



Facts and Questions Regarding the Election and Debt Financing

Why is this election being held?

The Board believes an increase in the assessment is needed. Under Proposition 218, passed by the voters of California in 1996, any increase in property related charges requires an election by those impacted.

When would the assessment begin?

The increase would not go into effect until 2013. The Board determined that an immediate increase is not needed and that delaying the increase to 2013 was the best course of action.

Why is the Board proposing an increase in the assessment at all?

The District has renegotiated its federal Friant water contract. The execution of the contracts is contingent upon prepaying the capital obligation amount currently owed, and due in full, in 2030. In order to prepay the capital obligation, the District will be issuing bonds on your behalf with an estimated value of \$20 million dollars. The Board voted to assess the lands for the debt repayment for two reasons:

1. The Board decided that the most equitable way of cost recovery was to put the bond repayment on all the lands instead of on just the water rate which is currently how the capital is collected and paid to the Bureau.
2. The repayment of the bonds, through a land based charge, gives the District a better plan to present to the bond rating agencies. The amount of interest you will pay on the debt could vary significantly by how the repayment is collected. Receiving a lower interest rate could save you, the landowners, up to several million dollars over the life of the debt.

Why pay now instead of making the annual payments through 2030?

Paying the debt early includes a discount rate to insure that you don't pay more in lump sum 2010 dollars than you would through incremental payments through 2030.

What else do we get out of this?

There are a number of significant benefits by agreeing to sign the new contracts and pay the capital amount early. This includes:

1. **Providing a permanent water contract;**
2. Removing ownership and acreage limitations on lands within the District (no more RRA forms, no more Excess lands);
3. Relief from tiered pricing structure included in CVPIA; and
4. Reducing water transfer restrictions.

What's a permanent water contract?

You currently have a contract for water that renews for one 25-year term in 2024. After that there is no right to renew. By prepaying the capital and signing the new contract, you ensure a "permanent right to a

stated share of the water supply of the Friant division. “ The new contract has no term and remains yours in effect in perpetuity.

Is this a big deal?

Yes. There are no other federal contracts in the Central Valley Project that have this right. Friant contractors, including Lower Tule, will be unique and in a class all by themselves. This is a one-time chance to obtain a permanent contract right.

Why is the Bureau offering us this contract?

In essence because you have their money and they need it. Lower Tule has been paying CVP capital for over 20 years and would continue to until it was all paid to the Bureau in 2030. It's a long-term no interest loan.

As part of the San Joaquin River Settlement, the Bureau agreed to give you a permanent contract if you would pre-pay a discounted capital amount. They need the money for River Restoration. You have the money they need. This is what you get in return to agree to give them the money now. Obtaining the converted contract that allows you the permanent right to the water supply has been an objective for years and was brought up by the contractors at every renewal. It was not until we had this leverage that we were able to position ourselves to get this contract.

Do we have to approve the assessment to get the contract?

No. The Board has voted to execute the new contract and prepay the capital and the District is going to issue bonds on your behalf to cover the debt. The vote to increase the assessment is related only to how you are going to pay the debt; on the water or on the land.

So is this a new charge?

Yes and no. It is a new charge on the land estimated at an additional \$15 per acre but it will come with a reduction in the water rates estimated to be \$10 per acre-foot.

The tables on the next page provide examples as to how individual landowners and water users might be impacted financially. In short, the more District water you use, the less of an impact you will see financially. In fact, if you use an average of 1.5 acre-feet of water per acre annually there will be virtually no change in your overall average total cost under current conditions.

What happens if the election does not pass?

If the landowners do not approve the increase then the District will collect the debt repayment on the water rates charged to the users. There would be no decrease in the water rate and instead there would be an increase in the water rates, estimated at \$3 per acre-foot annually. You will also be paying a higher interest component over the life of the debt.

Finally, the entire cost of the contract repayment would be borne by only those who buy surface water from the District, not all the landowners even though everyone benefits from importing the CVP water supply.

Summary

The contract being entered into is a permanent right to a water supply. That right is attached to the lands of the District and those lands are the ones that receive the benefit and value from the water the District provides.

The decision to approve the assessment increase comes down to what you think is the most fair way to pay for the water supplies of the District. The Board concluded that all landowners benefit from the use of the water, either through groundwater or surface water, so it should be the landowners and not just the water users that take the responsibility to repay the debt through their water rates.