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September 12, 2017

Honorable Board of Directors  
Lindmore Irrigation District  
P.O. Box 908  
Lindsay, CA 93247-0908

RE: 2018 ASSESSMENT PROPOSAL

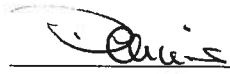
Dear Directors:

This letter transmits the Engineer's Report, prepared in compliance with the provisions of the statutes implementing Proposition 218, which examines the proposal to create a supplemental general assessment on lands served by the District. This assessment, based on your defined objectives, is to fund a portion of the deficit in the fixed operational costs of the District and the debt service associated with the conversion of the District's water service contract (9.e.) to a repayment (9.d.) form of contract. The payment requirements are independent of the water supply declared to be available to the District and the quantity and method of delivery of the exchange supply.

This assessment will allow for a reduction in both the price and the variation in water supply pricing, which would exist if these cost components were otherwise factored into the price of water. Such pricing would further discourage use of the available surface supplies and would lead to increased groundwater pumping, all counterproductive to the mission of the District.

We look forward to discussing this proposal with you and with other District landowners as you proceed with the election process.

Very truly yours,

---

Dennis R. Keller  
Consulting Civil Engineer

DRK:je

Enclosure

cc: Mr. Mike Hagman, Manager ✓

# ENGINEER'S REPORT

## PROPOSITION 218 PROCEDURES

### LINDMORE IRRIGATION DISTRICT

SEPTEMBER 2017



DENNIS R. KELLER / JAMES H. WEGLEY  
CONSULTING CIVIL ENGINEERS

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CHAPTER I

BASE REVENUE HISTORY

PROPOSITION 218 ENGINEER'S REPORT

LINDMORE IRRIGATION DISTRICT

CHAPTER I  
BASE REVENUE HISTORY  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

GENERAL

The costs and payment procedure associated with the surface supply contracted for by the Lindmore Irrigation District (District) from the U.S. Bureau of Reclamation have experienced significant changes in the last several years. One of the most significant changes is related to the modification of the water rate that the District must pay for the delivered surface water supply. Some of these changes were brought about by the Miller-Bradley legislation, commonly referred to as the "CVP Improvement Act." Another change that has impacted the District's financial operations is the leveled annual costs of operating and maintaining the Friant-Kern Canal and Exchange Contractor costs associated with federal contract deliveries. The charge basis for these components is not fixed, leading to a minimum annual payment which is required irrespective of the declared, or delivered, water supply. In addition, the District has converted its water service CVP form of contract to a repayment form of contract. This opportunity, which is associated with

the settlement of San Joaquin River Restoration litigation, required the payment of the current amount of capital debt obligation as of September, 2007, on an accelerated, discounted basis. The District has contracted to receive a discount related to environmental surcharges in future defined years and in defined amounts. The prior method of retiring the contract capital debt obligation was legislated by federal law and required that it be paid through annual water rates established by and paid to the U.S. Bureau of Reclamation. Because capital debt obligation was paid through annual water rates, the actual amounts remitted by the District to repay the capital debt varied, a function of variable annual rates and variable delivered quantities of water.

In response to the increases in the costs associated with the procurement of the available surface water supply and based on anticipated increases in the future, the Board has historically and, now recently, evaluated options to fund District operations, debt service and water supply purchase costs.

#### CHARGE PROCEDURES

The District Board of Directors has previously established a property-based assessment that is paid by all assessed acres in the District. These charges were established to help pay District operation and maintenance costs, provide incentive for District water users to use imported surface water, thereby preserving groundwater supplies, and to help stabilize cash flow.

The current assessment rate is \$25.00 per acre, which has remained unchanged since it was established. Proceeds from assessments for the Fiscal Year 2018 are projected to be \$626,742. Interest generated from the current assessment has historically been allocated to non-water related expenses.

In preparation of the Fiscal Year 2018 budget, the Board has considered adopting a new benefit assessment to allow the funding of the District's capital debt obligation from a fixed revenue source, that being an annual property based assessment, rather than the current variable source where it is a part of the District's water rate. With the passage of Proposition 218, which added Article XIII(D) to the California Constitution, procedures are now required to be followed if any landowner non-elective charges are to be established. This proposed new benefit assessment falls under Proposition 218 requirements, which includes a vote on the proposed action by the landowners who are affected by the proposed action. This Report is prepared in order to evaluate the proposal of the Board and to comply with the procedures required by the implementation of Proposition 218.

#### REVENUE OBJECTIVES

As part of its examination of establishing a new assessment, the Board has instructed that key objectives/strategies be considered in that examination. The first of these objectives is to work toward a stabilized revenue stream of fixed income in order to maintain the District and its primary purpose of delivering the District's water supply sources at economically affordable prices. Consistent with this objective is the current proposal to provide fixed income that can fund a significant portion of the fixed costs associated with District administration, operations and maintenance activities. By creating a funding strategy whereby a majority of fixed expenses are funded by fixed income, variable revenues that consist primarily of annual water rates paid by District water users can then be established at levels that primarily reflect the costs associated with acquiring and delivering the available annual water supply quantities.



The second objective is that any assessment must be based on a procedure that allows for an equitable distribution of costs across the benefitted acreage. The current proposal is designed to achieve and maintain equality between landowners relying upon surface water and those who rely, in whole or in part, upon groundwater in terms of District water service capabilities. The conversion to a federal repayment form of contract allows for all lands within the District to receive CVP water from the District, therefore, all currently assessed lands would be eligible. This acreage totals 25,069.68, which is the current District assessed agricultural acreage, out off a gross total acreage of 27,669 acres. In addition to this acreage, the District has 1,285.96 acres which are not assessed. These lands, for the most part, are of less than five (5) acres in size and have historically not been eligible on receive Project water or are public agency parcels such as schools where there are no deliveries of contract supply made. There also exists a total of 144 small and fractional acreage parcels where the County of Tulare has not even computed the acreage associated with these parcels. No water supply delivery capability exists for these parcels, no water supply deliveries are therefore made, thus, there is no basis for the District to levee the proposed assessment to these parcels.

