>	<u>Most Likely</u>	<u>Reasonable Maximum</u>
Corrective Action Study	\$ 610,000	\$ 663,120	\$ 729,432
Project Administration	\$ 191,401	\$ 279,308	\$ 434,493
Design Data	\$ 147,579	\$ 196,772	\$ 245,965
Final Design	\$ 528,340	\$ 621,576	\$ 776,970
Procurement	\$ 83,570	\$ 176,500	\$ 274,284
Construction Management	\$ 700,000	\$ 886,500	\$ 1,250,000
Construction Design Support	\$ 116,787	\$ 202,756	\$ 272,504
Post Construction	\$ 189,075	\$ 273,626	\$ 423,302
Public Involvement	\$ 18,013	\$ 60,044	\$ 90,066
Emergency Action Plan	\$ 21,199	\$ 31,640	\$ 47,460
Environmental Compliance	\$ 56,550	\$ 113,100	\$ 169,650
Construction Contracts*	\$6,400,000	\$ 9,175,000	\$ 12,600,000
<b>Total Project Budget</b>	<b>\$9,062,514</b>	<b>\$12,679,942</b>	<b>\$ 17,314,125</b>

\* = Includes contingencies and the cost of relocating the overhead utility wires.

EXHIBIT B

Safety of Dams Design/Modification Phase Project Management Plan -  
Lauro Dam, Cachuma Project, California, Dated November 2005

## Communication Plan

This plan is intended to serve as a baseline for communications between Reclamation and the Cachuma Operation and Maintenance Board (COMB) during the design and construction phase of this project. It is Reclamation's intention to provide each of the reports listed below to COMB prior to COMB's board meeting held each month. However, there has been a variety of delays that have often made it difficult to provide the financial reports in time for that month's board meeting and delays in sending the other reports will probably also be encountered. In any case, Reclamation will provide the reports as soon as practical, either individually or in combination.

### Construction Reports

Once construction commences, the Mid-Pacific Construction Office will provide a monthly construction report that is to include (at a minimum) the description of work performed during that month, expected upcoming work, and the dollar cost of work performed for that month, cumulative work performed to date, Reclamation points of contact, and any impending contract modifications. This report will be based on Reclamation's L-29 Monthly Construction Report for Lauro Dam.

### Financial Reports

The Mid-Pacific Regional Office will provide a monthly financial report. These cost reports provide monthly and cumulative costs in a format that has been jointly developed by Reclamation and the Family Farm Alliance. These reports will be provided to COMB each month.

### Earned Value Analyses

The Mid-Pacific Regional Office will perform monthly updates to the earned value analysis. These monthly updates, including a graph of planned and actual data, will be provided each month.

### Monthly Tele-Conference Meetings

Reclamation will arrange monthly teleconference meetings with COMB. Reclamation will provide an update of current activities associated with the project. COMB is encouraged to participate and/or make suggestions for upcoming events. Reclamation will generate minutes of these meetings if requested by COMB.

### Weekly Construction Meetings

During the construction phase of this project, Reclamation will hold weekly coordination meetings with the construction contractor. COMB will be invited to participate in these

meetings or as a minimum a separate meeting will be held between COMB and Reclamation to coordinate construction activities with operation and maintenance activities.

#### Special Reports and Analyses

Reclamation generates a number of reports as part of this Safety of Dams project. These reports include, but are not limited to: Environmental Assessment, Value Engineering Report, Corrective Action Alternatives Report, Modification Report, Seismic Investigations, Consultant Reviews, and Drawing/Specification Packages. These reports will be provided to COMB when finalized and in many cases, while they are in draft form for COMB comment.

#### Special Reviews and Meetings

COMB will be invited to participate in most reviews and meetings including, value engineering studies, consultant review board meetings, public meetings, design reviews, and construction reviews. Notification of these meetings will be made during the monthly teleconference calls and/or by email or letter invitation.

#### Daily Communications

COMB is encouraged to make telephone or email enquiries to the Project Manager at any time during the project. The Project Manager will include additional Reclamation staff where needed. COMB is also encouraged to communicate with Area Office and Construction Office personnel at any time regarding this project. However, should any problems arise, the Project Manager should be informed.

EXHIBIT C

Municipal and Industrial Annual Payment Schedule

Based on a Substantially Complete date of October 1, 2007

October 1, 2008	\$ 51,194 *	October 1, 2023	\$ 51,194
October 1, 2009	\$ 51,194	October 1, 2024	\$ 51,194
October 1, 2010	\$ 51,194	October 1, 2025	\$ 51,194
October 1, 2011	\$ 51,194	October 1, 2026	\$ 51,194
October 1, 2012	\$ 51,194	October 1, 2027	\$ 51,194
October 1, 2013	\$ 51,194	October 1, 2028	\$ 51,194
October 1, 2014	\$ 51,194	October 1, 2028	\$ 51,194
October 1, 2015	\$ 51,194	October 1, 2030	\$ 51,194
October 1, 2016	\$ 51,194	October 1, 2031	\$ 51,194
October 1, 2017	\$ 51,194	October 1, 2032	\$ 51,194
October 1, 2018	\$ 51,194		
October 1, 2019	\$ 51,194		
October 1, 2020	\$ 51,194		
October 1, 2021	\$ 51,194		
October 1, 2022	\$ 51,194		

M&I Annual Payment Calculation - \$17,314,125 (Reasonable Maximum Cost) x 15% (percent reimbursable by Project beneficiaries under SOD Act) = \$2,597,118 x 49.28% (M&I Allocation) = \$1,279,860/25 years = \$51,194 per year (estimated M&I annual payment\*)

\* Estimated Annual Payment - does not include IDC or repayment interest - M&I payment schedule shall be adjusted to include IDC interest and repayment interest when the Modification is deemed Substantially Complete. The repayment interest rate will be the rate in effect at the time of substantial completion and will be based on the M&I term of repayment (25 years). The schedule shall again be adjusted, if necessary, when the final reimbursable cost of the Modification has been determined.

