



**Western Hills Water District Board Informational Statement
Concerning Diablo Grande**

FOR IMMEDIATE RELEASE

Approved by the WHWD Board of Directors on April 19, 2025

The Diablo Grande community has been significantly impacted by longstanding financial issues and unfulfilled obligations from past developers. We feel it is necessary to set the record straight and present the facts in a clear and transparent manner.

The Facts:

Outstanding Debt: Kern County Water Agency (“KCWA”) has now notified Western Hills Water Agency of its claimed delinquent water charges of \$13.5 million and intended termination of water supply as of June 30, 2025.

Background: In 2008, following the bankruptcy of the original developer (Don Panoz), World International purchased Diablo Grande out of bankruptcy for \$21 million and as part of the Court Approval Order Authorizing the World Purchase Sale Agreement, World assumed the legal obligations under a Master Agreement for Water, Sewer and Storm Drainage services imposed by Stanislaus County development approvals.

That Master Agreement as stated says:

“7. Operational Costs. *Diablo Grande agrees to advance funds to Western as necessary to pay for the costs of operation until such times as Western’s revenues are sufficient to meet the costs of operation.* All such funds shall be treated as a loan to Western by DG which shall bear interest at the rate of eight (8%) per annum until paid in full. Western agrees to retire the debt created under this paragraph when its revenues begin to exceed its operation costs. At that time, the parties shall meet and confer to determine an appropriate schedule for repay of the loan.” (Emphasis added.) For ease of reference, this obligation may be called the “operation costs subsidy.”

Breach of Agreement:

- World International failed to meet its development obligation to advance the operation costs subsidy as required under the Master Agreement.
- World also failed to develop new housing and development during its ownership.
- In 2019, World ceased paying its obligation to pay the advance subsidy for operational costs, which include the KCWA costs of water. The KCWA water operation cost is approximately \$1.66 million annually.
- World’s failure to advance operational costs subsidy and/or new housing created a monthly operational shortfall for WHWD between \$150,000 and \$200,000.

Revenue Constraints: Without the Master Agreement operation cost subsidy, revenues from other new home development or an increase in monthly water charges, WHWD was, and is, unable to pay for the KCWA underlying basic charges for water and receives just enough monthly revenue from existing homeowners to cover basic operations and services.

Delinquent Obligations:

- Since 2017, World International also stopped paying substantially related Mello-Roos CFD special taxes, Stanislaus County ad valorem property taxes, and dues to both the Homeowners Association (HOA) and the Commercial Owners Association (COA).
- In 2020, World International sold Phase One—2,700 acres of Diablo Grande—to Angel’s Crossing for only \$100,000.00 under an Assignment Assumption & Release Agreement (AA&R Agreement) which purported to assign and assume the operational costs subsidy required under the Master Agreement.
- Angel’s Crossing never paid a dollar to the Western Hills Water District and similarly failed to pay any of the court-ordered water subsidies, taxes, or association dues. No homes were ever built by Angels Crossing and no money was ever paid to the WHWD.

Community Action: In December 2020, Diablo Grande residents took control of WHWD. By August of 2023, the WHWD foreclosed on properties due to both World International’s and Angel Crossing’s failure to pay required CFD special taxes.

Legal Proceedings: The WHWD is currently in litigation with World International, Angel’s Crossing, and former WHWD board members affiliated with World International. The legal actions include claims of fraud, breach of civil contract and statutory duties, conflict of interest, and misappropriation of public funds.

Final Statement:

The residents of Diablo Grande have endured years of financial instability caused by the developers' failure to uphold their legal and financial responsibilities. We are committed to seeking justice through all available legal avenues and restoring stability to our community.