The final objective is the development of a revenue stream in a fashion that allows for the delivery of all of the water available to the District. The importation of the maximum quantity of water available to the District through its contract with the U.S. Bureau of Reclamation is the primary vehicle for stabilizing groundwater levels in the District. The Board has recognized that utilization of available surface water supplies is not only critical in maintaining groundwater elevations, but further acknowledges the ever increasing attack by parties wishing to reallocate

the District's CVP contractual supply for purposes other than those which are in the best interests of the District landowners. In addition, regulatory changes have occurred and more are anticipated in the future, related to management of groundwater supplies. Impacts of these regulatory changes on District landowners will be minimized if the District is able to make available and deliver the surface water resources which have been secured and maintained, to date, by the District.

CHAPTER II  
DISTRICT BACKGROUND DATA  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

CHAPTER II  
DISTRICT BACKGROUND DATA  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

GENERAL

The Lindmore Irrigation District (District) maintains its office in the incorporated City of Lindsay in the County of Tulare. The staff consists of a general manager, office, operations and maintenance personnel. Almost all of the District operations and maintenance activities are handled directly by the District. Only those capital construction projects which require specialized equipment and/or labor skills are contracted out.

The District's Board of Directors and staff are constantly in the process of evaluating the methods to improve water distribution capabilities. Costs related to programs to insure adequate operation and maintenance of the existing distribution system and requested abandonments have also been subjected to examination. The District maintains manmade facilities for the purposes of recharging water to replenish landowner/grower groundwater supplies and for distribution system balance purposes. A portion of the quantity of Class 2 water over and above that required for irrigation purposes has historically been used to percolate for later recovery for irrigation

purposes. It was recommended in the USBR reports in support of the initial contract that utilization of supplemental waters, as they occur, is necessary so that a hydrologic balance is maintained. Historical hydrologic data indicates that dry cycles are long and every effort should be made in wet years to percolate available surface water not required for crop use into the groundwater reservoir for use in below-normal precipitation and reduced runoff years.

## HISTORY

The District is a political subdivision of the State of California. The District was organized March 6, 1937, for the purpose of securing a supplemental water supply from the United States Bureau of Reclamation's (Reclamation) Central Valley Project (CVP). The District was organized under California laws pertaining to the formation and operation of irrigation districts. The District had no canal or ditch system and land development had been brought about entirely by irrigation from privately owned wells. Early settlers found groundwater plentiful at shallow depths. Increased development and pumping lowered groundwater year after year. Dry years and an increased acreage in cultivated crops resulting from war demand reduced the underground supply to an alarming degree.

Accordingly, on February 28, 1949, Contract No. 174r-1635 was entered into with Reclamation, for a water supply from the Friant-Kern Canal which is a unit of the Friant Division of the CVP, Mid Pacific Region. The contract was also for the construction of a concrete pipe distribution system. The contract was amended June 13, 1952, March 12, 1957, June 9, 1959, November 18, 1960, July 10, 1989, and Renewed September 28, 1990. This latter contract was voided by court action. A subsequent Long-term Renewal Contract was entered into on March 1, 2001. This contract has now been replaced with a permanent repayment form of contract.

The first orange trees were planted in the area in 1880. The first irrigation wells tapped the shallow underground supply in 1895, thus triggering the intensive development of the area. The landowners/growers in the District, through the use of ingenuity, technical knowledge, farming know-how and private capital have been able to take a firm project water supply, relatively shallow soils and favorable climatic conditions and build a highly productive agricultural industry.

Rail transportation within the District was historically furnished by Kyle Railways with the tracks and rail beds now abandoned. Principal shipping points and market outlets are the towns of Lindsay and Strathmore, requiring an average truck haul of about six (6) miles from the farms in the District. Highway transportation, being the predominant method, is facilitated by two (2) main state highways and a system of improved county roads.

Industrial development in the District area is centered around the processing of agricultural products. The marketing of the agricultural commodities grown in the District passes through regular established channels.

The demand for hired labor peaks normally in January, June, July, October and November, with minimum requirements occurring in early April and September.

The history of groundwater use in the District has been one initially associated with fairly rapid development. When irrigated agricultural started, about 1890, groundwater stood about 20 feet below the surface. By 1917, a considerable area within the District was being irrigated from wells, causing the water table to drop. This drop was greatest in the area of heaviest pumping. This water table depression has been termed the "Lindsay Cone of Depression" or simply "the Cone".

The Cone is bounded on the west by a groundwater divide, creating a closed basin that probably has been in existence for many years. Additional recharge of the Lindsay Cone area by reason of Central Valley Project deliveries tends to refill this groundwater depression. The annual replenishment to groundwater was historically proportional to the precipitation for that year.

The fluctuations in groundwater levels are dependent upon the nature of the sediments and the rate and quantity of pumpage. Maximum vertical movement of the water table is greatest near the center of the cone, least near the perimeter. The water level drops quickly when a large water demand is made upon the sediments of low storage capacity found in the central part of the District.

Since 1922, mean depth to water has been a function of Central Valley Project water deliveries since 1950, depth to groundwater and acres irrigated. The effect of Project water deliveries was very apparent in that, in 1958, the mean depth to water over the entire District had risen approximately 50 feet since surface water deliveries started. At the original center of the cone of depression east of Lindsay, the rise was approximately 100 feet. The character and position of the cone of depression changed materially with the delivery of contract supply. The drop in the water table was initially due to pumping for irrigation. The rise has been attributed directly to Central Valley Project water deliveries.