Formula for calculation of M&I annual payment: M&I allocation plus IDC = total M&I allocation. Total M&I Allocation x amortization factor to amortize the obligation over a twenty-five (25)-year repayment term at an interest rate to be determined = annual M&I repayment amount.

EXHIBIT D

Irrigation Annual Payment Schedule

Based on a Substantially Complete date of October 1, 2007

October 1, 2008	\$ 0	October 1, 2033	\$ 32,128
October 1, 2009	\$ 0	October 1, 2034	\$ 32,128
October 1, 2010	\$ 0	October 1, 2035	\$ 32,128
October 1, 2011	\$ 0	October 1, 2036	\$ 32,128
October 1, 2012	\$ 0	October 1, 2037	\$ 32,128
October 1, 2013	\$ 0	October 1, 2038	\$ 32,128
October 1, 2014	\$ 0	October 1, 2039	\$ 32,128
October 1, 2015	\$ 0	October 1, 2040	\$ 32,128
October 1, 2016	\$ 0	October 1, 2041	\$ 32,128
October 1, 2017	\$ 32,128	October 1, 2042	\$ 32,128
October 1, 2018	\$ 32,128	October 1, 2043	\$ 32,128
October 1, 2019	\$ 32,128	October 1, 2044	\$ 32,128
October 1, 2020	\$ 32,128	October 1, 2045	\$ 32,128
October 1, 2021	\$ 32,128	October 1, 2046	\$ 32,128
October 1, 2022	\$ 32,128	October 1, 2047	\$ 32,128
October 1, 2023	\$ 32,128	October 1, 2048	\$ 32,128
October 1, 2024	\$ 32,128	October 1, 2049	\$ 32,128
October 1, 2025	\$ 32,128	October 1, 2050	\$ 32,128
October 1, 2026	\$ 32,128	October 1, 2051	\$ 32,128
October 1, 2027	\$ 32,128	October 1, 2052	\$ 32,128
October 1, 2028	\$ 32,128	October 1, 2053	\$ 32,128
October 1, 2029	\$ 32,128	October 1, 2054	\$ 32,128
October 1, 2030	\$ 32,128	October 1, 2055	\$ 32,128
October 1, 2031	\$ 32,128	October 1, 2056	\$ 32,128
October 1, 2032	\$ 32,128	October 1, 2057	\$ 32,128

Irrigation Annual Payment Calculation - \$17,314,125 (Reasonable Maximum Cost) x 15%  
 (percent reimbursable by Project beneficiaries under SOD Act) = 50.72% (Irrigation Allocation)  
 = \$1,317,258/41 years = \$32,128 per year (estimated annual payment\*)

\*Estimated Annual Payment shall be adjusted, if necessary, when the Modification is deemed Substantially Complete, and again, if necessary, when the final reimbursable cost of the Modification has been determined.

EXHIBIT E  
Five (5) -Year Payment Capacity Schedule

Five (5) -Year Payment Capacity Study To Be Completed By the Following Dates:

October 1, 2006  
October 1, 2011  
October 1, 2016  
October 1, 2021  
October 1, 2026  
October 1, 2031  
October 1, 2036  
October 1, 2041  
October 1, 2046  
October 1, 2051  
October 1, 2056



RESOLUTION NO. 440

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CACHUMA OPERATION AND MAINTENANCE BOARD APPROVING AN AGREEMENT WITH THE U.S. BUREAU OF RECLAMATION FOR THE REPAYMENT OF REIMBURSABLE FUNDS EXPENDED FOR FEDERALLY PERFORMED SAFETY OF DAMS MODIFICATION WORK AT LAURO DAM

RECITALS

- A. The Board of Directors of the Cachuma Operation and Maintenance Board (COMB) is proposing to enter into an Agreement with the U.S. Bureau of Reclamation for repayment of reimbursable costs associated with the Lauro Dam Safety of Dams Modification Project.
- B. It has been determined that that Lauro Dam must be modified to preserve its structural integrity, and that this project is for maintenance of existing facilities and exempt from CEQA pursuant to Section 15301 CEQA Regulations.
- C. The Amendment to the Safety of Dams Act dated August 28, 1984 provides that fifteen percent (15%) of the cost of the modifications is reimbursable.
- D. It is in the best interest of COMB to enter into said Agreement.
- E. COMB has reviewed the terms and conditions of the Agreement and has determined that they are acceptable.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of COMB that:

- 1. The facts set forth in the recitals above and in the documents referenced herein are true and correct, and the Board so finds and determines.
- 2. The Board hereby approves said final Agreement.
- 3. The Board hereby authorizes the President of the Board to execute the Agreement, for and on behalf of COMB, in substantially the form attached hereto as Exhibit A.
- 4. COMB's officers and staff are authorized and directed to do all things necessary and appropriate to complete the processing and execution of the Agreement.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Cachuma Operation and Maintenance Board, at a Regular Board Meeting held on the 27<sup>th</sup> day of March 2006, by the following roll call vote:

AYES: Abel, Evans, Lieberknecht, Williams, Bettencourt

NAYES: None

ABSENT/ABSTAIN: None

[SEAL]

APPROVED:

C. Charles Evans  
President of the Board

ATTEST:

Kate Res  
Secretary of the Board

**CACHUMA OPERATION AND MAINTENANCE BOARD**  
**MEMORANDUM**

**Date:** November 13, 2006  
**To:** Members of the Board of Directors  
**From:** Brett Gray, Operations Supervisor

**RE: Updated Information on Lauro Debris Basin Project**

**Recommended Action:** None at this time.

**Discussion:** Enclosed are the original alternative, the new alternative and associated estimated costs for the Lauro Debris Basin Project. The original alternative is Alternative A and the new alternative is Alternative B. Alternative B was developed by staff at the request of the COMB Board to evaluate a smaller lower cost project. This new alternative still accomplishes the water quality objective but decreases the amount of site access improvements. The Alternative B plans and costs were reviewed by the COMB Board's Lauro Debris Basin Project Ad Hoc Committee. At President Evan's request this project will be presented to the Goleta Water District Board on December 12<sup>th</sup>. This project will be presented to the COMB Board for approval at the December Board Meeting.

**PRELIMINARY Opinion of Probable Construction Costs**  
**Lauro Reservoir Debris Basin Improvement Project**

May 24, 2005

Item No.	Description	Quantity	Unit	Tierra's Unit Price	Cushman's Unit Price	Granite's Unit Price	Item Cost Low	Item Cost High	Item Cost Suggested
1	Mob/De-Mob +SWPPP+Bonding & Ins.	1	LS	\$25,000.00	\$10,000.00	\$65,000.00	\$10,000	\$65,000	\$65,000
2	Excavate Ex. Basin and Embankment and Remove Ex. Silt to Subgrade + Overex. For Reinforced Earth Const.	19,000	CY	\$5.00	\$2.00	\$8.50	\$38,000	\$161,500	\$100,000
3	Haul and Dispose of Excess Material (1.15 factor used)	10,000	CY	\$15.00	\$5.00	\$12.50	\$50,000	\$150,000	\$150,000
4	Const. Reinforced Earth Embankments	10,000	CY	\$10.00	\$6.00	\$4.50	\$45,000	\$100,000	\$100,000
5	Import and place gravel/rock for sub-drain	2,000	CY	\$50.00	\$28.00	\$18.00	\$36,000	\$100,000	\$80,000
6	8-Inch PVC Perf. Sub-Drain In-place	1,000	LF	\$10.00	\$9.00	\$12.00	\$9,000	\$12,000	\$12,000
7	Dewatering Station	1	LS	\$10,000.00	\$7,000.00	\$0.00	\$7,000	\$10,000	\$10,000
8	Gabion Facing	12,000	SF	\$7.50	\$4.50	\$0.85	\$10,200	\$90,000	\$90,000
9	Shotcrete slopes	8,000	SF	\$10.00	\$6.00	\$9.00	\$48,000	\$80,000	\$80,000
10	8-Inch thick Reinforced Conc. Spillway	1,200	SF	\$15.00	\$10.00	\$18.00	\$12,000	\$21,600	\$20,000
11	Conc. Paving (6" w/ #4@24"OCEV)	12,000	SF	\$10.00	\$6.00	\$12.00	\$72,000	\$144,000	\$120,000
12	Asphalt Paving (3"9")	4,000	SF	\$7.00	\$0.00	\$2.00	\$8,000	\$28,000	\$20,000
13	Fencing to Relocate Entrance	1	LS	\$0.00	\$5,000.00	\$0.00	\$5,000	\$5,000	\$5,000
14	Reinforced Conc. Outlet Struct. w/Screen	1	LS	\$5,000.00	\$4,000.00	\$0.00	\$4,000	\$5,000	\$5,000
15	24-Inch RCP Outlet Pipe	100	LF	\$125.00	\$125.00	\$50.00	\$5,000	\$12,500	\$12,000
16	Removes Ex. Outlet and Connect New RCP	1	LS	\$1,500.00	\$1,000.00	\$3,500.00	\$1,000	\$3,500	\$2,000
17	Grading for "V" Ditch along road	130	CY	\$10.00	\$50.00	\$10.00	\$1,300	\$6,500	\$6,000
18	Reinforced Concrete "V" Ditch	70	CY	\$500.00	\$300.00	\$250.00	\$17,500	\$35,000	\$30,000
19	12" CMP Under D'way @ Top	50	LF	\$40.00	\$50.00	\$20.00	\$1,000	\$2,500	\$2,000
20	18" CMP Downdrain	90	LF	\$50.00	\$75.00	\$25.00	\$2,250	\$6,750	\$6,000
	<b>Subtotal</b>						<b>\$382,250</b>	<b>\$1,038,850</b>	<b>\$915,000</b>
							\$95,563	\$259,713	\$228,750
							\$47,800	\$129,900	\$114,400
							<b>\$526,000</b>	<b>\$1,429,000</b>	<b>\$1,259,000</b>

