

VOTER INFORMATION PAMPHLET

MEASURES, ANALYSES AND ARGUMENTS

(whichever is applicable to your ballot)

Arguments in support of, or in opposition to, the proposed laws are the opinions of the authors.

W Shall Community Facilities District No.1 (Felton) be authorized to incur debt and issue bonds in the maximum amount of \$11,000,000 to acquire water system improvements, levy a special tax based on water meter size as shown below, and establish an appropriations limit equal to the proceeds of the special tax, all as set forth in the Resolution of Formation?

Water Meter Size	Maximum Annual Tax
5/8"	\$695.52
3/4"	\$901.81
1"	\$1,442.90
1 1/2"	\$2,525.08
2"	\$3,607.26
4" or greater	\$8,657.42

BEFORE THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 126-2005

On the motion of Board Member Stone
duly seconded by Board Member Wormhoudt
the following resolution is adopted:

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CRUZ, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF THE COMMUNITY FACILITIES DISTRICT NO. 1 (FELTON) OF THE COUNTY OF SANTA CRUZ, CALLING A SPECIAL ELECTION FOR THE PURPOSE OF APPROVING A SPECIAL TAX THEREIN, THE ISSUANCE OF BONDS BY SAID DISTRICT AND ESTABLISHMENT OF AN APPROPRIATIONS LIMIT

WHEREAS, on this date, this Board of Supervisors adopted Resolution No. 124-2005 entitled "A Resolution of the Board of Supervisors of the County of Santa Cruz Authorizing Formation of Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Authorizing the Levy of a Special Tax Therein, Preliminarily Establishing an Appropriations Limit Therefor and Submitting Levy of the Special Tax and the Establishment of the Appropriations Limit to the Qualified Electors Thereof" (the "Resolution of Proposed Levy"), ordering the formation of Community Facilities District No. 1 (Felton) of the County of Santa Cruz (the "CFD"), authorizing the levy of a special tax on property within the CFD and preliminarily establishing an appropriations limit for the CFD;

WHEREAS, on this date, this Board of Supervisors also adopted Resolution No. 125-2005 entitled "A Resolution of the Board of Supervisors of the County of Santa Cruz, California, Acting As The Legislative Body of Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Determining the Necessity to Incur Bonded Indebtedness and Submitting a Proposition to the Qualified Electors Thereof" (the "Resolution of Necessity"), determining the necessity to incur bonded indebtedness in the maximum aggregate principal amount of up to \$11,000,000 upon the security of said special tax to be levied within the CFD; and

WHEREAS, pursuant to the provisions of said resolutions, the propositions of the levy of said special tax, the establishment of the appropriations limit and the incurring of the bonded indebtedness must be submitted to the qualified electors of the CFD as required by the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 *et seq.* of the California Government Code (the "Act").

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Santa Cruz acting as the legislative body of the CFD as follows:

Pursuant to Sections 53326, 53351 and 53325.7 of the Act, the issues of the levy of said special tax, the incurring of bonded indebtedness and the establishment of said appropriations limit shall be submitted to the qualified electors of the CFD at an election called therefor as provided below.

As authorized by Section 53353.5 of the Act, the three propositions described in paragraph 1 above shall be combined into a single ballot measure, the form of which is attached hereto as Exhibit "A" and by this reference incorporated herein. Said form of ballot is hereby approved.

This Board of Supervisors hereby finds that more than 12 persons have been registered to vote within the territory of the CFD for each of the ninety (90) days preceding the close of the public hearing heretofore conducted and concluded by this Board of Supervisors for the purposes of these proceedings. Accordingly, pursuant to the Act, this Board of Supervisors finds that for purposes of these proceedings the qualified electors are the registered voters within the CFD and that the vote shall be by said registered voters, each having one vote.

This Board of Supervisors hereby calls a special election to consider the measure described in paragraph 2 above, which election shall be held by mail ballot on Tuesday, July 26, 2005. The County Clerk is hereby designated as the official to conduct said election. It is hereby acknowledged that the County Clerk has on file the Resolution of Formation, a certified map of the proposed boundaries of the CFD, and a sufficient description to allow the County Clerk to determine the boundaries of the CFD.

Pursuant to Sections 53327 and 53327.5 of the Act, the election shall be conducted by mail ballots.

This Board of Supervisors acknowledges that the County Clerk will caused to be mailed to each of the qualified electors of the CFD a ballot in substantially the form set forth in Exhibit "A" hereto. Each ballot shall be accompanied by all supplies and written instructions necessary for the use and return of the ballot.