Until 1950, groundwater was the major source of irrigation supply and water levels dropped. In 1917, the cone of depletion was centered east of Lindsay and was confined to a relatively small area. By 1946, the irrigated acreage had increased from approximately 14,000 to 19,500 acres. The center of the cone had moved west of Lindsay and dropped another 75 feet. The groundwater divide located on the west side of the cone of depression had also dropped 25

feet. Thus, there was every indication of a serious groundwater overdraft in the District and that water was being "mined" or permanently removed from storage and eventually some lands would revert to dry-farming unless a supplemental supply was obtained.

The urgently needed supplemental supply, by means of the Central Valley Project water deliveries, was started in 1950 and reached the maximum under the existing contract by 1954. By 1957, the cone of depression had filled approximately 110 feet. The character of the slopes on the perimeter of the cone had flattened and the groundwater divide on the west side of the cone had dropped another 30 feet. By 1958, re-establishment of the westward movement of groundwater across the old groundwater divide into areas to the west of the District had occurred.

The lowering of the groundwater divide west of the District undoubtedly would have occurred irrespective of Project construction. Consequently, estimates of safe groundwater yield were based on the assumption that this barrier would have been removed, resulting in a material reduction, if not the entire elimination, of the District's source of water supply from the west and a corresponding reduction in the firm groundwater supply.

The District is governed by a board of five (5) directors elected for four-year terms on a staggered basis of two and three, at elections called every two (2) years. The District Board of Directors appoints a General Manager, Assessor, Collector, Treasurer and Secretary and contracts for legal and engineering services.



CHAPTER III

REVENUE REQUIREMENTS

PROPOSITION 218 ENGINEER'S REPORT

LINDMORE IRRIGATION DISTRICT

CHAPTER III  
REVENUE REQUIREMENTS  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

GENERAL

The Lindmore Irrigation District (District) has historically utilized a multiple number of sources of revenue in order to fund District operations. An assessment has been levied for several years on all irrigated acres to which a water supply allocation has been established. In addition to that fixed charge, the District has established the water rate at levels sufficient to fund operations of the District, to establish sufficient reserves to address in-District capital obligations and to address the variable nature of water supply allocations. The assessment has been levied on a per acre basis. In addition, the District receives interest on funds held in various investment instruments. The District has historically restricted the sale of water outside of the District and has always been a net purchaser of available supplies on behalf of interested landowners. The current proposal maintains the policy that the entire available water supply is to be retained for the benefit of District landowners.

## CAPITAL COST REVENUE REQUIREMENTS

The District's CVP water supply contract imposes capital repayment obligations to the United States in three (3) different forms. Each obligation has a different basis for allocation of capital debt, as well as defined repayment terms and conditions. A portion of the additional benefit assessment which is proposed must be designed to address these repayment characteristics.

The first and most significant element of the capital repayment obligations is that which was accumulated as of September 30, 2007. For the District, discharge of this obligation resulted in the issuance of Certificates of Participation in the amount of \$6,820,000 with the final payment scheduled to be made on August 1, 2030. Conversion to a repayment form of contract and securing the benefits associated with that form of contract required the payment of the computed amount of this capital obligation at September 30, 2007, discounted, in a single payment, due in January of 2011, or payable in four (4) annual installments with the last due on or before January 31, 2014. Based on the estimate of the federal discount rate at that time, the District sold bonds in an amount sufficient to make the required payment and thus incurred an obligation to service the debt related to such bond sale over its twenty year life. The discount rate and bond interest rates when applied have resulted in an annual repayment obligation, maximized in 2023, at \$511,112.50. The bond interest rate is variable, starting out at 2.000 percent and ending at 5.000 percent. The final payment is scheduled to be made with funds contained in the bond reserve account.

The second form of capital repayment obligation is based on additions to the CVP for which the District is assigned an allocated share of the capital cost of such additions, payable over an assigned period. Such capital obligations are repaid to the United States with no interest. It is difficult to predict just what additions to the Central Valley Project will be constructed by the United States prior to its completion, so that any estimate would be based on historic additions. For purposes of this Report, these costs have been determined to be variable costs and not subject to payment coverage with proceeds from assessments, but rather from proceeds of water sales.

The third form of capital repayment obligation is annual reallocations of existing capital by the United States, based on a redistribution of CVP benefits to those receiving benefits from the project. Such reallocations will occur on an annual basis, but will not be billed until the CVP is declared complete. At such time, the District's share of the reallocated capital will be made and a repayment period determined. While a specific charge to service this obligation cannot be determined at this time, it is proposed that any revenue generated by the benefit assessment in excess of the amounts required to service the current debt obligations for the other two (2) forms of capital obligation, if any, be retained and specifically reserved to assist with the payment of the reallocated capital obligation upon completion of the project. Such payments are expected to begin in 2030, and continue for a period of at least 10 years.

### ANNUAL BUDGET

Pursuant to requirements of state law, the District establishes, on an annual basis, an operating budget. A copy of the preliminary budget proposed for adoption for Fiscal Year 2018

is presented herein as Table III-1. In keeping with the objectives established by the Board for the creation of an equitable charge basis, the budget items and dollar amounts have been divided into fixed and variable categories. The fixed charges reflect that the supplemental assessment proposed by the District would be applicable only to those lands currently receiving supplemental surface water from the District or requesting the capability to be in that position. All other lands would not be subject to the supplemental assessment, nor would exercise a vote regarding authorization or denial of capability to impose said supplemental assessment. The supplemental assessment is designed to provide coverage for those costs, not covered by the existing assessment, necessary to maintain basic operations of the District absent any water purchase or District delivery consideration, or otherwise required by law. The budget notes the creation of the subject assessment, noted as "Supplemental Assessment". This assessment is proposed to be applicable to all irrigated lands within the District, based on benefits derived from the directive to deliver surface waters or be eligible to issue such a directive. A review of current groundwater conditions, in comparison to pre-CVP contract conditions, demonstrates the importance of the District CVP contract supply to the maintenance and viability of the groundwater reservoir. As non-payment of the fixed O&M charges to the Friant Water Authority would provide the basis for the loss of the federal contract, benefit accrues to all participating acreage within the District in reasonable equivalent proportion. Additional justification, relative to payment of the fixed costs by way of assessment, is based on allowing for delivered surface water costs from all sources to be established at rates which are as competitive with groundwater extraction costs as is currently feasible.