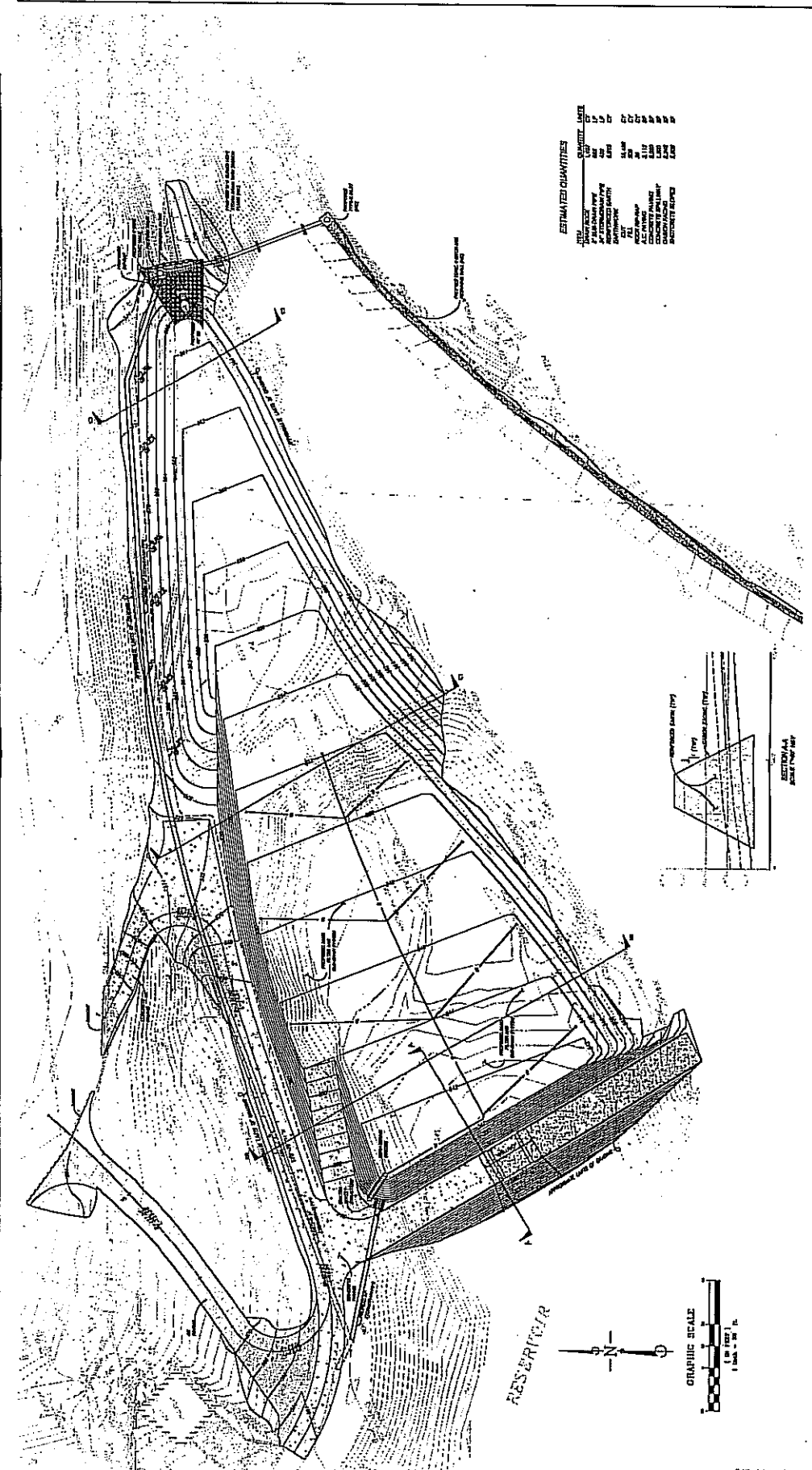
**COMB / Cushman Estimate for Lauro Debris Basin Project - Modified, November 2006**

Item No.	Description	Qty	Unit	Unit Price	Amount
1	Mob/Demob., SWPPP, Bonds, Insurance	1	LS	\$95,000	\$95,000.00
2	Excavate Exist. Basin / Slope & Overex.	18,450	CY	\$5.00	\$92,250.00
3	Haul & Dispose of Excess (1.15 Factor)	20,654	CY	\$6.00	\$123,924.00
4	Const. Reinforced Earth Embankments	6,019	CY	\$7.00	\$42,133.00
5	Import and drain rock subgrade	1,407	CY	\$28.00	\$39,396.00
6	8-inch PVC Perforated Sub-Drain In-place	505	LF	\$9.00	\$4,545.00
7	Dewatering Station	1	LS	\$10,000	\$10,000.00
8	Gabion Facing	8,240	SF	\$5.00	\$41,200.00
9	Shotcrete Slopes	5,600	SF	\$6.00	\$33,600.00
10	Rock Rip-Rap	28	CY	\$35.00	\$980.00
11	8-inch thick Reinforced Concrete Spillway	1,200	SF	\$10.00	\$12,000.00
12	Concrete Paving (6"/4" w/ #4 @ 24" OCEW)	9,050	SF	\$7.00	\$63,350.00
13	Asphalt Paving (3"/9")	3,115	SF	\$5.00	\$15,575.00
14	Reinforced Conc. Outlet Structure w/Screen	1	LS	\$5,000	\$5,000.00
15	24-inch RDP Stormdrain Outlet Pipe	420	LF	\$125	\$52,500.00
16	Remove Ex. Outlet and Connect new RCP	1	LS	\$2,000	\$2,000.00
17	48" Storm Drain	20	LF	\$175	\$3,500.00
Sub Total					\$636,953.00
Contingency @ 25%					\$159,238
Construction Admin @ 10%					\$63,695
<b>Total</b>					<b>\$859,886.55</b>

