

Frequently Asked Questions Concerning Golden State Water Company's Ojai System Acquisition

March 6, 2013

1. Why has Casitas considered the acquisition of Golden State Water Company's Ojai system?

Ojai FLOW, an organization of Golden State Water Company customers in Ojai, submitted a petition of approximately 1,900 signatures in June of 2011 requesting Casitas to consider an acquisition of Golden State's facilities in Ojai to be paid for by Ojai service area customers. Ojai FLOW also submitted a feasibility study indicating their view on how the acquisition could occur without impacting existing Casitas' customers. The feasibility study can be found at OjaiFLOW.com.

2. What are the key points to Ojai FLOW's feasibility study?

- *Golden State Water Company plans to increase water rates further to pay for \$27.8 million in capital improvements.*
- *The estimated cost of acquisition is \$17 to \$25 million including legal fees.*
- *The Ojai water service area can afford to pay as much as \$3.14 million per year for Golden State facilities on top of Casitas water rates before the purchase would no longer be financially feasible.*
- *Water demand would not increase.*
- *The acquisition would increase Casitas' revenues beyond the cost to operate the Ojai water system.*
- *It is feasible to provide water service of equal or better quality than Golden State to the community of Ojai at a lower cost.*

3. Are Golden State Water Company's Ojai customers within Casitas' boundaries?

Yes. They are represented by one of five directors on the Casitas board. The 3,000 properties in the Ojai system have paid their taxes for the repayment of the Ventura River Project (the initial infrastructure creating Casitas water system to include Lake Casitas); continue to pay their share of State Water Project costs; and, pay a 1% property tax to Casitas. The Casitas water system also supplements the Golden State Water Company's groundwater supplies.

4. Has CASITAS ever acquired a water system?

Yes. CASITAS has acquired other water systems but it always has been initiated by those agencies to include:

- *Kunkle and Gardens Systems (1970s);*
- *Mira Monte Mutual (1982);*
- *Fortress Mutual Water Company (1993); and,*
- *Taormina (1997)*

5. What are CASITAS's requirements for acquiring or transferring a water system to CASITAS?

- *CASITAS requires a legal majority of the citizens being served by the system or governing body or owners of a water system to favor an acquisition or transfer and to initiate the process.*
- *A water system must meet CASITAS's design standards and infrastructure condition as to not burden existing CASITAS's ratepayers to replace, repair, or upgrade the system once the transfer is complete.*
- *The acquisition or transfer will not result in less available water. CASITAS must have available water to serve the system or the system must have available supply of water that will meet all of CASITAS's water quality standards.*
- *All customers in the water system are included in the transfer and will accept CASITAS's existing customer standards to include metering and water rates as they are applied to existing CASITAS's customers. No exceptions or special deals for certain water customers will be allowed.*

6. What is a Mello-Roos Community Facilities District?

A Mello-Roos Community Facilities District (CFD) is related to an act of the California state legislature that was enacted in 1982 (Government Code 53311-53368.3). This Act allows for properties to be assessed a special property tax to pay for bonds to finance public facilities.

7. How will the CFD's special property tax dollars be used?

In this case, the bonds will be used to reimburse CASITAS for all expenses incurred by CASITAS up to and including the public vote; the legal and procedural expenses needed prior to acquisition; to the pay for the acquisition of Golden State's Ojai water system; and, to pay for the integration and needed rehabilitation of the water system.

8. How will the property taxes be assessed?

Individual properties in Golden State's Ojai water system will be assessed according to the formula outlined in the Rate and Method of Apportionment document approved by the Casitas Board of Directors. This document is available at www.Casitaswater.org on top of the home page with the heading Rate and Method of Apportionment or at the following url:

<http://www.drivecms.com/uploads/Casitaswater.org/Rate%20and%20Method%20of%20Apportionment.pdf>

9. Can other customers within Casitas' boundaries vote on the formation of the CFD?

No. The law only allows for those persons being assessed a tax to vote on the formation of a tax assessing district.

10. What will happen if less than two-thirds of the property voters in the Ojai system vote in favor of forming a CFD?

If the minimum two-thirds vote requirement is not met, the CFD would be abandoned. The proposed acquisition of the Golden State water system in Ojai would not move forward and Casitas' preliminary work paid for by Casitas' reserves would not be reimbursed.

11. What happens if a CFD is approved by voters but Casitas does not move forward with the acquisition because the costs are determined to be higher than available bond funds?

Casitas is unable and unwilling to commit other possible sources of funds toward the acquisition that would put existing Casitas ratepayers at risk. Casitas lacks the authority to fund the acquisition through some sort of water rate surcharge on Golden State Water's Ojai customers as Casitas does not serve those customers at this time and Casitas would be required to pay Golden State Water the full fair market value for its Ojai water system before the acquisition is completed.

CASITAS would not move forward with the acquisition process if it is determined that all of the costs associated with the acquisition of Golden State Water's Ojai water system exceed available funds within the approved bond. This includes all pre-acquisition expenses including legal costs, the costs of the water system, and rehabilitation and integration costs of the water system. CASITAS cannot exceed the maximum cost approved for the CFD.

If the acquisition is abandoned, all applicable property owners in the CFD would be assessed the cost to reimburse CASITAS for all pre-acquisition costs, and costs to

abandon the CFD. Golden State Water Company would continue to be the water purveyor.

12. What happens if a CFD is approved by voters and all costs for acquiring Golden State's Ojai water system are less than the approved bond amount?

Bonds are to be sold only as needed for the CFD or the excess bond funds are returned. If the total costs are less than the approved maximum bond amount, then the property tax assessments will be less than the maximum tax rate quoted in the Rate and Method of Apportionment Table 1.

13. Will water rates for current CASITAS customers be impacted by the acquisition of the Golden State's Ojai water system?

No. The acquisition of the water system should have no effect on water rates for CASITAS's existing customers. The revenue generated by the Ojai water system should pay for all costs associated with the operation and maintenance of the Ojai system plus assist with the costs of operating CASITAS's entire water system. The Ojai system would eventually become an integrated part of the overall CASITAS operations and expenses.

14. Does CASITAS intend to use the eminent domain process to acquire Golden State's Ojai water system?

The formation of a CFD does not commit CASITAS to using its power of eminent domain to acquire Golden State Water's Ojai water utility. If the CASITAS Board of Directors takes the actions now recommended and if the voters in the CFD boundaries approve those actions by the required two-thirds (2/3) vote:

- *Casitas would then be in a position to prepare a formal appraisal of the Golden State Water property interests.*
- *Present a formal purchase offer to Golden State Water based on that appraisal.*
- *Attempt to negotiate the acquisition with Golden State Water on a mutually acceptable basis.*
- *Or, if negotiated acquisition fails, consider whether to acquire the system by exercising Casitas' power of eminent domain.*
- *Before eminent domain is approved, the Casitas Board would have to conduct a public hearing and adopt a so-called "resolution of necessity" by a two-thirds (2/3) vote making certain determinations that the public interest and necessity require the taking. The action to form the CFD does not prejudice the matters that would have to be considered by the Casitas Board of Directors at that time.*

15. Doesn't Golden State own the water rights and won't that make the acquisition costs too high?

It is unknown if Golden State Water has a water right. When this unsupported assertion surfaced a few months ago Casitas formally asked Golden State Water to provide evidence of any such water rights, if they existed, and to date Casitas has not received a reply