TABLE III-1  
PROPOSED FISCAL YEAR 2018 BUDGET  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

<b>CATEGORY</b>	<b>FIXED</b>	<b>VARIABLE</b>
<b><u>EXPENSES</u></b>		
<b><u>WATER</u></b>		
CVP Water Purchases (33,000 Acre Feet)	\$	\$ 1,198,478
CVP Water Purchases (M&I)		1,898
CVP Environmental Fees		
Restoration Fund		373,105
Friant Surcharge		231,000
Trinity PUD		9,900
Transfer In Water Expense		0
USBR Penalties/Other Charges		0
<b><u>DISTRIBUTION/OPERATION &amp; MAINTENANCE</u></b>		
Salaries - O&M		309,792
Salaries - O&M Overtime/Part-Time Labor		22,000
FWA O&M	300,000	
SLDMWA O&M	675,000	
Above Surface Repair - Supply/Services		2,500
Auto Maintenance Expense		18,750
Backhoe & Diesel		2,500
Fuel and Oil		27,500
Meter Repair Supply/Services		7,500
Misc. Repair Supply/Services		0
Misc. Expenses		0
Misc. Shop Expenses		0
Moss Screen - Repair Supply/Services		1,500
Pipe Line Repair - Supply/Services		27,500
Power (non-pumping)		7,500
Pumping - Power		56,000
Pumping - Tele/Communication		12,000
Pumping - Maint/Struct/Impr		20,000
Radio Expense		0
Reservoir Repair - Supply/Services		2,500
Shop Building Maintenance	3,500	
Shop & Maintenance/Equipment Repair Expense		5,000
Small Tool Expense		3,500
Stenciling		500
Trans/Dist of Mat/Supply		12,500
Trans Electronic Techn		2,500
Valve Repair - Supply/Services		12,500
<b><u>ADMINISTRATION</u></b>		
Salaries - General Manager	\$ 191,220	\$
Salaries - Administration General		88,638
Salaries - Administration Overtime/Part-Time Labor		5,000
Accrued Leave Expense		0
Dental Insurance Expense		4,950
Health Insurance Expense		98,693
Life Insurance Expense		1,899
Retirement Contribution Expense		47,812
Social Security Expense		40,910
Vision Insurance Expense		1,000
Bank Charges - Payroll		1,500
Communication	8,000	
Computer Supplies/Services		11,000
Grounds	2,500	

TABLE III-1  
PROPOSED FISCAL YEAR 2018 BUDGET  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

CATEGORY	FIXED	VARIABLE
<b><u>ADMINISTRATION (CONTINUED)</u></b>		
Office Building Maintenance	\$ 2,500	\$
Office Furniture Expense		2,500
Office Supplies		6,500
Payroll Service Expense		
Postage/Printing - Office		5,000
Property/Liability Insurance	31,000	
State Comp Insurance		34,750
Travel Expense		2,500
Utilities - Office	8,000	
<b><u>OTHER</u></b>		
Audit	\$ 10,950	\$
Crop Report	250	
Director Per Diem	7,500	
Dues/Subscriptions/Contr	12,500	
Easements	750	
Engineering - System		30,000
Engineering - Groundwater		75,000
Engineering - City of Lindsay		2,500
Friant Power Authority Legal Fees		5,000
FWA General Membership	200,000	
Legal - Water		5,000
Legal - General		18,000
Legal Advertisement		400
Record Assessment Expense		500
Safety Compliance	15,000	
SGMA - Governance	21,500	
SGMA - Plan	180,000	
SGMA - Implementation	0	
SWRCB Water Rights Fee	35,000	
Water Managment Plan	1,000	
Water Quality Monitoring	1,000	
Well Measurement Supplies	500	
<b><u>NON-OPERATING</u></b>		
Debt Service 2010A Bond (Interest)	\$ 225,000	\$
Debt Service 2010A Bond (Principal)	290,000	
Depreciation Expense - System	152,250	
Depreciation Expense - Other	30,410	
Uncollectable Lien Expense		3,000
Capital Improvements		100,000
<b>TOTALS</b>	<b>\$ 2,405,330</b>	<b>\$ 2,960,475</b>
<b><u>REVENUES</u></b>		
Non-Operating Revenue	\$	\$ 968,000
Current Assessment (1)	626,742	
Supplemental Assessment (2)	1,778,588	
Water Sales (3)		1,992,475
<b>Totals</b>	<b>\$ 2,405,330</b>	<b>\$ 2,960,475</b>

(1) 25,069.68 acres @ \$25.00/acre

(2) 25,069.68 acres @ \$70.95/acre

(3) 35,000 af @ \$56.93/af

For Fiscal Year 2018, the fixed portion of the budget applicable to these proceedings has been estimated at \$2,405,330. The costs associated with the acquisition of the water supply, the payment of restoration charges and Friant surcharge mandates are based on a CVP water supply allocation of 33,000 acre-feet. The collection of the Friant surcharge, Restoration Fund and Trinity Public Utility District components remains allocated to the delivered water supply cost and so only will be collected on water which is actually delivered. This avoids the underfunding/overfunding of this obligation and any resulting procedures requiring taking surplus to or loan from reserves. It further provides for a finding of reasonable equivalent benefit relative to all eligible lands requesting the capability to receive surface water from the District as to the proposed supplemental assessment.

