

MEMORANDUM

Date: February 15, 2013
To: Board of Directors
From: Edward R. Crouse, General Manager
Subject: Review Water Treatment Plant History and Service Areas

RECOMMENDED ACTION

Receive presentation on past water plant construction and planning.

BACKGROUND

President Pasek and Director Martel requested an overview of our current water plants and plans for future water plant construction.

Water Plant History

The very first water plant, constructed in the early 1970's by the Pension Trust Fund (PTF), was located near Bass Lake. It served Murieta Village and early lots marketed in the early 1970's. It was later abandoned.

In 1977, PTF constructed Water Treatment Plant I (WTP I) at its current location below Chesbro Reservoir, which was operated by El Dorado Irrigation District (EID) through an operation and maintenance agreement with the PTF.

Water Plant II (WTP II) was constructed in 1987 with funds from Improvement District No. 1 (ID 1). WTP I and WTP II were designed to serve the existing commercial businesses as well as Murieta Village and all of the lots in Units 1-4, both occupied and unoccupied.

In 1992, Community Facilities District No. 1 (CFD 1) was formed, in part, to fund Water Treatment Plant III (WTP III) to serve Rancho Murieta South. WTP III has not been constructed yet, owing to an extension granted by the District in the early 1990's as well as attempts to incorporate WTP III's capacity in other treatment plant expansions.

Both WTP I & II were retrofitted in 1994-95 to meet newer surface water treatment rules. This was done by increasing the depths of the sand and anthracite filtration media of each plant's filters. Funding for this work came from Reynen and Bardis (Wincrest) as a trade off for the delay in the WTP III expansion.

All of the remaining undeveloped lands in Rancho North as well as undeveloped commercial and industrial lands south of Highway 16 were to be served by Water Treatment Plant IV (WTP IV). WTP IV was to be constructed with funds from a separate Community Facilities District, which was never formed due the financial insolvency of the then developer/owner RMPI (Jack Anderson).

The attached exhibit shows the service areas for each water plant.

Present Water Plant Plans

Under the above scenario, the District would own and operate four (4) essentially mirror image plants, utilizing sand/anthracite filtration treatment technology. In the early 2000's, as part of our water treatment plant capacity analysis for full build-out, the District decided to pursue membrane water treatment technology and to combine WTP III & IV capacity into the existing WTP I & II footprint, thereby reducing the number of treatment plants to operate and maintain, while improving treatment capabilities.

The current approach to water plant construction envisions the current entitled projects, collectively known as the 670 Group (Lakeview, Riverview, Residences East and West, Retreats and Murieta Gardens) expanding the capacity of WTP I to accommodate their capacity needs. This project will replace the existing conventional sand/anthracite filtration with membrane treatment.

For the remaining undeveloped properties, WTP II is planned to be expanded to meet their capacity needs. As with WTP I, the WTP II expansion is currently planned to replace sand/anthracite filtration with membrane technology.

It is the District's policy that WTP I & II are at capacity due to current and prospective water service commitments. As such, all new development is required to provide the expanded capacity needed by their development, as outlined above. The current Murieta Gardens developer/owner asserts there is available capacity and that the property is owed 110,000 gpd of capacity by that property's inclusion in ID 1. The District disagrees with that assertion.

In 2004, 50 units of water capacity beyond the 690 unit threshold, requiring construction of WTP III, were released to Reynen and Bardis (actually their home building entities) to allow completion of the Greens and Crest home building efforts. Since the South had already committed and provided funding via CDF 1, it was in negotiations to build WTP III expansion with the 670 Group, and there was available capacity at the time, accommodation of Reynen & Bardis' request was reasonable.

Much has been said about the construction costs for the current WTP I expansion (WTP III) for the 670 Group. The construction costs are rough estimates based on old designs for a failed large WTP expansion back in 2003. The \$10 million was a plug number back from 2005, when the construction market was hot and prices high. Now, due to the economy, most public work construction costs are off 2005 costs by 30-40%, hence the plug number of \$6 million. The Financing and Services Agreement (FSA) being negotiated has provisions to redesign the plant and get more accurate construction costs. In the end though, the final costs will be the final bid amounts whenever the project goes to construction.