**Lauro Reservoir Debris Basin Project - Modified, November 2006**  
**Estimated Budget Allocation**

Based on Total Project Cost of \$1,000,000  
 Based on anticipated unexpended revenue of \$508,372

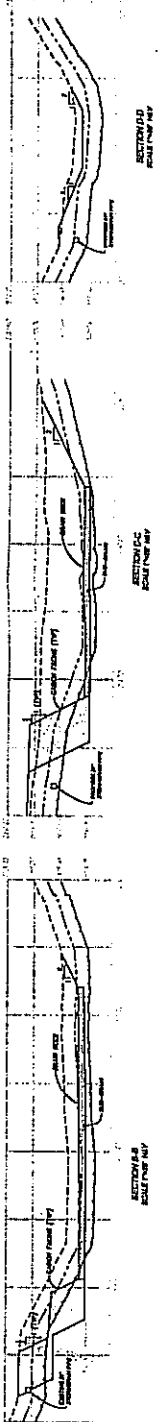
Member Unit	Allocation	Project Cost Distribution	Unexpended Revenue	Potential Allocation
Goleta Water District	40.4170%	\$404,170.00	\$205,468.71	\$198,701.29
City of S.B.	35.8903%	\$358,903.00	\$182,456.24	\$176,446.76
Carpinteria Valley Water District	12.1976%	\$121,976.00	\$62,009.18	\$59,966.82
Montecito Water District	11.4951%	\$114,951.00	\$58,437.87	\$56,513.13
<b>Total</b>	<b>100.00%</b>	<b>\$1,000,000.00</b>	<b>\$508,372.00</b>	<b>\$491,628.00</b>



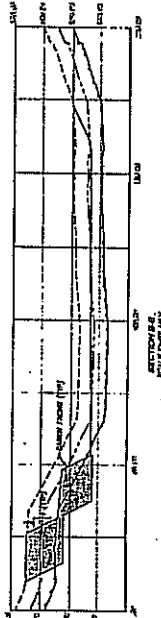
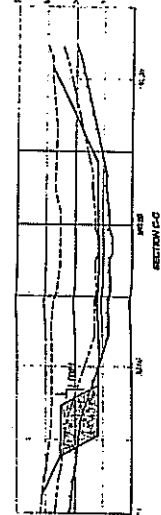
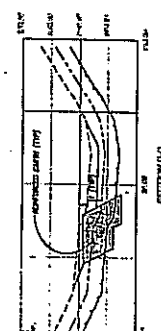
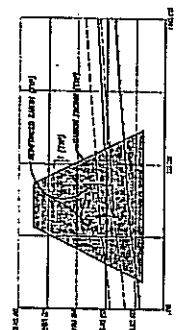
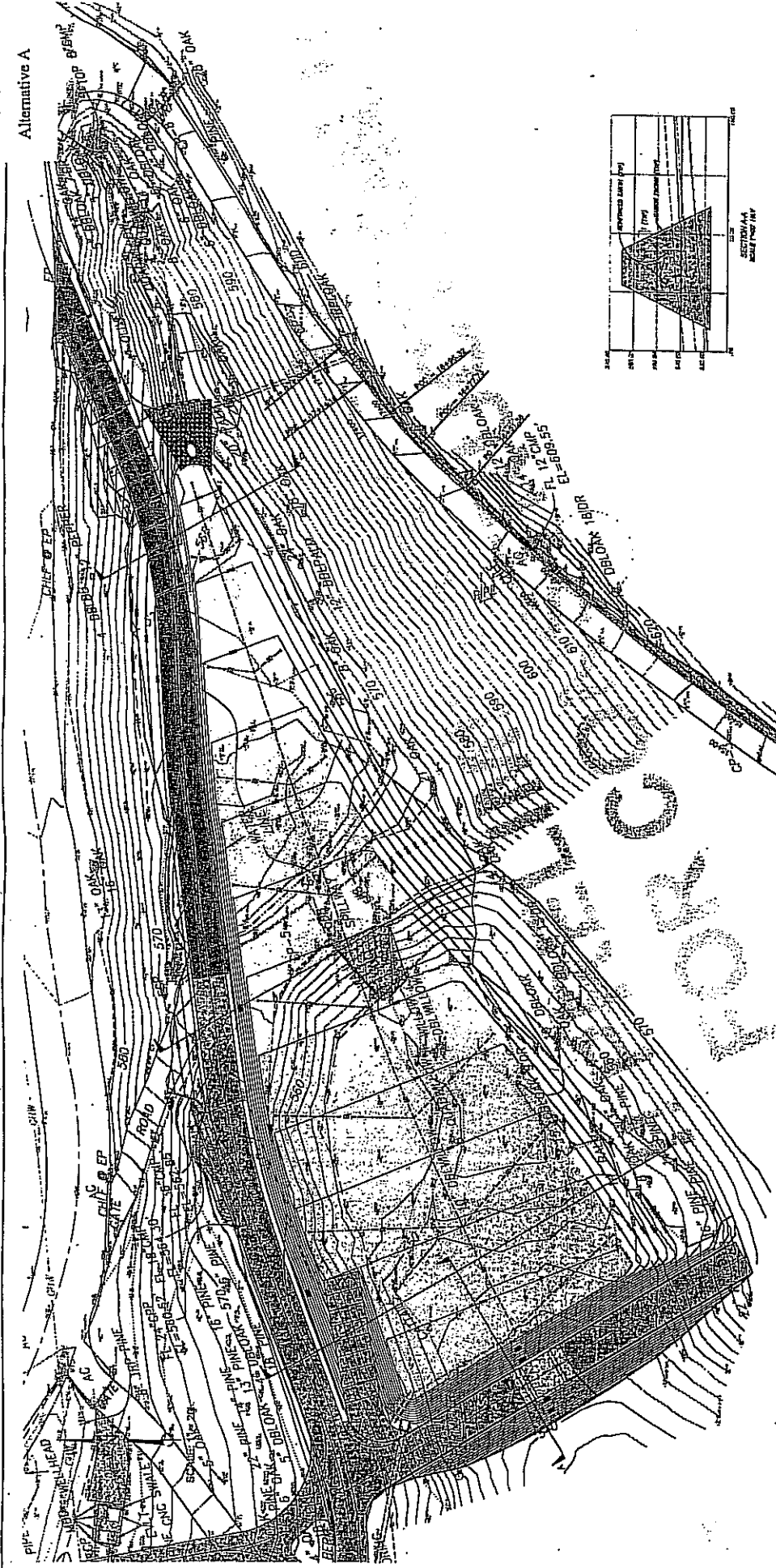
**ESTIMATED QUANTITIES**