#### WATER ACQUISITION COSTS

For the period starting with delivery of CVP water through 1995, the District reimbursed the federal government for delivered water based on fixed contract rates. For the Class 1 supply, the District paid a canal-side cost of \$3.50 per acre-foot. Based on the current contract between the District and the federal government, the 2017 Class 1 cost of service contract rate, not including Friant O&M charges, is \$20.68 per acre-foot. The 2017 Class 2 cost of service contract rate, not including Friant O&M charges, is \$7.80 per acre-foot. In addition to these costs, the District is required to pay a Friant Surcharge in the amount of \$7.00 per acre-foot and a Restoration Fund charge in an amount of \$10.23 per acre-foot to the first day of October, 2017. The rate changes thereafter. The Trinity Public Utility District surcharge is \$0.30 per acre-foot.



CHAPTER IV

DESCRIPTION OF PROPOSAL

PROPOSITION 218 ENGINEER'S REPORT

LINDMORE IRRIGATION DISTRICT

CHAPTER IV  
DESCRIPTION OF PROPOSAL  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

GENERAL

In Chapter III, the analysis of the fixed cost obligations of the Lindmore Irrigation District (District) was presented with particular attention given to the relationship between the current revenue mechanisms of the District and defined, anticipated fixed cost expenses. In this chapter, the proposal of the District to provide funds for the estimated, defined, fixed operational costs of the District will be addressed and the method to recover such costs from specific landowners through a supplemental assessment to its currently authorized assessment will be explained.

The District's Board has been recently considering revenue mechanisms, potential assessments and water rate impacts which, in combination, would be sufficient to allow the District to discharge its current fixed cost obligations and continue to retain the entire contract water supply for allocation to lands located within the District. A significant amount of revenue necessary to discharge fixed costs has been historically generated from charges associated with the delivery and sale of water. As the water supply available to the District is variable in nature,

reliance on water charges alone to fund fixed cost obligations leaves at risk the capability to generate revenues necessary to discharge any fixed cost, making any commercial borrowing difficult and further leads to undesirable fluctuations in the pricing structure for delivered water. It also leads to retention of landowner funds in reserve as the duration of reduced water sales cannot be accurately forecasted.

In requesting approval for a new benefit assessment to address these fixed cost issues, the District is proposing to generate a revenue stream by way of an additional, fixed annual assessment levied against those landowners who have the ability to take delivery of District surface water supplies, said lands benefitting uniformly from the existence of the District and the continued delivery of water made available under the District's Friant Division, CVP contract.

The District therefore is requesting of specific landowners to take action to vote to assess themselves an increased, per acre amount. If approved, it will continue to allow the District to retain the entire water supply which is available each year for the benefit of those growers currently requesting the ability to divert within the District with a more uniform water rate, over time, and a reduced need for significant dry year related reserves. Based on the acreage which benefits from the existence of the District and its related activities, the acreage basis for the supplemental assessment has been estimated at 25,069.68 acres. This results in a proposed initial annual assessment not to exceed \$70.95 per acre.

The defined fixed costs incurred by the District and the subject of the supplemental assessment are of benefit to all of the defined lands within the District and therefore, a uniform additional assessment per irrigable acre is the most equitable allocation of these costs. Approval of the supplemental assessment will also result in a reduction in the water rate which the District

must charge to cover expenses to the extent that water charge has historically included a significant component of the fixed cost obligations of the District. Approval of the supplemental assessment would result in a rate reduction resulting in a delivered water rate for 2018 of \$56.93 per acre-foot if the 2018 cost of service rate is unchanged and 35,000 is the declared District allocation.

The uses of the new supplemental benefit assessment are for purposes of assisting with the payment of the fixed operating costs of the District. Capital for maintenance of the delivery system will remain within the established per acre-foot delivered rate. As the distribution system is in excess of 60 years old, some 10 years beyond original design life, the assessment has been established to begin building a reserve sufficient to cover a modest system failure. Such a reserve will allow for repairs and/or a limited replacement to occur, while seeking funding for a major replacement.

CHAPTER V  
IMPLEMENTATION PROCEDURES  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

CHAPTER V  
IMPLEMENTATION PROCEDURES  
PROPOSITION 218 ENGINEER'S REPORT  
LINDMORE IRRIGATION DISTRICT

PROCEDURAL BASIS

Based on an examination of available revenue generating options by the Lindmore Irrigation District (District) Board of Directors, it has been determined that maintaining the assessment currently in effect and then adding a supplemental benefit assessment to defined lands offers the most equitable base to work from to maintain the viability of the District and the associated federal surface water supply contract. The Board has further determined that this proposal will comply with the provisions of Article XIII(D) of the California Constitution which calls for an impacted landowner election to allow for the collection of a supplemental benefit assessment.

Utilization of this procedure would allow the District to continue assurance of the delivery of available surface water to eligible, defined grower lands within the District, to maximize the benefits to the groundwater reservoir associated with the imported water supply and to put to use the maximum quantities of surface water available to the District.

## REVENUE STREAM COMPARISON

An allocation of fixed and variable costs and identification of sources of revenues has been made. The procedures being contemplated herein reinforce the action to supplement the existing assessment with an additional benefit assessment.

## CALCULATION OF CHARGES

The primary objective of the Board relative to the additional revenue is to insure adequate resources for discharge of a portion of the fixed operational costs of the District. Computations for the water supply scenario of 35,000 acre-feet of available supply for 2018 results in an estimated delivered cost of water of \$56.93 per acre foot. The delivered water costs remain to be collected through application of the annual water rate to delivered quantities of water.

