



Robert E. Donlan  
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August 28, 2020

**Via Electronic Mail and U.S. Mail**

Mr. David Hobbs  
Griffith, Masuda & Hobbs  
517 E. Olive Avenue  
Turlock, CA 95380

**Re: Request for Information and Process for Addressing WHWD Revenue Deficit**

Dear Mr. Hobbs:

This letter is provided on behalf of Angel's Crossing in response to your August 18<sup>th</sup> email to Jim Miller, which was in response to Mr. Miller's August 14<sup>th</sup> letter to Tracy Taylor. Angel's Crossing renews its prior request that Western Hills Water District (WHWD) continue raw water service to the golf course while Angel's Crossing works with WHWD and the community as set forth in Mr. Miller's letter and below. Continuation of raw water service to the golf course is undoubtedly in the best interest of the community, which depends on the viability of the golf course amenity to maintain property values and to provide critical safety measures during this particularly extreme fire season. As we have discussed previously, Angel's Crossing is committed to working with WHWD and the community to grow the development envisioned in the original development plans, and we understand that economically viable water and wastewater services are critical to its success and sustainability of the existing community.

With that said, Angel's Crossing cannot make payments for raw water invoices until the invoices can be explained and justified, and until there is a mutually acceptable plan to address WHWD's revenue deficit for water and wastewater services. Like every other customer in the community, Angels Crossing is entitled to water service on fair and equitable terms and at rates that reflect the cost of service. Angel's Crossing has fiduciary obligations to investors and principals, and it cannot simply pay invoices or even make partial payments with so many open questions about the legality of the rates and the accuracy of the water charges. As you may be aware, Angel's Crossing recently received the July raw water invoice – for nearly \$250,000 – a one month charge of nearly 70% of the annual 2017-18 charge, and a seemingly impossible volume of water to use in one month of golf course irrigation. Before Angel's Crossing can make any water

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payment, therefore, WHWD needs to explain and support the basis for these rates and invoices and commit to the process outlined below.

As Mr. Miller proposed in his August 14<sup>th</sup> letter to Ms. Taylor, we would like to work with you and WHWD to develop a detailed plan, with a schedule and appropriate milestones, for comprehensive review and restructuring of WHWD's water rates. The plan should be designed to address legal and equitable issues with the raw water rates, and to eliminate the revenue deficit under the KCWA water purchase agreement and Patterson wastewater agreement within a reasonable period of time. We propose that this process include, without limitation:

- Definitive plans for water and wastewater rate modifications to reflect legal and equitable standards concerning cost of service;
- Definitive plans for water and wastewater rate design to balance revenue and expenses within a reasonable period of time, and to eliminate accrued debts and liabilities;
- Specific operational and technical controls to properly monitor and assess water and wastewater systems and usage (particularly raw water deliveries and wastewater flows, loads, and unpaid bills).
- And ultimately, a program to repay and retire the loans from Angel's Crossing's predecessors to WHWD.

Related to the above, Angel's Crossing would like to understand, and address if necessary, WHWD governance and board structure for consistency with the California Water District Act and WHWD Bylaws and to ensure the legality and durability of actions taken by the WHWD. We look forward to working with you and WHWD as outlined above. I will follow up with you later this week to discuss next steps.

Best regards,



Robert E. Donlan  
Ellison Schneider Harris & Donlan

Enc. August 14 and 18 correspondence

cc: Jim Miller, Project Manager, Angel's Crossing  
Tracy Taylor, WHWD  
Seth W. Scott, Angel's Crossing  
Don Hale, Jr, Angel's Crossing  
Mike Walker, Angel's Crossing

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**From:** jimmler1709@comcast.net  
**Sent:** Friday, August 21, 2020 2:24 PM  
**To:** Robert Donlan; 'Gary Sawyers'  
**Subject:** FW: WHWD/Angel's Request re Restoration of Service

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**From:** David Hobbs <dhobbs@calwaterlaw.com>  
**Sent:** Tuesday, August 18, 2020 3:53 PM  
**To:** jimmler1709@comcast.net  
**Cc:** Tracy Taylor <ttaylor@whwdist.com>  
**Subject:** WHWD/Angel's Request re Restoration of Service

Mr. Miller –

The WHWD Board directed me to provide the below response to your August 14, 2020 letter requesting that irrigation services be restored to Angel's Crossing ("AC") for the golf courses.