ITEM	QUANTITY	UNIT
CONCRETE SLAB	1,200	SF
ROCK RIPPAP	150,000	CY
EMBANKMENT	1,500,000	CY
CONCRETE PAVING	1,000	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF
CONCRETE SLAB	1,200	SF
CONCRETE CURB	1,000	LF

ALT. B OCT. 2008  
**CONCEPTUAL GRADING PLAN**  
 LAURO RESERVOIR DEBRIS BASIN  
 PROJECT OF THE MISSISSIPPI RIVER COMMISSION  
 FLOWERS AND ASSOCIATES, INC.  
 1001 East Broadway Street, Suite 1000, Columbia, SC 29201  
 Telephone: (803) 764-1211



Alternative A



**GRADING PLAN**  
 LAURO RESERVOIR DEBRIS BASIN  
 CACHAMA OPERATIONS AND MAINTENANCE BOARD  
 COUNTY OF SANTA BARBARA, CALIFORNIA  
**FLOWERS AND ASSOCIATES, INC.**  
 200 East Riverside Street, Suite 200, Santa Barbara, California 93101  
 Telephone: (805) 963-2221

WILLIAM H. HAIR  
ROBERT L. COMPTON  
MARC L. CHARNEY  
RONALD H. GILL  
LARRY L. HINES  
KENNETH M. HIGH, JR.  
MICHAEL C. O'BRIEN  
RANDALL H. GEORGE  
PAUL W. KURZKA  
ANTHONY H. TREMBLEY  
JONATHAN FRASER LIGHT  
WILLIAM E. WINFIELD  
CHRISTOPHER K. KITASAKI  
SCOTT B. SAMSKY  
GLENN J. DICKINSON  
NANCY MILLER  
JOEL MARK  
DIANE L. BECKER  
MARIA L. CAPRITTO  
NANCY KIERSTYN SCHREINER  
SUSAN M. SEEMILLER  
KAREN L. GABLER  
MELISSA H. SAYER  
MEGHAN B. CLARK  
CURTIS A. GRAHAM  
BROOK J. CARROLL  
SYLVIA SOTO  
STEVEN J. RENSHAW  
BRIAN NOMI  
MEENA P. KOTAK  
ANGELA V. LOPEZ  
JOSHUA M. BEST  
PANDA L. KRDL

LAW OFFICES OF

NORDMAN CORMANY HAIR & COMPTON LLP

1000 TOWN CENTER DRIVE  
SIXTH FLOOR  
OXNARD, CALIFORNIA 93036-1132  
(805) 485-1000

6<sup>TH</sup> FLOOR FAX (805) 988-8387  
5<sup>TH</sup> FLOOR FAX (805) 988-8397

WEBSITE: WWW.NCHC.COM

BEN E. NORDMAN  
(1913 - 1985)

RALPH L. CORMANY  
(1921 - 2002)

LOUIS A. CAPPADONA  
PHILIP C. DRESCHER  
KENNETH J. HOVET  
PATRICK F. BRIGHT  
(OF COUNSEL)