Based on recommendation resulting from preparation of this Report, with input from legal counsel, it has been determined to seek approval for a supplemental assessment in the initial amount of \$70.95 per acre. The Board of Directors proposes to collect this new assessment in one (1) installment beginning in support of the Fiscal Year 2018 budget.

It is recommended to the Board of Directors that a uniform basis for cost allocation be utilized across defined lands and that hearing procedures be initiated in order to implement the supplemental assessment. An examination of the benefits to the lands within the District indicates that a basis exists for implementing the supplemental assessment as presented. The supplemental assessment will apply across all of the currently assessed acreage within the District, based on eligibility to receive CVP contract water deliveries, owners of which lands have requested the ability to receive such deliveries. Such requests are in the form of request in the current water year for delivery of contract surface water supply or imposition of that ability

based on District policy. The recommendation is, therefore, to seek approval to establish the supplemental assessment on defined lands within the District. In addition, approval should be requested to establish an annual increase to cover the impacts of inflation based on budget estimates for subsequent five (5) year period. If not approved, the proposed supplemental assessment will not be imposed, but the District's currently authorized assessment will continue in effect.

#### ADJUSTMENTS FOR INFLATION

Due to the potential for inflation to impact the costs of delivering the Friant Division contract water supply, as well as the Exchange Contractors' water supply, the decision has been made to also request permission to address the issue of inflation. The method which has been chosen for this purpose is the preparation of proposed annual budgets for each of the next five (5) fiscal years beginning with Fiscal Year 2019. Permission for the inflation adjustment process can only be based on a period of time not to exceed five (5) fiscal years. The first index adjustment would take effect, if allowed, on January 1, 2019, based on the budget adopted for Fiscal Year 2019.

Table V-1 has been prepared to address inflation related impacts. Estimates of potential inflation related increases have been prepared on a budget line item basis. The forecasted increases are based on historical experience, tempered by observed current trends. The annual inflation adjustment rates range from no increase to a maximum of \$7.72 per acre, not to exceed, over time, a total supplemental assessment rate of \$79.13 per acre.



**TABLE V-1**  
**PROPOSED FIVE-YEAR BUDGET PROJECTIONS**  
**PROPOSITION 218 ENGINEER'S REPORT**  
**LINDMORE IRRIGATION DISTRICT**

CATEGORY	FIXED				
	2019	2020	2021	2022	2023
<b><u>EXPENSES</u></b>					
<b><u>WATER</u></b>					
CVP Water Purchases (33,000 Acre Feet)	\$ 0	0	0	0	0
CVP Water Purchases (M&I)	0	0	0	0	0
Environmental Fees					
Restoration Fund	0	0	0	0	0
Friant Surcharge	0	0	0	0	0
Trinity PUD	0	0	0	0	0
Transfer In Water Expense	0	0	0	0	0
USBR Penalties/Other Charges	0	0	0	0	0
<b><u>DISTRIBUTION/OPERATION &amp; MAINTENANCE</u></b>					
Salaries - O&M	\$ 0	0	0	0	0
Salaries - O&M Overtime/Part-Time Labor	0	0	0	0	0
FWA O&M	312,000	324,480	337,459	350,958	364,996
SLDMWA O&M	702,000	730,080	759,283	789,655	821,241
Above Surface Repair - Supply/Services	0	0	0	0	0
Auto Maintenance Expense	0	0	0	0	0
Backhoe & Diesel	0	0	0	0	0
Fuel and Oil	0	0	0	0	0
Meter Repair Supply/Services	0	0	0	0	0
Misc. Repair Supply/Services	0	0	0	0	0
Misc. Expenses	0	0	0	0	0
Misc. Shop Expenses	0	0	0	0	0
Moss Screen - Repair Supply/Services	0	0	0	0	0
Pipe Line Repair - Supply/Services	0	0	0	0	0
Power (non-pumping)	0	0	0	0	0
Pumping - Power	0	0	0	0	0
Pumping - Tele/Communication	0	0	0	0	0
Pumping - Main/Struct/Impr	0	0	0	0	0
Radio Expense	0	0	0	0	0
Reservoir Repair - Supply/Services	0	0	0	0	0
Shop Building Maintenance	3,570	3,641	3,714	3,789	3,864
Shop & Maintenance/Equipment Repair Expense	0	0	0	0	0
Small Tool Expense	0	0	0	0	0
Stenciling	0	0	0	0	0
Trans/Dist of Mat/Supply	0	0	0	0	0
Trans Electronic Techn	0	0	0	0	0
Valve Repair - Supply/Services	0	0	0	0	0
<b><u>ADMINISTRATION</u></b>					
Salaries - General Manager	\$ 196,001	200,901	205,923	211,071	216,348
Salaries - Administration General	0	0	0	0	0
Salaries - Administration Overtime/Part-Time Labor	0	0	0	0	0
Accrued Leave Expense	0	0	0	0	0
Dental Insurance Expense	0	0	0	0	0
Health Insurance Expense	0	0	0	0	0
Life Insurance Expense	0	0	0	0	0
Retirement Contribution Expense	0	0	0	0	0
Social Security Expense	0	0	0	0	0
Vision Insurance Expense	0	0	0	0	0
Bank Charges - Payroll	0	0	0	0	0
Communication	8,160	8,323	8,490	8,659	8,833
Computer Supplies/Services	0	0	0	0	0
Grounds	2,550	2,601	2,653	2,706	2,760
Office Building Maintenance	2,550	2,601	2,653	2,706	2,760
Office Furniture Expense	0	0	0	0	0