The County Clerk shall accept the ballots of the qualified electors, whether said ballots be personally delivered or received by mail no later than 8:00 PM on election day. The County Elections Office, 701 Ocean Street, Room 210, Santa Cruz, California, 95060, is the drop off center for the in-person return of mail ballots. The County Clerk shall have available ballots which may be marked at said location on the election day by said qualified electors.

The Clerk of the Board is hereby directed to cause to have published in a newspaper of general circulation circulating within the CFD a copy of this Resolution and a copy of the Resolution of Necessity, as soon as possible after the date of adoption of this Resolution.

The County Counsel is hereby directed to prepare an impartial analysis of this measure and the County Auditor is hereby directed to prepare a fiscal impact statement of this measure.

This Resolution shall take effect immediately upon its adoption.

PASSED and ADOPTED by the Board of Supervisors of the County of Santa Cruz at a regular meeting held the 26th day of April, 2005.

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IMPARTIAL ANALYSIS BY COUNTY COUNSEL MEASURE W

If approved by two-thirds voting upon this matter, the Community Facilities District No. 1 (Felton) (hereinafter called "the District") will be authorized to do three things:

1. to incur indebtedness through the issuance of bonds not exceeding \$11,000,000;
2. to impose a special tax annually upon non-exempt real properties within the District; and
3. to establish an appropriations limit equal to the proceeds of that special tax.

The bonds, if issued, would constitute an indebtedness of the District. The money raised through the sale of the bonds would be used by the District to finance the acquisition of a water system.

The special tax would be for the purpose of paying the bonded indebtedness. It may be collected in the same manner as property taxes unless otherwise determined by the County Board of Supervisors.

The Fiscal Analysis printed in this Pamphlet further describes the bonds and the special tax.

Governmental spending is restricted by the California Constitution, which provides for voter approval of an appropriations (i.e., expenditures) limit. This measure would establish the appropriations limit for the District equal to the proceeds of the special tax described above.

The "Resolution of Formation" to which the ballot question refers is that same Resolution elsewhere entitled "A Resolution of the Board of Supervisors of the County of Santa Cruz Authorizing Formation of Community Facilities District No. 1 (Felton) of the County of Santa Cruz, Authorizing the Levy of a Special Tax Therein, Preliminarily Establishing an Appropriations Limit Therefore and Submitting Levy of the Special Tax and the Establishment of the Appropriations Limit to the Qualified Electors Thereof ('The Resolution of Proposed Levy')."

A "yes" vote on this measure is a vote to approve the bonds, the special tax, and establishment of the appropriations limit.

A "no" vote on this measure is against approving the bonds, the special tax, and the establishment of the appropriations limit.

s/ DANA McRAE
COUNTY COUNSEL

FISCAL IMPACT STATEMENT BY COUNTY AUDITOR MEASURE W

Measure W authorizes a special tax based on water meter size for Community Facilities District No. 1 (Felton) with voter approval by 2/3 of the votes cast. The proceeds of the special tax will pay for a bond issue in an amount not to exceed \$11,000,000 to finance the public acquisition of the private water system over a 30-year period that now serves the Felton area. Measure W also authorizes an appropriations limit equal to the proceeds of the special tax.

Tables 1 and 2, which were prepared by the County's Financial Advisor, present the Maximum Annual Special Tax and the Expected Annual Special Tax.

Maximum Tax

To provide bond holders with necessary security, the maximum tax shown in Table 1 includes 10% coverage for delinquencies and a backup tax for government properties starting at \$25 per unit per year for a 5/8" meter.

Table 1
Maximum Annual Special Tax

Number of Meters	Meter Size	Upon Issuance of the Acquisition Bonds
1,307	5/8"	\$ 695.52
2	3/4"	901.81
22	1"	1,442.90
8	1 1/2"	2,525.08
12	2"	3,607.26
1	4" or greater	8,657.42

Based on filings with the California Public Utilities Commission, 96% of the customers of the Felton Water System are served by a 5/8" connection.

Expected Tax

Table 2 below shows the expected tax amount for different meter sizes. The expected amount assumes no delinquencies, backup tax and includes an offset for interest earnings on any reserve funds. Commencing with the 2005-06 fiscal year, the special tax will be collected in two installments along with property taxes unless the Board of Supervisors specifies another method of collection.