16133 VENTURA BOULEVARD  
PENTHOUSE A  
ENCINO, CALIFORNIA 91436  
(818) 986-8080  
FAX (818) 789-0947

WRITER'S DIRECT DIAL  
(805) 988-8306

WRITER'S DIRECT FAX  
(805) 988-7706

WRITER'S EMAIL ADDRESS  
ATREMBLEY@NCHC.COM

October 27, 2006

Ms. Kate Rees  
General Manager  
Cachuma Operation and Maintenance  
Board  
3301 Laurel Canyon Rd.  
Santa Barbara, CA 93105

RECEIVED

OCT 28 2006

CACHUMA O&M

**Re: Authority of COMB Board of Directors  
Change in Interest Rates for Cachuma Renewal Master  
Contract**

Dear Kate:

You have asked us to render an opinion concerning the ability of the Board of Directors of the Cachuma Operation and Maintenance Board (COMB) to act on behalf of COMB's Member Units and accept an interest rate modification proposed by the United States Bureau of Reclamation relative to the Cachuma Renewal Master Contract, Contract No. I75r-1802IR (Cachuma Renewal Master Contract). On October 23, 2006, the Board of Directors took such action.

Section 3.1 of the 1996 "Amended and Restated Agreement for the Establishment of the Board of Control to Operate and Maintain the Cachuma Project-Cachuma Operation and Maintenance Board" sets forth the general powers of the COMB Board of Directors, as follows:

"3.1 Powers. The Cachuma Operation and Maintenance Board shall have the power generally to perform all acts necessary and convenient to the purposes of the parties, including, without limitation, any and all acts necessary to carry out fully, on behalf of each of the parties hereto, the provisions of those agreements of the parties referred to

ITEM # 10a  
PAGE 1



Ms. Kate Rees  
Cachuma Operation and Maintenance Board  
October 27, 2006  
Page 2

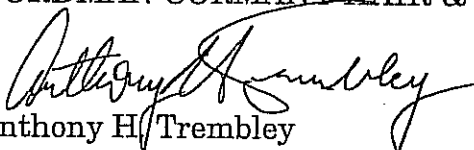
herein as the "Contract for the Transfer of the Operation and Maintenance of Cachuma Project" Contract No. 14-06-200-5222R (the "Transfer Agreement"); the "Contract Concerning the Transfer of Operation and Maintenance of the Cachuma Project Works"; all renewals of Contracts No. I75r-1802, I75r-1802R and I75r-1802IR, all other agreements made, and to be made, between the United States, the Cachuma Project member units and all other agencies; and all steps required by such contracts, Federal Reclamation law, and the laws of the State of California to exercise the right of renewal(s)."

Since Section 3.1 expressly conveys to the COMB Board of Directors, among other things, the authority to undertake all acts necessary to carry out fully on behalf of the parties the provisions of the Cachuma Renewal Master Contract, it is our opinion that the October 23, 2006 motion action by the COMB Board of Directors on behalf of its Member Units, as described above, was legally valid and appropriate.

Should you have any questions, please contact me.

Very truly yours,

NORDMAN CORMANY HAIR & COMPTON LLP

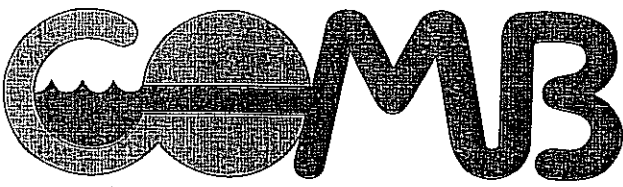
  
Anthony H. Trembley

AHT:pm

Cc: William H. Hair, Esq.

12727\001\LTR\10277129.DOC

ITEM # 10a  
PAGE 2



CACHUMA OPERATION AND MAINTENANCE BOARD

3301 LAUREL CANYON ROAD

SANTA BARBARA, CALIFORNIA 93105-2017

TELEPHONE (805) 687-4011 FAX (805)569-5825

www.ccrb-comb.org

contactus@cachuma-board.org

October 24, 2006

Mr. Kirk Rodgers, Regional Director  
U.S. Bureau of Reclamation, Mid-Pacific Region  
2800 Cottage Way  
Sacramento, CA 95825

RE: Cachuma Project Renewal Master Contract Change in Interest Rate

Dear Mr. Rodgers:

Thank you for meeting with Greg Wilkinson and me last week about several Cachuma Project issues. We thought the meeting was very useful, and were very pleased with the outcome of our discussion on both the Lauro Dam Safety of Dams Repayment Agreement and the change in interest rate for the Cachuma Project Renewal Master Contract.

In response to a previous request on behalf of the Cachuma Member Units, you stated that you would execute the Lauro SOD Repayment Agreement with no changes to the negotiated Irrigation/M&I percent water use allocations (51% Irrigation; 49% M&I), if the Member Units agreed to accept a 4.59% revised interest rate for the interest payable on the M&I capital costs for the Cachuma Project. The proposed 4.59% would be retroactive to October 1, 2005 and continue through September 30, 2015.

I am pleased to inform you that at its October 23, 2006 meeting, the COMB Board of Directors, acting on behalf of the Cachuma Member Units, approved and accepted your proposed revised interest rate by a motion action.

