

FACT SHEET

As of June 21, 2026

DIABLO GRANDE & WESTERN HILLS WATER DISTRICT

This document serves as a single-source reference sheet for publishing. It addresses the historical causes of the Western Hills Water District (WHWD) financial crisis, logs structural developer negligence, explains the mathematical realities of utility pricing, details domestic non-payment data, outlines the separation of local legal entities, and details recent landmark restructuring,

1. LEGAL SETUP OF WHWD & THE DEVELOPER SUBSIDY

The Western Hills Water District was established in 1992 as a public utility special district under California Water Law. It was engineered to manage domestic water distribution and wastewater (sewer) treatment for a master-planned community projected to expand to between 5,000 and 10,000 homes. Because transporting state water over 200 miles across the Central Valley requires immense industrial overhead, structural covenants were legally embedded to safeguard early residents.

- **The 2008 Master Agreement:** After the original developer filed for bankruptcy, **World International LLC** acquired the master development for \$21 million, legally assuming all burdens under the court-approved Master Agreement for Water.
- **The Paragraph 7 Subsidy Mandate:** To insulate early buyers from single-handedly carrying enterprise-scale infrastructure, Paragraph 7 explicitly commanded: *"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."*
- **Breach of Covenant:** This operational subsidy was designed as a mandatory bridge until home construction expanded the utility customer pool to a naturally self-sustaining level.

2. CHRONOLOGY OF CORPORATE NEGLIGENCE & ABANDONMENT (2017–2020)

The structural debt and system strain observed in recent years are entirely an inherited legacy crisis born from the deliberate corporate abandonment of Diablo Grande by its developers and complicit past board members.

- **2017 – Tax and Assessment Defaults:** World International LLC ceased paying its mandated Mello-Roos Community Facilities District (CFD) special taxes, Stanislaus County ad valorem property taxes, private Homeowners Association (HOA) assessments, and Commercial Owners Association (COA) dues.

- **2019 – Total Subsidy Cessation:** The developer completely stopped paying the operational subsidy to WHWD. This directly starved the district of the cash needed to pay the fixed infrastructure fees to the Kern County Water Agency (KCWA)—amounting to \$1.66 million annually—triggering sudden monthly deficits of \$150,000 to \$200,000.

- **April 2020 – The Shell Corporate Transfer:** To evade multi-million dollar liabilities, World International and per an Assignment, Assumption & Release (AA&R) Agreement, they transferred 2,700 acres of Phase One land to a shell entity called **Angel’s Crossing** for a nominal \$100,000. Angel’s Crossing never built a home, never contributed a single dollar to operations, and defaulted on all subsidies, property taxes, and association assessments.

3. ACCOUNTABILITY MATRIX: PAST FIDUCIARY FAILURES

Public records and litigation discovery decouple the current crisis from the existing volunteer board:

ENTITY (2017–2020)	DOCUMENTED GOVERNANCE ACTION & FIDUCIARY IMPACT
Past WHWD Boards	Handpicked and controlled directly by the developer. Past board presidents operated under private World Hold Harmless and Indemnification Agreements . The developer protected them from personal liability while they allowed the developer to default on millions in operational subsidies without executing collections or enforcement.
Past HOA Boards	Failed to execute aggressive legal discovery, secure liens, or launch foreclosure metrics against delinquent developer parcels for millions in unpaid residential association assessments, decimating parallel community reserves.
World International LLC & Associates	Systematically stripped value from the project, defaulted on tax rolls, halted critical infrastructure funding, and abandoned the enterprise to a non-performing shell entity.

4. THE ECONOMICS OF SCALE: MATHEMATICAL REALITY OF THE \$200 TARGET

Utility pricing is bound to population economics. The water pipeline and treatment systems were built for a major development, yet only roughly **600 homes** currently shoulder the burden. Without the developer's contractually mandated subsidy to bridge the gap, fixed operational overhead must be split entirely among existing accounts.

~600

CURRENT RATEPAYING HOUSEHOLDS

1,800 - 2,000

REQUIRED FOR BASE RATE < \$200/MO

Because the developers failed to construct the necessary ratepaying units, the existing 600 homes were stranded with enterprise overhead, driving past emergency rates toward the \$600+ mark just to keep the pumps running.