EXHIBIT A
 PROPOSED BOUNDARY
 PER RESOLUTUION NO. 90-17
MELLO — ROOS
COMMUNITY FACILITIES
DISTRICT

RANCHO MURIETA

CALIFORNIA

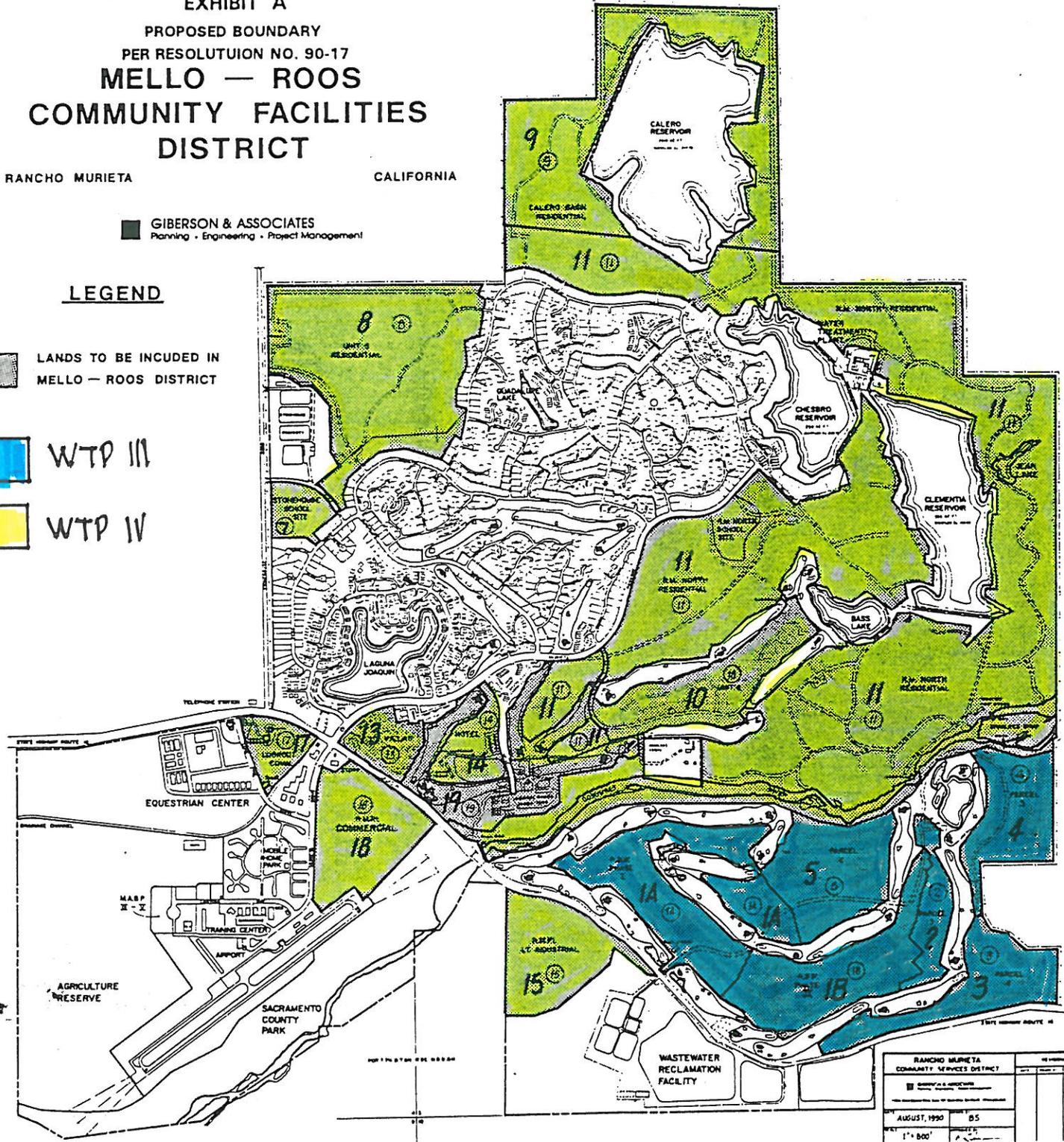
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 Planning • Engineering • Project Management

LEGEND

 LANDS TO BE INCLUDED IN
 MELLO — ROOS DISTRICT

 WTP III

 WTP IV



RANCHO MURIETA COMMUNITY SERVICES DISTRICT	
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AUGUST, 1990	
1" = 800'	85