



Overview of Final Homer Agreement for the Montecito Water District Board Meeting

May 20, 2024

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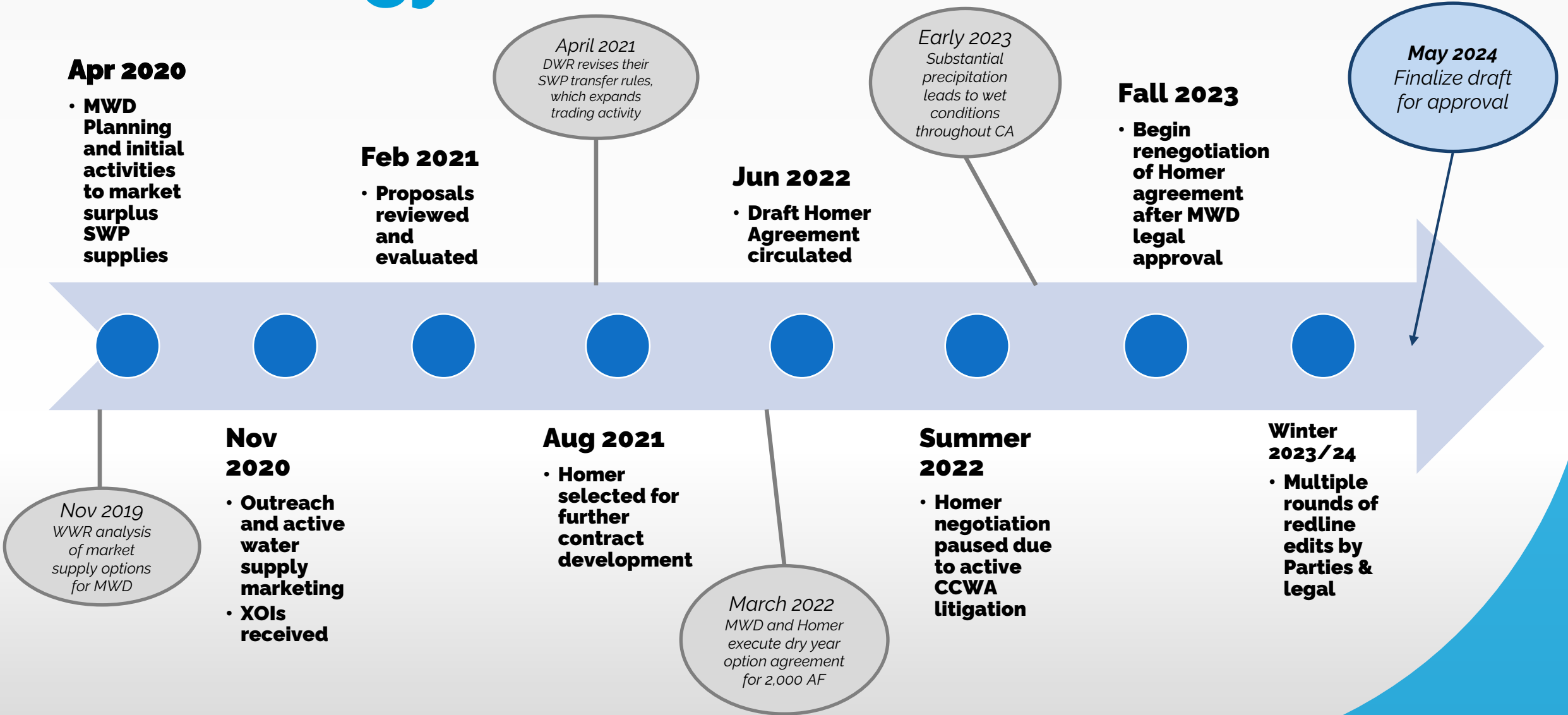


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Montecito Efforts to Market Surplus Water Supplies

Chronology



Proposed Agreement

Recent Changes/Updates

- **Goals: Simplicity, clarity, parity**
- Recent changes since March 2024 update to MWD Board
- Overall, recent changes are minor
 - Clarify definition of the “Place of Delivery”
 - Sharing of unused carryover of SWP water in San Luis Reservoir with Homer
 - Make Semitropic capacity sharing language reciprocal between parties
 - Corrections and clarifications from legal teams of both parties

Proposed Agreement

Summary of Current Agreement

- 5-Year Term
- Homer commits to purchasing Montecito's surplus SWP supplies
 - Montecito determines quantity at their sole discretion by May 30
 - Homer makes annual minimum payment of \$100,000 each year
 - Annual minimum payments credited toward water made available by MWD
 - Option payment credits capped at \$300,000

- Variable pricing based on SWP allocation

- Maintained original pricing: \$300 to \$1,100 per AF
- Escalated annually by the greater of:
 - Annual change in the CPI
 - Rolling 5-year average increase in SWP fixed charges

Final SWP Allocation (%)

Transfer Water Rate (\$/AF)

0 to 25

\$1,100

25 to 60

\$600

61 to 85

\$400

86 to 100

\$300

- Montecito provides Homer with secondary rights to their SWRU recharge & recovery capacity
 - “...not being used by Montecito for a water supply benefit to Montecito in that Year”
 - Montecito notifies Homer of availability (if any) by April 1
 - *Reciprocal provision:* Homer shall provide Montecito with secondary rights to capacity

Homer Agreement: Primary Terms

Cash Flows & Water Flows

- Projections based on historic allocations
 - Three date ranges: 2016-2020 (Average), 2017-2021 (Dry), 2018-2022 (Critical)
 - Reduced allocations by 5 percentage points for modeling
- Anticipated transfer of 5,300 AF of surplus SWP supplies
- Anticipated financial benefit \$2.37 million over 5 years (\$512,000 per year)
- Worst-case scenario of \$0.63 million over 5 years (\$136,000 per year)
- All three scenarios project no need for dry-year supplies in the next 5 years

Factor	Average Scenario	Dry Scenario	Critical Scenario
AF Transferred in Years with a SWP Allocation of 86 to 100%	0	0	0
AF Transferred in Years with a SWP Allocation of 61 to 85%	3,996	3,146	1,496
AF Transferred in Years with a SWP Allocation of 26 to 60%	1,287	513	0
AF Transferred in Years with a SWP Allocation of 0 to 25%	18	18	18
Total SWP Transfer Amount to Homer (AF)	5,301	3,676	1,514
Total Financial Benefit to Montecito (2024 dollars)	\$2.37 million	\$1.58 million	\$0.63 million
Annualized Benefit to Montecito (\$/year)	\$512,000	\$341,000	\$136,000

Agreement Approval Next Steps

Timelines are approximate and estimated

- **May 2024:** MWD Board Approval
 - Agreement
 - CEQA Compliance (NOE)
- **June to July 2024:** Pursuit of KCWA Approval
 - Homer working with member agencies in KCWA
- **August 2024:** KCWA Approval
 - Agreement
 - CEQA Compliance (NOE)
- **September 2024:** Submittal of Agreement Package to DWR
 - Fully executed Agreement
 - CEQA Compliance documentation



Questions & Discussion