In March 2006, the Board of Directors unanimously approved the final Lauro Dam SOD Repayment Agreement as negotiated in April 2005, and authorized its execution. Therefore, no further action was taken at the October 23<sup>rd</sup> Board meeting. With acceptance of the revised 4.59% interest rate for the Cachuma Renewal Master Contract, it is our understanding that there will be no further changes to the repayment agreement and that you will expeditiously forward it to COMB to be executed.

We truly appreciate your time and personal attention to these matters, and for proposing a very fair and equitable resolution to finalize both of these contract negotiations. Please confirm your approval and acceptance by signing two originals of this letter, and returning one of them to me.

ITEM # 106

PAGE 1

October 24, 2006

Page 2

I look forward to our continued cooperative relationship.


Very best regards,



Kate Rees  
Interim General Manager

cc: Cachuma Project Member Units  
John Davis, Deputy Regional Director, USBR  
Michael Jackson, SCC Area Manager  
Gregory Wilkinson, Best, Best & Krieger  
William Hair, Nordman, Cormany Hair & Compton

ACCEPTED AND AGREED:



C. Charles Evans  
President  
Cachuma Operation & Maintenance Board

---

Kirk C. Rodgers  
Regional Director, Mid-Pacific Region  
U. S. Bureau of Reclamation

KR.COMB/admin/MC interest rate/KRodgers letter\_102406

ITEM # 106  
PAGE 2

# CACHUMA OPERATION AND MAINTENANCE BOARD

## MEMORANDUM

DATE: November 20, 2006  
TO: Board of Directors  
FROM: Kate Rees, Interim General Manager  
Janet Gingras, Administrative Manager  
RE: Renewal Master Contract Interest Rate Adjustment for Water Years 2006 and 2007

### RECOMMENDATION:

None at this time. For information only.

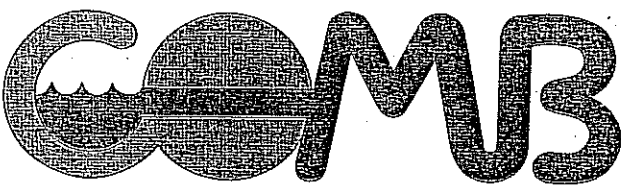
### DISCUSSION:

At the October 23, 2006 Board meeting, the COMB Board voted to accept a revised interest rate of 4.59% effective October 1, 2005 for the remaining M&I capital cost of the Cachuma Project, as proposed by Kirk Rodgers, Reclamation Regional Director. The new interest rate calculation will begin with WY 2008. The water rates will not change or be recalculated for WY 2006 and WY 2007 because Reclamation has already distributed those bills and received payment. Instead, Reclamation will re-calculate the interest rate for WY 2006 and 2007 at the 4.59% and re-distribute the corresponding revenues already received so that Reclamation O&M expense and interest costs are paid for first with the remaining funds being allocated to pay off of the M&I capital debt balance.

Basically, previous payments for WY 2006 and 2007 will go to capture the additional 1.59% interest owed to Reclamation, and the balance of those payments will then be applied toward M&I capital costs. This will create a slightly higher capital component in WY 2008, but eliminates the need for the Member Units to pay the additional amount owed to the United States now.

Nothing has changed relative to the way Reclamation will calculate the Cachuma water rates in future. For the remaining water years 2008 through 2015, an interest rate of 4.59% will be used to calculate the M&I water rate. The capital balance will be redistributed over the remaining repayment periods and still accomplish paying off the capital balance by 2015.

**FYI**



CACHUMA OPERATION AND MAINTENANCE BOARD

3301 LAUREL CANYON ROAD  
SANTA BARBARA, CALIFORNIA 93105-2017  
TELEPHONE (805) 687-4011 FAX (805)569-5825  
www.ccrb-comb.org  
contactus@cachuma-board.org

October 23, 2006

Harlan Burchardi, President and Board of Trustees  
Santa Ynez River Water Conservation District, Improvement District No 1  
P.O. Box 157  
Santa Ynez, CA 93460

RE: Letter from Santa Ynez River Water Conservation District, ID No. 1  
Regarding Joint Representation Arrangements

Dear Harlan and Members of the Board of Trustees:

Thank you for your letter of September 22, 2006. We think that consideration of your comments can and should be placed in the context of the current reorganization evaluation going on by the combined COMB-CCRB Boards and the ID No. 1 Board. Steve Mack and Chip Wullbrandt, as representatives from staff and counsel of the South Coast Member Units, have recently met with your manager, Chris Dahlstrom, and your counsel, Gary Kvistad, to discuss how we can cooperatively address each of the concerns in your September 22, 2006 letter during the reorganization process. We are hopeful that, with your support, the reorganization will soon come to fruition.

In the meantime, we will follow the provisions contained in the existing joint representation agreement.

We trust this interim response is acceptable to you.

Yours very truly,

A handwritten signature in cursive script that reads "Chuck Evans".

Chuck Evans, President  
Cachuma Operation & Maintenance Board

cc: Carpinteria Valley Water District  
City of Santa Barbara  
Goleta Water District  
Montecito Water District  
Cachuma Conservation Release Board

*Carpinteria Valley Water District  
City of Santa Barbara  
Goleta Water District  
Montecito Water District*

*Santa Ynez River Water Conservation District, Improvement District #1  
General Manager/Secretary of the Board, Kathleen A. Rees*