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Via Electronic Mail Only

Rancho Murieta Community Services District
15160 Jackson Road
Rancho Murieta, CA 95683
mmorris@rmcsd.com

Patrick Enright, District General Counsel
penright@rwglaw.com

Re: Rancho North Properties and Murieta Gardens Financing and Services Agreement

To the Board of Directors of the Rancho Murieta Community Services District and Mr. Enright:

We are writing on behalf of Rancho Murieta Properties, LLC (RMP). RMP is informed that, during the meeting of the Rancho Murieta Community Services District's (RMCS D) Board of Directors (Board) on July 17, 2024, the Board discussed the possibility of imposing a moratorium on new water service connections pursuant to a water shortage emergency declaration contemplated under Water Code section 350 (Section 350). RMP has concerns that, if RMCS D chooses to take this path, RMCS D will fail to meet its obligations under the Rancho North Properties and Murieta Gardens Financing and Services Agreement (Rancho North FSA). These concerns are heightened by RMCS D's counsel's recent public representation that Rancho North is "at ground zero" and therefore easily denied service.

To the contrary, the Rancho North FSA collectively entitles RMP and other contracting owners to 1.5 million gallons per day of produced water capacity from RMCS D, in exchange for considerable financial contributions, ultimately exceeding \$5.7 million for improvements of the two water treatment plants, including bond expenditures. RMCS D is contractually obligated to provide RMP, and other contracting owners, water service for specifically identified developments, following compliance with the Rancho North FSA. As RMP has fully performed its obligations under the Rancho North FSA, RMP is legally entitled to a guarantee of water service. Should RMCS D take action to impose a moratorium

on new connections and, in accordance with that moratorium, fail to begin RMP's requisite Water Supply Assessment or take any other action to deprive RMP of its contractual water supply, such action will constitute a material breach of the Rancho North FSA and RMP will seek legal relief under the contract to the fullest extent authorized by law.

Moreover, RMP may also bring legal action based on RMCS D's compliance with the requirements of Section 350 *et seq.* Relief is available against any water distributor whose actions in declaring a water shortage emergency and instituting regulations or restrictions are arbitrary, capricious, fraudulent, or fail to comply with the procedure and notices required by law. (Wat. Code, § 358; *Swanson v. Marin Mun. Water Dist.* (1976) 56 Cal.App.3d 512, 517-518 (*Swanson*)). Distributors are warned against relying on Section 350 to effectively institute a "no growth" policy, which they have neither the power nor authority to impose, rather than in response to legitimate emergency conditions. (*Swanson, supra*, at p. 524.) The record does not support a declaration of a water shortage emergency. Even if RMCS D did not have sufficient water to fulfill its contractual duties under the Rancho North FSA, which RMP does not concede and there is no evidence to support, RMCS D has a continuing obligation to exert every reasonable effort to augment its supplies – at which time any moratorium must cease. (Wat. Code, § 355; *Swanson, supra*, at p. 524.) Critically, RMCS D's own consultants have already demonstrated that it will have sufficient water supplies for development based on reasonable actions to augment its supply. Failure to take those actions would be a violation of RMCS D's affirmative duty under the Water Code and case law.

We trust that RMCS D will give this matter its immediate attention and will promptly be in contact to discuss the issues presented herein.

Very truly yours,



Stuart L. Somach
Theresa C. Barfield

cc: Greg Dyer (gdyer@jonesdyer.com)
Tony Velez (tonyv@liveoaklegacy.com)
Melinda Morris, RMCS D General Manager (MMorris@rmcsd.com)

TCB;jlc