

## **Rams Hill Golf Course - Summary of Due Diligence Reports**

*October 11, 2013*

In the summer of 2012, Mr. Bill Berkley, who represented a group interested in purchasing the Rams Hill Golf Course (golf course) and Subdivision properties approached the Borrego Water District. Mr. Berkley met with the Rams Hill ad hoc committee consisting of the Board of Directors Marshal Brecht and Lee Estep over the course of the next several months to discuss his ideas for obtaining lower-cost water for the golf course.

Mr. Berkley posed several conceptual ideas that required engineering due diligence to be evaluated properly by the District. The committee determined that the District's ratepayers should not pay for this due diligence. Thereafter, Mr. Berkley agreed to pay for the due diligence work and executed a "Developer's Deposit" agreement that was drafted in early 2013 by the Board's Strategic Planning ad hoc committee (SPC) consisting of Directors Beth Hart and Lyle Brecht. The developer's deposit agreement was executed and funded by Mr. Berkley in March 2013 [\[link\]](#). A "Request for Proposals" [\[link\]](#) was drafted by the RFP committee [\[link\]](#) and released in March to hire the appropriate consultants. The RFP committee unanimously chose Dudek Engineering, of Encinitas, California to perform the engineering due diligence work. Dudek was awarded the contract for engineering services in April 2013 [\[link\]](#).

Dudek completed three technical memorandums over the next four months based on the Developer's ideas for obtaining lower cost water for the golf course. The results of the engineering work contained in these three technical memorandums are described briefly below:

### **Technical Memorandum #1: "Preliminary Evaluation of Cocopah Well" dated July 17, 2013 [\[link\]](#)**

Mr. Berkley had an option to purchase the Cocopah Center Pivot well and palm grove located west of the Borrego Valley Airport. He asked how this well could be utilized to provide water to the Rams Hill Golf Course. Several options were evaluated in this report including utilizing the District's existing water piping system and constructing a private conveyance for the six-mile distance between the well and the golf course. The report concluded that the District's service areas of ID-4 (Downtown area) and ID-5 (Club Circle) had adequate existing supplies and that those areas operated independently of ID-1 (Rams Hill) and ID-3 (Deep Well). The report concluded that adding the Cocopah well to the District's existing system would not provide any immediate benefit to the Borrego Water District, and would create significant additional costs to ratepayers.

The second concept involved constructing a pipeline 3.6 miles to the ID-1 conveyance pipeline located at well 12. This concept would require the Cocopah well to be treated to potable drinking standards and would add 180 psi to the District's existing water piping system's pressure. It was concluded that the existing pipeline could not handle the extra flow and pressure and would require significant and costly system upgrades that would substantially increase costs to the District's ratepayers.

The remaining supply options from the Cocopah well examined by Dudek revolve around the developer building a non-potable water supply pipeline the entire 6 mile distance to the golf course. This option was deemed to be cost prohibitive by the developer. Also, it would likely require an expensive and lengthy California Environmental Quality Act (CEQA) approval process that would be necessary to build a private pipeline to convey water from one parcel to another in the same basin.

**Technical Memorandum #2: "Preliminary Evaluation and Replacement Costs of Wells ID1-1, ID1-2 and ID1-8" dated May 16, 2013 [link].** The Borrego Water District produces and delivers water to the Rams Hill Subdivision from wells in Improvement District #1 (ID-1). Of the wells in ID-1, wells ID1-1 and ID1-2 are no longer permitted as potable (drinking water quality) wells with the California Department of Public Health and historically, had been used as supplemental wells for the Rams Hill Golf Course. The report indicates that selling these wells to the developer would not impact the operations of the District's potable system or increase costs to the District's ratepayers.

The report further examined the idea of selling well ID1-8 and a portion of well ID1-12 to the developer for use by the golf course. Both of these wells are certified by the California Department of Health as drinking water quality wells. Both of these wells are also necessary for meeting the projected supply demand of the Rams Hill residential development. If sold, the District would be required to drill new wells to potable standards and go through the lengthy permitting process for drinking water certification by the State. These wells also provide emergency potable supply in case other District wells are out of production. For example, last spring when three of the District's wells were off line for unscheduled repairs, if the production of these two wells had been diverted for golf course use, Rams Hill residents would not have had adequate potable supply. For these reasons, it was determined that the sale of Well 8 and 12 would adversely impact the operations of the District's potable system and would increase costs to the District's ratepayers if sold. The report also details well construction, historical production, water level data, replacement costs and remaining useful life. Recommendations include removing the existing pumps for a video inspection; perform aquifer testing and water quality analyses for wells 1, and 2, work that has largely been completed [link].

**Technical Memorandum #3: "Wells ID1-1 and ID1-2 Valuation" dated June 14, 2013 [link]**

This follow up report to Technical Memorandum #2 outlines the production value of the two non-potable wells (ID-1 and 2) and assigns a pricing range for the sale of the two wells. The report graphs the historical annual water production and water level measurements. Water levels declined from the years 1972 to 1992 when annual production was relatively high. Beginning in 1992, the operation of the two wells was revised and they became a backup supply for the golf course, primarily utilized in the overseeding periods from September to November each year. This change in operation enabled the water level of these wells to return to 1972 levels. The report also discusses water quality, well construction, well replacement costs, remaining useful life estimates, land valuation and finally the valuation of the two wells.

## **Other Due Diligence Reports**

**"Improvement District No. 1 Standby Charge/Acreage Assessment Validation" dated August 29, 2013**[\[link\]](#). This report was commissioned by T2 Borrego and the Borrego Water District to define the ID-1 water availability fee structure. This report was developed by the District's tax consulting firm of **David Taussig and Associates**. The report outlines the availability fees charged to parcels in ID-1 on the property tax bill. The report goes into detail as to the authority of the Borrego Water District, the legitimacy of the standby charges and necessity of the charges for the operation of the ID-1 facilities. In addition, the report discusses how the charges were initiated prior to the advent of Proposition 218 in 1996 and their "grandfather" status of continued collection. The report indicates that non-payment of these availability charges by the developer would increase costs to District ratepayers.

## **Other Due Diligence Reports Still in Process**

**Technical Memorandum #4: "Preliminary Evaluation of Water Supply Options, Rams Hill Golf Course."** Technical memorandum #4 is still in draft status at this time and is not available for release. In it Dudek outlines the historical golf course water demand of 1,200 AFY and incorporates anticipated future water supply requirements as outlined by the developer.

**Raftelis Spare Capacity Cost Analysis:** This report is still in draft status at this time and is not available for release. It is an economic cost analyzes of pumping costs, non-peaking operating and maintenance costs and non-peaking assets replacement costs associated with the production wells, collectively, in ID-1.