

## EXHIBIT F

### Frequently Asked Questions, Consolidated Engineer's Report County Service Areas 34, 34A, 34C

#### General Questions:

- 1.) Why is this increase necessary?
  - A. There are several components that have contributed to the necessity of a rate adjustment. They are as follows:
    - i. There have been several catastrophic failures with the raw water delivery system serving CSA 34A and CSA 34C since 2010:
      1. Pumps failed,
      2. Transformer failed
      3. Main electrical feed line failed
    - ii. The cost to purchase water has gone up significantly from \$75 per acre foot in 2004 to \$550 per acre foot today.
    - iii. There has been significant increased operational costs since the last rate setting proceedings were conducted for CSA 34A in 2008 and for CSA 34C in 2004:
      1. Labor costs,
      2. Materials costs
      3. Utility costs
      4. Regulatory compliance costs
      5. Insurance
    - iv. CSA 34C, Bella Vista, is almost built out. Once it reaches 160 constructed homes the developer will no longer be required to financially subsidize the District's operations. In the last three years, the operational costs of the District have exceeded revenues generated from user fees on average approximately \$100,000 per year.
    - v. CSA 34A does not have developer subsidies and due to the infrastructure failures mentioned previously, CSA 34A has operated with a financial deficit for the past two fiscal years.
- 2.) Is this increase due to the new homes in CSA 34C Bella Vista?
  - A. No, the revenues generated from user fees are simply insufficient to cover the operational costs. One reason is that the cost to purchase water has increased from \$75 per acre foot to \$550 per acre foot since the last rate adjustments were conducted. There have also been several catastrophic failures with the raw water delivery system serving CSA 34A and CSA 34C since 2013. Also, staff costs, replacement costs for parts and equipment, chemical costs, and State regulatory permits and fees to maintain the systems have increased due to inflation. Lastly, due to the catastrophic events and increased operating costs, CSA 34A has been operating in a deficit since the failures in 2013. CSA 34C has not been operating in a financial deficit because of developer subsidies to support the district's finances, which will no longer exist after completion of the 160 home in Bella Vista.
- 3.) When did the County know that the fees and assessments needed to be increased?
  - A. As a result of the catastrophic failures, CSA 34A experienced a complete depletion of all cash reserves and entered into financial deficit, around 2013.

Additionally, the CSA 34C accelerated buildout, has increased the costs to operate and maintain the joint systems and services provided to CSA 34C beyond the annual revenues collected from the current service rates. These events prompted the County to hire a consulting engineer to develop a consolidated rate study that would encompass the existing benefitting properties from CSA 34, CSA 34A and CSA 34C. Due to the shared facilities (water and sewer system) the plan was to create a master engineer's report that would equitably share the operational costs based on benefits received and could be amended as further development occurred in the Millerton New Town area.

- 4.) Is it legal to place reclaimed water on an Almond Orchard?
  - A. Yes, as long as the water meets the requirements of Title 22 with the State Water Resources Control Board.
  
- 5.) Do the proposed fees include capital?
  - A. The proposed monthly water and sewer fees do not include any construction costs for the potable water and wastewater facilities. Included in the rates are operational and capital replacement reserves to replace equipment as it wears out.
  
- 6.) Where does the district get water from and what is the history?
  - A. The district gets water through a water transfer agreement with Arvin Edison from Millerton Lake. In 1988, Arvin Edison provided water in exchange for water provided to Arvin Edison by the County from the Delta. The cost at that time was \$75 per Acre Foot (AF). Due to Delta environmental issues, the County was no longer able to provide a reliable supply and around 2004 Arvin Edison cancelled the contract to provide water to the County of Fresno. The County then began purchasing water from Fresno Irrigation District for a couple of years until the County was able to structure a new contract with Arvin Edison. The new contract with Arvin Edison requires Arvin Edison to provide a firm water supply. The rate for the water increases every five years. The current rate is \$550 per acre foot, with the next increase to \$605 per acre foot in 2018.

**CSA 34A "Brighton Crest" Questions:**

- 1.) Why is the water flat monthly fee higher in Brighton Crest (CSA34A) than Bella Vista (CSA34C)?
  - A. The infrastructure for CSA 34A is over 20-years old and requires more repairs, operational and maintenance costs to operate the system. The population at CSA 34A is also smaller than that of CSA 34C and therefore the higher distribution system maintenance costs are shared amongst a smaller amount of customers.
  
- 2.) Why is the sewer monthly fee higher in Brighton Crest (CSA34A) than Bella Vista (CSA34C)?
  - A. The sewer fee for CSA 34A is higher primarily because of the operations and maintenance costs of the Septic Tank Effluent Pumping (STEP) systems. Also a contributing factor is the older age of the collection system in CSA 34A. Lastly, CSA 34A has a smaller number of customers sharing the cost. CSA 34C customers do not have any STEP systems and their collection system is much newer. The sewer system for CSA 34C has one lift station of which operations

and maintenance costs are proposed to be shared amongst a larger amount of customers.

**CSA 34C “Bella Vista” Questions:**

- 1.) Why is the developer getting free water?
  - A. The developer is not getting free water. However, it was found that one of the subcontractors neglected to apply for a water connection permit and was receiving water through an undesignated pipe. This issue has been addressed. Standard County practice is when the permit is pulled, the developer requests a meter to be installed and then the developer is charged the same monthly base and tier rates as all the residents within CSA 34C. However, if this is missed and not collected the developer is still responsible and pays for all system costs in excess of the revenue derived from rate payers.
  
- 2.) What does the Developer agreement state pertaining to the CSA 34C systems?
  - A. The developer, Bonadelle, is responsible for all cost incurred beyond what the customers pay in fees and assessments. Included in the subsidy is a 10% contingency and a 10% reserve. However, because the County has not yet taken over some of the services (i.e. landscape maintenance, lighting, road maintenance and open space maintenance) the developer continues to be responsible for and pay for these ongoing services, per the developer agreement, the developer continues to subsidize CSA 34C until the 160<sup>th</sup> home is sold.