**TABLE V-1**  
**PROPOSED FIVE-YEAR BUDGET PROJECTIONS**  
**PROPOSITION 218 ENGINEER'S REPORT**  
**LINDMORE IRRIGATION DISTRICT**

CATEGORY	FIXED				
	2019	2020	2021	2022	2023
<b>ADMINISTRATION (CONTINUED)</b>					
Office Supplies	0	0	0	0	0
Payroll Service Expense	0	0	0	0	0
Postage/Printing - Office	0	0	0	0	0
Property/Liability Insurance	31,620	32,252	32,897	33,555	34,227
State Comp Insurance	0	0	0	0	0
Travel Expense	0	0	0	0	0
Utilities - Office	8,160	8,323	8,490	8,659	8,833
<b>OTHER</b>					
Audit	\$ 11,170	11,393	11,621	11,854	12,091
Crop Report	255	260	265	271	276
Director Per Diem	7,500	7,500	7,500	7,500	7,500
Dues/Subscriptions/Contr	12,750	13,005	13,265	13,530	13,801
Easements	765	780	796	812	828
Engineering - System	0	0	0	0	0
Engineering - Groundwater	0	0	0	0	0
Engineering - City of Lindsay	0	0	0	0	0
Friant Power Authority Legal Fees	0	0	0	0	0
FWA General Membership	210,000	220,500	231,525	243,101	255,256
Legal - Water	0	0	0	0	0
Legal - General	0	0	0	0	0
Legal Advertisement	0	0	0	0	0
Record Assessment Expense	0	0	0	0	0
Safety Compliance	15,300	15,606	15,918	16,236	16,561
SGMA - Governance	21,930	22,369	22,816	23,272	23,738
SGMA - Plan	180,000	0	0	0	0
SGMA - Implementation	0	80,000	81,600	83,232	84,897
SWRCB Water Rights Fee	35,875	36,772	37,691	38,633	39,599
Water Management Plan	1,000	8,000	1,000	1,000	1,000
Water Quality Monitoring	1,000	1,000	8,000	1,000	1,000
Well Measurement Supplies	510	520	531	541	552
<b>NON-OPERATING</b>					
Debt Service 2010A Bond (Interest)	\$ 207,163	187,413	162,912	134,161	134,161
Debt Service 2010A Bond (Principal)	299,525	320,425	345,013	372,739	372,739
Depreciation Expense - System	152,250	152,250	152,250	152,250	152,250
Depreciation Expense - Other	30,410	30,410	30,410	30,410	30,410
Uncollectable Lien Expense	0	0	0	0	0
Capital Improvements	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 2,454,014</b>	<b>2,421,405</b>	<b>2,484,675</b>	<b>2,542,300</b>	<b>2,610,521</b>
<b>REVENUES</b>					
Non-Operating Revenue	\$ 0	0	0	0	0
Current Assessment (1)	626,742	626,742	626,742	626,742	626,742
Supplemental Assessment (2)	1,827,272	1,794,663	1,857,933	1,915,558	1,983,779
<b>Totals \$</b>	<b>2,454,014</b>	<b>2,421,405</b>	<b>2,484,675</b>	<b>2,542,300</b>	<b>2,610,521</b>

