

BORREGO WATER DISTRICT REQUEST FOR PROPOSAL (RFP)
FOR A DUE DILIGENCE STUDY

The Borrego Water District (“BWD”) is a small public water and wastewater district serving approximately 2,000 customers located in Borrego Springs, California. BWD is the only appropriator that withdraws water from the unjudicated Borrego Valley Groundwater Basin, which is in overdraft. The USGS estimates that average annual recharge is 4,000 af/y and average annual withdrawals are 20,000 af/y (2010 estimates). BWD withdraws less than 15% of this total; three overlyers use approximately 15% of these withdrawals for recreational purposes (golf courses); and overlyers use about 70% of these withdrawals for agricultural purposes.

In the past few years, BWD has been paying agricultural users to fallow farmland in exchange for “water credits.” To date, it has agreed to purchase or is contemplating purchasing with Cocopah, water credits that represent the fallowing of approximately 2,136 af/y of overdraft withdrawals from the basin for about \$4,900,000, not including interest expense (\$750K Rudy Monica property; \$1.5M Viking Ranch; \$2.5M. Cocopah). The district plans to recoup the economic cost of this program through the sale of water credits to developers at a profit (e.g. if water credits were sold @ \$5,500/credit, Cocopah would return \$6,957,500 to the district for a cost of \$2,500,000 (plus interest expense).

The Board of BWD would like advice regarding three due diligence questions:

- Are there compelling economic or other arguments why the district should complete the Cocopah Nurseries purchase? [Note: the district presently has a 6-month option that expires on May 29, 2011 to purchase water credits representing 1,265 af/y withdrawals, 230 acres, and 2 deep wells for \$2.5M.]
- Should the district continue with its present water credits purchase program?
- If so, with any modifications; if not, what are the alternatives?

Study Deliverable: A brief that outlines: (1) your initial findings; (2) recommendations to the board regarding the three questions we want answered at this time; (3) the economic and other analyses you used to reach these conclusions; and (4) additional questions/issues that you believe may need more study for addressing the overdraft of the basin.

RFP Response: Please respond with a proposal that outlines (a) your due diligence process; (b) the documents you require from us; (c) how quickly you can provide an initial assessment; and (d) an estimated not-to-exceed cost for your services.

Proposal Due Date: The proposal is due no later than 2:00 PM Pacific Time, Friday, February 4, 2011 via email to [diana\[at\]borregowd\[dot\]org](mailto:diana[at]borregowd[dot]org).

Proposal Selection Process: The board has established a committee to oversee the selection process and to make a recommendation of advisor. The board wishes to start immediately after selecting an advisor and to complete the deliverable as soon as possible. Any questions should be addressed to Director Lyle Brecht at 410.963.8680 (cell) or [LBrecht\[at\]gmail\[dot\]com](mailto:LBrecht[at]gmail[dot]com).