Plan to Replace Golden State Water

A Project of the Foothill Communities Association

A Presentation to the Community – Nov. 2013

Contact for Further Information: Richard Nelson 714-730-7810  rnelson@FCAhome.org
Stop the Rip-Off Golden State Water Meeting

Agenda

Introduction: John Sears, Committee Co-Chair.

FCA Plan: Rick Nelson, President, Foothill Communities Association.
  Our plan, progress and next steps.

Ojai Plan & Status: Richard Hajas
  How the Ojai organization formed, won an election and is engaged in a legal battle to remove GSW from the Ojai community.

Q & A Panel will follow with:

Richard Hajas, Ojai.

Lisa Ohlund, General Manager; East Orange County Water District Board Vice Chairman of The Urban Water Institute, Inc.

Jeffery M. Oderman, Rutan & Tucker Law firm in Newport Beach.
  Currently representing the community of Ojai
  Successfully represented the community of Felton, CA.

John Sears, Co-Chair, Stop the Rip-Off Committee
Golden State Water Committee

Co-Chairs
John Sears  Bruce Junor

Members
Joneal Daw  Robert Seat  Denise Durham
Angela Stoecker  Carl Perkins  Linda Cross
Rick Nelson
Solving the High Cost of Golden State Water

November 19, 2013

Richard Nelson

The Problem & The Plan
THERE ARE 3 MAIN PROBLEMS

1. You Have No Control With GSW
2. Prices are too High With GSW
3. The Golden State Escalator

We Have a Plan to Solve These Problems
YOU HAVE ZERO CONTROL

All Local Water Companies Except GSW are Public Water Agencies

• Public Water Agencies
  – Rate Increase Decision Makers Can Be Fired At The Ballot Box
  – Agency Policy Set By a Board and Can Be Fired

• Private Water Companies
  – Rate Increase Decision Makers (CPUC) are Appointed by the CA Governor
  – Company Policy Set by Company CEO

Switching to a Public Water Agency Gives Us Some Control Over Our Future
Water Cost June 2013

Graph showing the relationship between bi-monthly water use (ccf) and water cost ($). The graph includes four lines representing different areas:

- GSW
- Tustin
- EOCWD
- Orange

The x-axis represents bi-monthly water use in cubic city feet (ccf), while the y-axis represents water cost in dollars ($). The lines show a linear increase in cost with increased water use.
Comparison of Water Cost in 2013

Water Cost ($)

Bi-monthly Water Use (ccf)

- Golden State
- East Orange CWD
- Tustin
- Orange
- IRWD-DEC
- IRWD - Aug

IRWD - Winter
GSW
Tustin
EOCWD
Orange
IRWD - Summer
<table>
<thead>
<tr>
<th></th>
<th>GSW (2013)</th>
<th>Tustin</th>
<th>EOCWD</th>
<th>City of Orange</th>
<th>Irvine Ranch</th>
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<tbody>
<tr>
<td>Calculated 2013 Period</td>
<td>2,912</td>
<td>2,061</td>
<td>1,679</td>
<td>1,421</td>
<td>748</td>
</tr>
<tr>
<td>Statement</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Savings over 2013 GSW</td>
<td>0</td>
<td>845</td>
<td>1,233</td>
<td>1,491</td>
<td>2,164</td>
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<tr>
<td>Savings (%)</td>
<td>0</td>
<td>29%</td>
<td>42%</td>
<td>51%</td>
<td>74%</td>
</tr>
<tr>
<td>Tier (actual/max)</td>
<td>3/3</td>
<td>7/7</td>
<td>NA</td>
<td>3/3</td>
<td>2/5</td>
</tr>
</tbody>
</table>

Assumptions: 3 acre property with 112,680 irrigable space, 546 ccf, 4 or fewer people
**IRWD COST MODEL FOR JUNOR BILLS**

<table>
<thead>
<tr>
<th></th>
<th>GSW COST (1)</th>
<th>IRWD COST MODEL (2)</th>
<th>% REDUCTION</th>
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<tbody>
<tr>
<td>WATER COST</td>
<td>$929</td>
<td>$277</td>
<td>70%</td>
</tr>
<tr>
<td>OTHER COSTS (3)</td>
<td>$540</td>
<td>$105</td>
<td></td>
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<tr>
<td>TOTAL FOR 12 MONTHS</td>
<td>$1,469</td>
<td>$382</td>
<td>74%</td>
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</table>