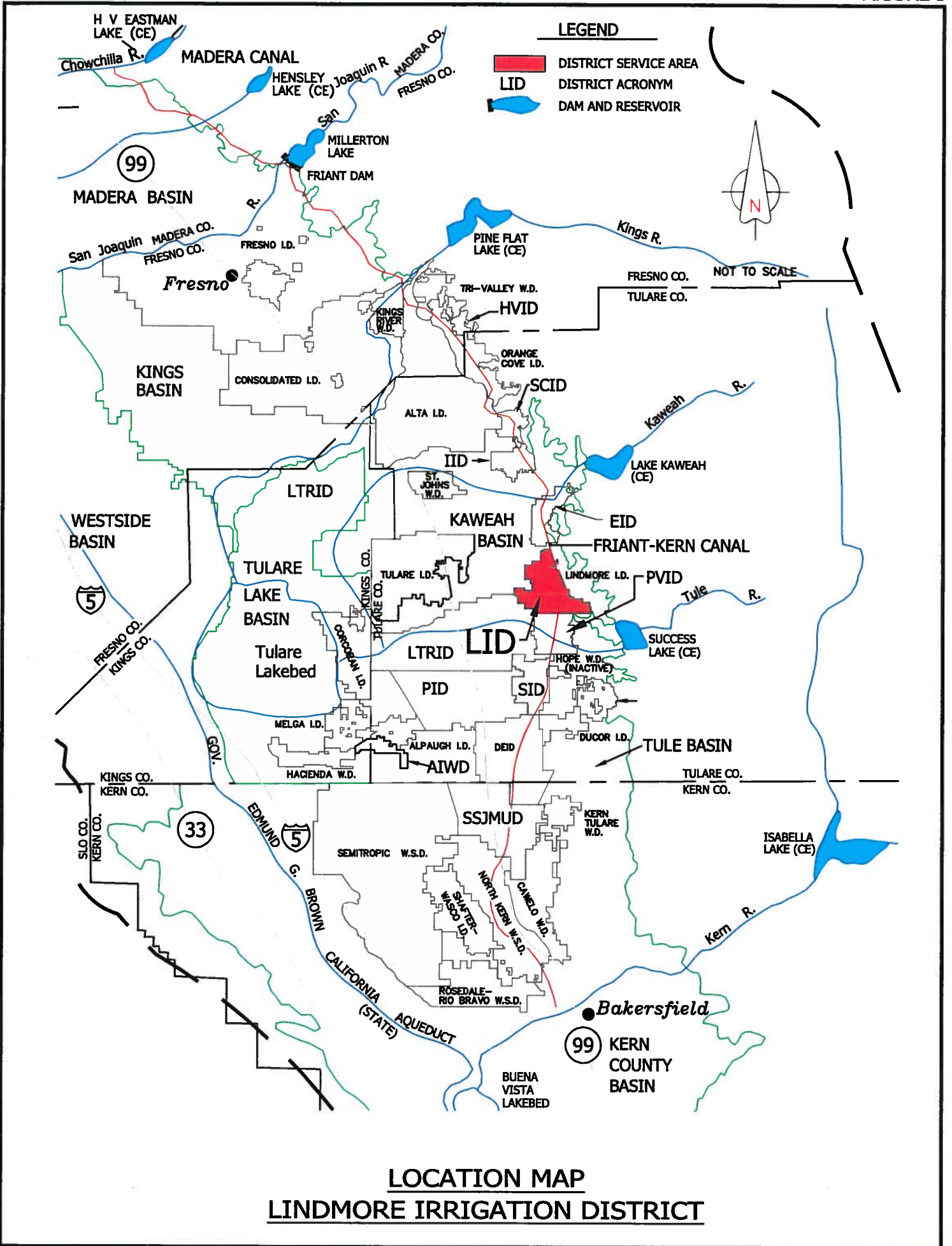
(1) 25,069.68 acres @ \$25.00/acre

(2) 25,069.68 acres @ \$72.89/acre for 2019, \$71.59/acre for 2020, \$74.11/acre for 2021,  
 \$76.41/acre for 2022 and \$79.13/acre for 2023

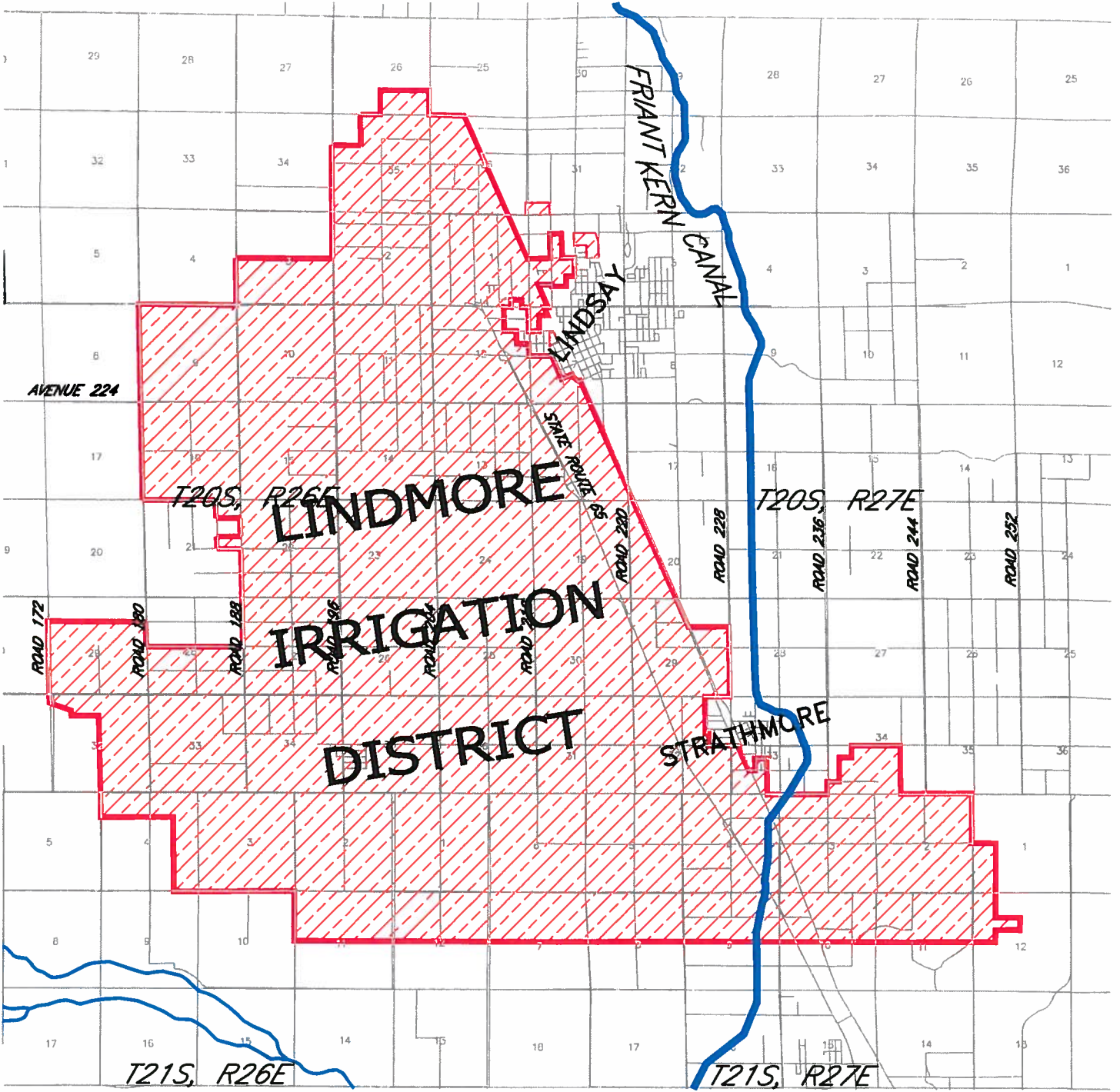
FIGURES

PROPOSITION 218 ENGINEER'S REPORT

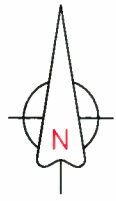
LINDMORE IRRIGATION DISTRICT



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SCALE: 1" = 8000'

**BOUNDARY MAP**  
**LINDMORE IRRIGATION DISTRICT**