Table 2
Expected Annual Special Tax
(Maximum Tax less Delinquency Factors and Interest Earnings)

Number of Meters	Meter Size	Upon Issuance of the Acquisition Bonds
1,307	5/8"	\$ 598.00
2	3/4"	747.00
22	1"	1,196.00
8	1 1/2"	2,093.00
12	2"	2,989.00
1	4" or greater	7,174.00

A maximum bond issue of \$11,000,000 with interest assumed at 6.5% could be financed by the special tax levies shown herein, over the next 30-years. Based on the maximum expected bond size, the majority of property owners will pay between \$598 and \$695.52 during the life of the bond issue. The maximum special tax rates cannot be exceeded in any of the 30 years. It is possible that the bond issue could be less than the maximum bond of \$11,000,000 authorized by this measure.

San Lorenzo Valley Water District

Community Facilities District No. 1 (Felton) is a financing entity. Pursuant to a Joint Community Facilities Agreement between Santa Cruz County and the San Lorenzo Valley Water District, the acquisition of the water system and its subsequent operation will be the responsibility of the San Lorenzo Valley Water District. Customers residing in Community Facilities District No. 1 will not be charged the surcharge previously authorized by the Public Utilities Commission for the Safe Drinking Water Bond Act loan and will not be charged a differential rate for water service from other San Lorenzo Valley Water District customers without a demonstration of a difference in the actual cost of providing the service.

Respectfully Submitted,

Gary A. Knutson
Auditor-Controller

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ARGUMENT IN FAVOR OF MEASURE W

A YES vote on Measure W means **LOWER WATER RATES, BETTER SERVICE** and **LOCAL CONTROL** for Felton customers.

LOWER WATER RATES:

- Measure W authorizes a consolidation with the San Lorenzo Valley Water District. SLVWD has much lower rates than RWE/Cal Am, the huge European multinational company that now owns our water system.
- **RWE/Cal Am has requested a rate increase of more than 100% for 2006 alone**, doubling our current rates.
- Our rates are already among the highest in the region.
- The rate increases are so astronomical that **most Felton ratepayers will save money as soon as we join SLVWD**, even including the \$598 per year estimated bond repayment on our property tax bills authorized by Measure W.
- Our savings will increase each year.

BETTER SERVICE:

- We will have local service providers who know our valley and are responsive to local citizens.
- **RWE/Cal Am answers our service calls in Illinois.**
- RWE/Cal Am service technicians come from as far away as Monterey.
- The botched Highway 9 repairs illustrate the poor service we receive from a company based in another part of the world.

LOCAL CONTROL:

- **A locally elected board of directors will be accountable to us** and dedicated to lower costs, better service and conservation of our precious San Lorenzo Valley watershed.
- Our water will no longer be controlled by RWE/Cal Am, a corporate monopoly with no competitors and the legal right to generate a profit no matter how poor the service or how high the price.

The Yes on Measure W campaign is **grassroots, run entirely by your neighbors** volunteering their time and dedicated to insuring affordable water, providing reliable service, and protecting our valley for generations to come.

Please join your neighbors in voting YES on Measure W.

s/ Mark W. Stone, Supervisor
5th District Santa Cruz County

s/ Arthur Frank Adamson
Chair, Felton Seniors for Measure W

s/ Georgie Purtscher
Teacher, San Lorenzo Valley Elementary School

s/ Nancy B. Macy
Board Member, Valley Women's Club

s/ Patrick Verutti
Past President, Felton Business Assoc.

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE W

Don't be fooled by the proponents' rhetoric surrounding Measure W. It is a vote to authorize a **TAX** that will **cost Felton homeowners up to \$695 a year for thirty years.**

- Seniors will be required to pay the full cost of the **TAX**. There is **No Senior Exemption**.
- Measure W does not say one word about service, rates or operation of the Felton Water District. Instead it authorizes **an annual TAX of \$695 for each home** in Felton and an **annual TAX of up to \$8567 for businesses.**
- Our **water district will be a giveaway to SLV Water District.**
- Measure W guarantees **higher property TAXES.**
- If the promises made by Measure W supporters are false, **SLVWD won't pay your higher TAX bill.**
- When has **government cost less or provided better service** than the private sector?
- In the past two years, Scotts Valley, the City of Santa Cruz, and Soquel Creek Water Districts have all raised their rates. **San Lorenzo Valley Water District can raise their rates at will.**
- **The money from the sale of our Felton Watershed will NOT be used to pay down the debt.**

Measure W guarantees only one thing – a **property TAX increase** for homeowners and businesses in Felton. **This is SLVWD's way to gain control of our water with our TAX dollars.**

Say NO to new, higher annual TAXES!