(1) Sum of Actual Invoices  
(2) Includes IRWD Cost Structure  
(3) Service and pipe charges
Junor Cost Increase Over 2002 Cost

- Rate of Inflation
- Junor's Cost
Junor Cost Increase Over 2002 Cost

- Rate of Inflation
- Junor's Cost
COSTS TO BUYOUT GOLDEN STATE WATER

• $100K Cost to Create and Implement Plan
  - Donations

• $2M Cost of Litigation if Negotiations Fail
  - Series A Bond

• $10–20M Cost of Buying Assets from GSW
  - Series B Bond
Cost of Bond Repayment Example

Terms: $22M Financed, 3% Initial Interest, 30 Years

22.0M  Amount Financed
2.5M   Debt Service Reserve
0.5M   Cost of Issuance Financed
25.0M  Total Bonds Issued

500K   Issuance Cost Not Financed
105K   Gross Monthly Payment
  6K   Less Interest on Reserve
 99K   Net Monthly Payment
  x2   Bi-monthly Billing
/2700  Number of Customers
 $73   Bi-monthly Payment Due
Savings From Switching More Than Covers Repayment of Acquisition Bond

**Histogram of Raffle Water Bills**

**Bi-monthly Water Bills**

- $456 Average Bill
- $195 Cost From IRWD
- $73 Cost of Bond Repayment
- $188 Savings
PLAN TO CHANGE WATER COMPANIES (1/4)

1. Organize FCA Committee - Done
2. Validate Problem – Done
3. Decide to Proceed – Done
4. Establish Interest by Local Water Suppliers
   – done with 2 of 4.
5. Build Awareness of Affected Residents – underway
6. Raise Initial funds – underway
7. 3rd District Supervisor, Assemblyman, Senator Support Project – Done
8. Understand OC LAFCO procedure - Done
9. Prepare Preliminary Feasibility Analysis – Done
PLAN TO CHANGE WATER COMPANIES (2/4)

10. Conduct Survey of Support – preparing
11. Detailed Discussion with Water Suppliers
12. Select Water Provider for Negotiation with FCA
13. Financial Go/No Go Analysis
14. Agreement with Water Provider to Acquire Assets
15. If We Are to Change Water District
   Need to Apply to OCLAFCO
   Application Initiated by Agency, Special District, OC BOS, affected Landowners or Voters
   Vote of Affected Residents Needed
16. Offer to Buy Water Assets
PLAN TO CHANGE WATER COMPANIES (3/4)

17. If Offer Is Rejected
   a. Raise Series A Bond for Legal Costs, about $2M
      Vote of Affected Residents Required
      To Be Secured by Property Tax
      Secure Agreement with County to Pay
      Bond Payments via Water Bills
   b. File Eminent Domain Lawsuit
   c. Raise Series B Bond to Purchase Assets
      To Be Secured by Property Taxes
      Secure Agreement with County to Pay Bond
      Payments Via Water Bills
   d. Win Lawsuit
   e. Local Water Provider to Purchase Assets
PLAN TO CHANGE WATER COMPANIES (4/4)

18. If Offer Is Accepted, Raise Series B Bond, Secure and Pay off Bond as Above

PLAN WILL BE COMPLETE & WATER COMPANY WILL BE CHANGED
Survey to Stop the Golden State Water Rip Off
Foothill Communities Association
P.O. Box 261 Tustin Ca.
_________________________ Your Name ________________________________ Street
_________________________ Phone number ________________________________ Email
_________________________ Signature

Important Survey
The cost of water from private Golden State Water is a Rip Off when compared to what local public water agencies charge. There are some 2,500 of us who have no say in the unfair cost of this water. We believe that water is a necessity of life and should be sold at the lowest possible cost, not the highest cost possible.

Please answer the following:
1. Do you support the Foothill Communities Association in its efforts to obtain a local public water agency for our community? ___Yes ___No
2. If yes, how many registered voters in your family would support this effort ___
WHAT WE NEED FROM YOU

• Return the survey
• Contribute $100,
  if you have not already
• Talk to your neighbors
• Join FCA if not a member
• We will need the community’s support