

District Historical Information:

Prior to April 28, 1971, Lake California was owned and operated by River Development Company ("River"), which sold lots at Lake California during or about the period commencing February 1969 and ending April 28, 1971. River Development Company was a limited partnership with Lake California Development, formerly Skye, Incorporated, Recreation Environments, Inc., GSC Development Corporation and Great Southwest Corporation. "River" went bankrupt and thereafter, Lake California was owned and operated by Superior Equity of California, Inc., which thereafter sold lots at Lake California. These lots were sold with the understanding that the lots were improved lots within a subdivision that included water and sewer facilities as well as other amenities. Initially, the water and sewer district was to be privately owned by the developer, but it was determined that there were not adequate customers to support loans for the infrastructure and maintenance and operation of the district.

In December of 1969, Rio Alto Water District was formed to provide services to the subdivision. In March of 1970, Rio Alto Water District approved resolution 8-70 which established rules and regulations for distribution of water and assessment implementation of a rate schedule for metered and standby customers. At this time, construction of the sewer treatment facilities was not complete. Apparently, the sewer facilities were completed by August of 1973 because resolution 9-73 established the rules regulating the use of public sewers, discharge of waters and wastes into the public sewer system, setting fees and connection charges for Improvement District I. A special bond election was passed in December of 1969. Attempts were made to issue water bonds in the amount of \$8,430,000 and sewer bonds in the amount of \$5,522,000 to cover the costs of existing infrastructure and the cost to complete the entire subdivision. By 1972, it was determined that the bonds could not be sold by refusal of the District Securities Division of the California State Treasurer's Office to approve the sale due to risks associated with the project, limited build out, and potential failure to repay the bonds.

The District did not own the facilities at this point. A class action suit was filed against River Development Company and all of its partners by the County of Tehama, River Lakes Ranch Property Owners Association, Rio Alto Water District, and various property owners alleging the defendants and others, through misrepresentations, the with-holding of facts, unfair sales practices, misleading advertising, and other torts or violations of law, to purchase land in the subdivision, and that certain improvements at Lake California had not been completed or were not completed in a timely fashion, all in violation of various California and federal statutes and regulations of common law. An agreement of compromise and settlement of suits and claims relating to River Lakes Ranch Subdivision was signed in June of 1977. Through the settlement agreement GSC Development Corporation was required to survey, describe, and convey or cause to be conveyed (free of encumbrances) to Rio Alto Water District, existing water and sewer systems covering tracts located in the River Lakes Ranch Subdivision which were described as water or sewer easements in Final Subdivision Maps. The District recorded the original water

and sewer facilities at their fair market value when they were deeded to the district. In addition to the land and facilities conveyance, Rio Alto Water District received settlements in the form of cash on various performance bonds which established the Rio Alto Water District sinking funds which are held at LAIF.

According to the Auditor of the past thirty years, the district has been considered one district financially. When the development was initially formed, the master plan included 3 sewer treatment plants. After the bankruptcy, and subsequent settlement agreement with the developers, the water and sewer districts were limited to those lots within approved subdivision maps as of the agreement dates. Tracts 1009, 1018, and tract 1017, phase I, were added to the initial approved tracts because the funds were distributed from the 504 settlement funds held by Tehama County to complete those projects. In addition, Rio Alto Water District received approximately \$450,000 for capital projects from the 504 settlement fund. Judge Watkins made a requirement that any disbursements from the fund had to go to capital projects that would benefit the entire community of Lake California. In accordance and within his guidelines, the District used the 504 funds for the construction of Well#3 and our 1.257 million gallon water storage tank.

The District has subsequently secured adequate and reliable sources of water by constructing 3 additional wells and a 200,000 gallon reservoir. Further capital projects have included the installation of telemetry to the water and sewer systems, construction of additional drying beds at the wastewater treatment plant, and a District Board Room.

Currently the District is faced with a Cease and Desist Order on our NPDES permit to discharge into the Sacramento River. The District must come in to compliance by May, 2015.