Say NO to Measure W.

s/ Tom Pagnini
Lifetime Resident

s/ Richard Ednie
Felton Resident

s/ Steven M. Butler
Felton Resident

s/ Thomas C. Andersen
Resident and Business Owner

s/ John A. Mancini
Valley Resident

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ARGUMENT AGAINST MEASURE W

Vote NO on Measure W

Measure W will cost taxpayers **\$11,000,000** in principal and **\$14,000,000** or more in interest payments over **30 years**. This will dramatically **increase taxes** in Felton. It will hurt **homeowners, seniors, and businesses**. Residents will pay up to **\$695 annually per household** and up to **\$8657 in additional taxes annually for businesses and homes with private fire protection**.

Homeowners

- Will pay about **\$20,850** (\$695 x 30 years) in new taxes over the life of the tax.
- Mello-Roos Tax Districts have **reduced property values** in other parts of California.

Seniors

- Will pay **\$598 to \$695** in new property taxes annually.
- There is **no Senior Exemption**.
- Seniors will have to pay the **full amount of the tax**, even if they are on fixed incomes.

Businesses and Homes with Private Fire Protection

- Businesses and homes with private fire protection have larger meters and will pay **higher taxes, up to \$8657 annually**.
- Increased taxes will hurt the **competitiveness** of our small businesses.
- Landlords will **pass the cost of these new taxes** on to commercial and residential renters.

Watershed Sale

- The agreement between the County of Santa Cruz and San Lorenzo Valley Water District allows San Lorenzo Valley Water District to **sell the Felton watershed without a public vote**.
- Funds from the sale of the Felton watershed **won't be used to pay down the bond**.

Measure W will result in a large **new burden** to Felton taxpayers. There is no protection for seniors on fixed incomes and the agreement between the County of Santa Cruz and San Lorenzo Valley Water District **does not compensate Felton's taxpayers** if the watershed property is sold.

Felton voters! Just say NO to Measure W

Senior Coalition
s/ Tom Walsh, Executive Director

s/ C. Patrick Dugan
Felton Resident

s/ Jennifer Flansaas
Business Owner

s/ Doug Conrad
Resident and Business Owner

s/ Thomas Andersen
Resident and Business Owner

REBUTTAL TO ARGUMENT AGAINST MEASURE W

DON'T BE SWAYED BY RWE/CAL-AM'S DISTORTIONS.

LET'S PURCHASE, NOT RENT, OUR VALLEY'S WATER

- Like any home mortgage, Measure W's \$11 million bond involves principal **and** interest. Would you rather own or rent?
- According to the county, the expected bond payment is \$598, not \$695, per year.
- With RWE/Cal-Am's proposed 114% rate increase, we'd pay **\$867,000 more for our water** in 2008 alone. From historical increases, we expect Cal-Am's rates to increase 3% **more** than SLVWD rates annually.
- \$867,000 @ 3% growth for 30 years = **\$41 million or \$31,273 per household** -- 50% more than RWE/Cal-Am's estimate of Measure W payments!

SENIORS AND BUSINESSES WILL SAVE UNDER MEASURE W.

- Most ratepayers – including seniors – would save immediately comparing RWE/Cal-Am's requested increases against bond payments.
- Our community saves millions over the 30-year bond, and then we own our water free and clear.
- **Our schools would save \$50,000 each year** against RWE/Cal-Am's requested rates!

SAN LORENZO VALLEY WATER DISTRICT WILL PROTECT OUR WATERSHED.

- SLVWD sold Waterman Gap watershed to Sempervirens, which protects it forever.
- When we join SLVWD, we benefit from interest income on that sale. If Felton watershed land is sold, all SLVWD customers, including those in Felton, benefit similarly.

LOWER WATER RATES, BETTER SERVICE, LOCAL CONTROL.

With Measure W, we save money and protect our most precious valley resource – our water – at the same time. Join your neighbors in this grassroots effort. Provide a legacy for our children and grandchildren. **VOTE YES ON MEASURE W.**

s/ Robert E. Locatelli
Owner, New Leaf Market

s/ Lawrence D. Ford, Ph.D.
Environmental Scientist, Felton Resident

s/ Judith Darnell
Past President, SLV Rotary, Community Volunteer

s/ Steve A. Richmond
Director, Felton Fire Protection District

s/ Marilyn Robertson
Retired, Felton Library Volunteer