5. THE FINANCIAL BURDEN OF NON-PAYING & "SKIPPED OUT" ACCOUNTS

Domestic non-payment severely intensifies day-to-day operational shortfalls. In our small community, when accounts default or skip out entirely, it inflicts a direct penalty on responsible neighbors.

- **The Fixed-Cost Trap:** The baseline monthly expense to process water, power booster pumps, and retain certified infrastructure engineers is entirely fixed. It remains identical whether 100% of residents pay or only 30% pay.
- **The Neighborhood Subsidy:** During peak crisis cycles, nearly **100 households** fell into chronic 60+ day delinquency or skipped out on their balances entirely when moving. Because WHWD cannot operate at a loss without causing an immediate state system shutdown, the remaining 500 paying homes were forced to temporarily absorb the operational costs of delinquent properties.
- **Strict Code Enforcement:** To halt this unfair burden, the current board enforces state-compliant utility shut-offs. Restoring water service requires settling the **entire outstanding balance**, paying a **\$50 reconnection fee**, and posting a **mandatory \$500 security deposit**. Forcing accountability stabilized cash flow, directly protecting paying customers.

★ HISTORIC RESTORATION MILESTONE: THE MAY 2026 KERN COUNTY SETTLEMENT ★

In December 2020, residents successfully reclaimed the WHWD Board. Operating as uncompensated volunteers, they launched aggressive legal actions against delinquent corporate interests and entered deep restructuring negotiations. On **May 28, 2026**, this board executed a landmark **Letter of Intent (LOI) with the Kern County Water Agency (KCWA)**:

- **Complete Legacy Debt Forgiveness:** The entire outstanding **\$14 million legacy debt stack** built by past developer-controlled boards has been completely erased and forgiven.
- **Contract Right-Sizing:** The flawed contract forcing WHWD to purchase a massive 8,000 acre-feet of water annually has been eliminated. Volumes are downscaled to reflect the actual consumption of our 600 homes, eliminating millions in unnecessary future overhead.
- **Absolute Water Security:** The threat of an agency-wide water shut-off is permanently resolved.

6. INTERIM RATE RELIEF & THE COST OF SERVICE ENGINEERING STUDY

Wiping out the \$14 million debt and shrinking future water allocations fundamentally altered the district's financial structure, rendering past engineering rate assumptions completely obsolete. The board immediately deployed this grant residential relief:

- **Temporary Base Rate Reduction:** The monthly baseline water rate has been immediately lowered to a temporary **\$468 per month** to alleviate home budgets.
- **Independent Cost of Service Study:** This \$468 adjustment is an interim bridge. WHWD is officially commissioning an independent engineering and fiscal rate study to analyze our minimized overhead under the new contract. These findings will establish a permanent, legally bulletproof Proposition 218 rate structure tailored to actual scale.

7. SEPARATION OF LOCAL JURISDICTIONS: FUNDS, CFDS, HOAS, & ASSETS

For community transparency, residents must distinguish between public, private, tax, and utility jurisdictions. Funds and properties are strictly segregated and cannot be comingled:

ENTITY	PRIMARY FUNDING SOURCE	RESTRICTED JURISDICTION & DIRECT USE	PROPERTY ACCESS STATUS
WHWD Utility	Monthly Domestic Water & Sewer Bills	Water treatment plant operations, filtration, distribution mains. By law, revenues are restricted solely to water utility metrics.	No private neighborhood or gate authority.
CFD No. 1 PUBLIC TAX ENTITY	Property Tax Bills (Mello-Roos Special Tax)	Financing major public infrastructure bonds, public roads, and specific real estate parcels acquired via tax foreclosure.	Assets are currently protected based on automatic stay of Chapter 9 protection.
HOA & COA PRIVATE ENTITY	Monthly Private Association Dues	Neighborhood aesthetics, private residential gate mechanics, common street-level landscaping.	Does not grant rights to public water or CFD-owned land.

The Truth About CFD Assets and the Clubhouse: Following foreclosure actions executed by the current Board against delinquent developer lands in August 2023 due to non-payment of special taxes, specific parcels—including the ****Clubhouse****—passed into the direct ownership of the public Community Facilities District (CFD). Because these properties are secured public assets tied up in strict municipal debt restructuring and Chapter 9 bankruptcy protection frameworks to insulate them from predatory outside corporate creditors, owning a home or paying a water bill does not grant or guarantee any resident access, keys, or use of CFD-owned property. They are legally to preserve maximum underlying land value for the ultimate financial recovery of the district.