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July 31, 2017

Dear Landowner/Water User,

There has been a lot of information and misinformation regarding the district's proposed East-West Conveyance Project. Below are some commonly asked questions and answers:

Is the district trying to rename the Project to the Main Canal Rehabilitation Project to sound better since there was a lot of contention tied to the East-West Conveyance Project Concept?

The East-West Conveyance Project has two primary objectives: (1) to replace and modernize aging infrastructure to more reliably meet the district's water demands, and (2) to take advantage of the district's geographic location to provide regional conveyance opportunities from the San Joaquin River to the Delta-Mendota Canal (DMC). The Main Canal Rehabilitation Project is just one piece of the East-West Conveyance Project.

How were the projects developed?

In September 2012, the District retained the services of Provost and Pritchard (P&P) to analyze alternatives for the rehabilitation of the Main Canal and to improve the capacity of the facilities to move water into the DMC. There was a total of five (5) alternatives evaluated; however, of the alternatives evaluated only three (3) major alternatives were compared all with a facility to move water to the DMC. The major alternatives considered were:

- Rehabilitating all of the pump stations and improving the canals where needed;
- Rehabilitating pump station 2 and piping the remainder of the Main Canal and discharge into the afterbay of Pump Station 5; or
- Rehabilitating Pump Station 2 that would feed a pipe that would go into the Main Canal just downstream of the afterbay of Pump Station 3, abandoning Pump Station 3 in the process. Rehabilitating Pump Station 4 that would feed a pipe that would discharge just downstream of the afterbay of Pump Station 5, abandoning Pump Station 5 in the process.

P&P completed the feasibility study in July of 2013. The feasibility analysis concluded that the most cost-efficient option would be the third one, which consisted of a combination of pumps and pipes. This alternative provided the best return on investment and provided the best long-term operations and maintenance costs to the district.

What happened next?

At the September 16, 2015 Board Meeting, the district retained the services of MWH to design the Main Canal Rehabilitation Project of the East-West Conveyance Project. MWH broke out the project into three different schedules (phases) to accommodate funding limitations:

- Schedule A – Replacement of Pump Station 2, abandonment of Pump Station 3, and a pipeline that runs from Pump Station 2 to the afterbay of Pump Station 3 (south of Sycamore).
- Schedule B – Replacement of Pump Station 4, abandonment of Pump Station 5, and a pipeline that runs from Pump Station 4 to the afterbay of Pump Station 5.
- Schedule C – Increase the capacity of the Main Canal to 195 cubic feet per second (cfs):
 - From the fish Screen to Pump Station 2;
 - From the afterbay of (what would be abandoned) Pump Station 3 to the forebay of Pump Station 4;
 - From the afterbay of (what would be abandoned) Pump Station 5 to Highway 33.

How much does the project cost? How will it be paid for?

Under the proposal, the District is only pursuing Schedule A. The district expects to pay between \$10 million and \$12 million.

- The district has set \$10 million into a restricted account dedicated for the Schedule A improvements. That money was generated from wheeling fees and transfer revenue. The district also has been awarded \$2.94 million from the California Department of Water Resources (DWR) Proposition 1 Water Use Efficiency Grant Program.
- The district is currently looking into other grant opportunities to further reduce the district's contribution.

The Main Canal appears to be in good condition. Wouldn't it be better to work on the laterals that haven't been touched in 20 years?

After Schedule A is completed, improving the laterals is the district's next priority. Any monetary savings from the first project would be applied to the laterals.

How did the district qualify for the \$2.94 million from the state?

In March of 2016, the District filed a grant application with the DWR for funding under its water use efficiency grant program funded by Proposition 1 to fund the Schedule A improvements. The grant was competitively awarded against 10 other applications under the Capital Outlay programs, where the Schedule A project scored far better than others from all over the state.

Does the proposed project violate Proposition 218? Is the district changing its function?

- In November 1996, the California voters approved Proposition 218, the "Right to vote on Taxes Act" Prop. 218 only provides the requirements that local agencies must go through to increase assessments, fees and charges. Prop. 218 does not dictate how a project gets moved forward by an local agency.
- In regards to the function of the district: Currently, the district is limited to being able to push 40 cfs of water into the Delta-Mendota Canal. This limits the amount of time available to the district to be able to wheel water for its neighbors, thus reducing its revenue potential and limiting the district's ability to use that additional revenue to keep rates low for its water users. By increasing capacity to 195 cfs and pushing 160 cfs to the DMC, the district can move water for its neighbors for a longer duration and earn more money. The district has wheeled water since the pipeline to the DMC was constructed.

Will the proposed project force the district to increase rates?

The project would be funded by the \$10 million in transfer and wheeling revenue generated by the district set aside in a restricted account and the \$2.94 awarded by the DWR. It is the same process the district used when it constructed the fish screen. It was not built on the backs of our landowners; it was built using revenue generated by transfers and wheeling, plus grant money. Rates were not raised to pay for the fish screen.

Why doesn't the district sell bonds to finance the project?

Many public agencies sell bonds to finance capital improvement projects. Bonding is just like taking out a loan to buy a house; however, there is a qualifying process that is very

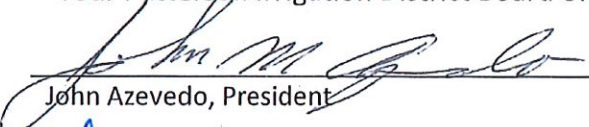
strict and the interest rates are sometimes not as favorable to public agencies as they are to a mortgage. The district is in a solid financial position, with enough money in the restricted fund plus the grant to pay cash for the project without incurring long-term debt.

Why does the District have so much money in the bank?

There are no accounting standards or regulations that dictate how much money the district should have in the bank. The district, however, has historically maintained a reserve of approximately \$4 million in case of an emergency situation for replacement of critical facilities. Only through the District's strategic and disciplined plan in the last seven years has the district been able to generate this level of revenue to be able to construct a project and pay cash for it.

We hope these answers are helpful. We invite your participation at our upcoming workshops Aug. 7 and Aug. 14, when there will be additional opportunity to ask questions.

Kindest Regards,
Your Patterson Irrigation District Board of Directors,


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