WHWD will restore irrigation service upon WHWD and AC's mutual acceptance of the below terms:

1. AC's current delinquent amounts for May and June irrigation equal \$134,349.06. AC shall tender payment to WHWD in the amount of \$40,304.72 (equal to 30% of the May/June delinquencies).
2. AC agrees to stay current on all water bills as they are due, starting with July 2020.
3. AC shall propose a payment plan acceptable to WHWD which shall pay the balance of \$94,044.34 over the course of 90 days. The WHWD Board asked me to indicate it would not be inclined to accept a balloon payment at the end of the 90-day term.

Assuming the 30% payment is made to WHWD and AC provides an acceptable repayment plan, WHWD will immediately restore irrigation service to AC. Be advised that in the event AC agrees to these terms and defaults in any payment related to the installment plan or current/future water bills, AC shall have a five day cure period from the date of WHWD's written notice of default. Failure by AC to cure within the five day period will result in termination of service, in addition to any other remedies available to WHWD.

Please contact Tracy Taylor in order to make the proper arrangements.

Lastly, due to the recent Canyon Fire WHWD filled the ponds at the direction of CalFire to assist with fire protection. AC is hereby advised that unless the above terms are agreed to and irrigation service to the golf course is formally restored, any water in the ponds shall only be used for potential fire protection at the direction of CalFire.

Thank you for your attention to this matter.

Regards,

David

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August 14, 2020

Tracy Taylor  
Western Hills Water District  
9501 Morton Davis Dr.  
Patterson, CA 95363

Subject: Payments to WHWD Associated with Angel's Crossing Purchase of Diablo Grande

Dear Ms. Taylor,

Per the discussion at the WHWD Board Meeting on August 12, 2020, Angel's Crossing's plan associated with various WHWD bills and debts is provided below. Our understanding is there are three issues:

1. Irrigation bill – for golf course and other parcels owned by Angel's Crossing with WHWD service area
2. KCWA bill – water supply bill for community
3. Patterson bill – shortfall in payments to Patterson for sewer service of existing homes

Our plan is as follows:

1. Irrigation – We formally request the irrigation water supplies for the golf course and other Angel's Crossing holdings continue. We will make a good faith payment to Western Hills for irrigation bills by the end of September. We will have all the irrigation bills for the year paid off by the end of the year (December 2020). In the meantime, Angel's Crossing will be working with the community to reopen the golf club, create memberships, and develop a revenue source to ensure the ongoing payment of the irrigation and landscaping bills.
2. KCWA bill – We will have a good faith payment for KCWA by the end of September. Our intent is to pay the entire water bill to KCWA for 2020 before the end of the year and before the January 60% bill from KCWA is received for the 2021 water year.
3. Patterson bill – It is our understanding the community will be adjusting the wastewater rate soon to eliminate the subsidy being requested from Angel's Crossing to the community associated with unpaid sewer rates to the City of Patterson. Patterson has asked they be made whole by the end of the Patterson fiscal year, June 30, 2021. We propose a monthly payment plan (if needed) with the intent of making Patterson whole by the end of their fiscal year. The payments will be negotiated after we see how the community chooses to adjust sewer rates.

Thank you for working with us as we begin our path, working with you, to build out this wonderful community. Please call me if you have any questions (916) 612.0052.

Sincerely,



William J Miller Jr  
Development Manager, Angel's Crossing

CC: Seth W. Scott, Angel's Crossing LLC  
Don Hale Jr., Angel's Crossing LLC  
Rob Donlan, ELLISON SCHNEIDER HARRIS & DONLAN LLP  
Gary SAWYERS, New Current Water and Land