

EXHIBIT E

NSD Service Area A-3 Summary of Findings

NSD SERVICE AREA

A-3 SUMMARY REPORT OF FINDINGS - JANUARY 2018

The Holt Group Inc., completed the record review and windshield survey of the Niland Sanitary District service area. This summary report represents initial findings. The Niland Sanitary District charges each parcel by existing use as well as undeveloped parcels by parcel size. The Holt Group reviewed the Niland Sanitary District's existing classifications, RCAC's updated classifications (May 2017), County Assessor Data, LAFCo maps, engineering records and field conditions (without an on-site inspection).

The tables provided in this report summarize our findings. The information herein identifies missing parcels (not currently assessed), parcels with multiple uses (one or more use not previously accounted for), parcels that identified inaccurate use, parcels that had an incorrect number of EDU's (with second or third units on site) and parcels that are being underbilled or overbilled as a result of new development or removal of previously existing structures. Also included is a listing of undeveloped parcels that are not being billed for the correct parcel size.

Summary of Preliminary Findings:

1. **Missing Parcels**-After mapping District Boundaries it was noted that six parcels had been previously omitted from assessment. Most omitted parcels are undeveloped, making assessment loss minimal, it does appear that the Clinicas De Salud has not been paying for sewer collection services. The clinic offices are discharging wastewater into the system but are outside of the District boundary which may have contributed to the omission when the fees began to be collected through tax assessment. The parcels not contributing to the sewer fund are noted below:

| Parcel | Owner | Use | Parcel Size |
|-------------|--------------------------|---|-----------------|
| 021-030-015 | SoPacific Company | Undeveloped (no rail) | XL |
| 021-030-019 | Bo&Go | Motels/1-10 | NA ¹ |
| 021-030-020 | Swink, George | Undeveloped | XL |
| 021-040-025 | Cedano, Andres | Undeveloped (60 acres) | XL |
| 021-040-033 | Clinicas De Salud | Office (Clinic) Outside | NA |
| 021-160-019 | SoPacific Company | SoPacific Railroad (abandoned offices & active rail) | XL |
| 021-240-001 | Niland Sanitary District | District Office | 1 EDU |
| 021-240-006 | Niland Sanitary District | WWTP Ponds | XL |

¹The parcel was omitted and these 10 units were added to the other parcel owned by Bo & Go so the actual revenue loss was only that of a large parcel assessment.

Recommendation- 1) it is recommended that the aforementioned parcels be properly assessed immediately. 2) It is recommended that the County/NSD provide directive on how to treat inactive rail properties that have vacant office facilities. 3) It is recommended that the County investigate how much money in arrears is owed by the Clinicas de Salud and that the NSD invoice them for the retroactive cost prior to any dissolution. Retroactive billing is customary in other jurisdictions. Generally, some negotiation takes place depending on the amount owed

or installment payments may be arranged. It is also recommended that a policy decision be made on double charges for services extended outside of the District which is a common industry practice.

2. **Multiple Use Parcels**-After reviewing existing uses on record and performing a field survey, it was noted that ten (10) parcels had omitted charges for second uses. It is a standard practice to charge per use, as the secondary uses do generate additional wastewater flow. The unassessed second use results in substantial annual revenue loss. For example, one Equivalent Dwelling Unit (EDU) has an annual value of \$828 (based on \$69/EDU proposed under Rate Study). Specifically, the following parcels had multiple uses not currently being charged nor proposed to be charged under the May 2017 RCAC Rate Study:

| Parcel | Primary Use | Additional Use | Additional Annual Revenue |
|-------------|--------------------------|----------------------------|---------------------------|
| 021-030-018 | Bo & Go MHP | Gated Ag Business (photos) | 12 EDU |
| 021-040-004 | Chamber of Commerce | Flea Market | 12 EDU |
| 021-040-004 | Chamber of Commerce | RV Dump | 120 EDU |
| 021-040-004 | Chamber of Commerce | Manager Mobile Home/Office | 12 EDU |
| 021-040-034 | Shopping Strip (offices) | Laundromat (Vacant) | 33.60 EDU |
| 021-081-004 | Grocery/Retail | Butcher Shop (Ancillary) | 12 EDU |
| 021-095-003 | Single Family | Café Shop (Vacant) | 12 EDU |
| 021-102-001 | Elementary School | Office | 12 EDU |
| 021-102-002 | Elementary School | School Assembly Hall | 12 EDU |
| 021-132-014 | Gas Station | Retail Store | 12 EDU |

Recommendation: 1) The NSD and/or the Successor Agency will need to adopt EDU assessments for uses not listed in the EPA chart which include a flea market with onsite restroom facilities, an RV Dump open to the general public, and a butcher shop (medium to high strength use). 2) A policy decision will need to be made on whether to charge vacant structures. It is common and reasonable to charge vacant structures, generally as the most recent use on site. Neither the NSD, nor any successor agency, have control of when tenants move in, or move out of a structure, and are unlike water connections which can be shut off and turned on by utility agency when a new tenant moves in. It is recommended that the policy allow each owner an opportunity to update the use once a year by request and after inspection and verification.

3. **Inaccurate Uses**-There were a handful of parcels that had incorrect uses noted under the May 2017 classifications for the RCAC Rate Study. The current use was documented by field inspections and photos. Most of these changes did not affect the annual revenue because it appears the use simply had to be shifted from an inaccurate location to a correct parcel number. The exception is the shopping center versus office, which would be subject to a policy

determination. Specifically, the following parcel uses were verified and modified in an updated Excel Sheet for consideration:

| Parcel | Prior Reported Use | Actual Use | Revenue Difference |
|-------------|---------------------------|-------------------------------|--------------------|
| 021-040-021 | Vacant Restaurant (1 EDU) | Undeveloped (Large Parcel) | -12 EDU |
| 021-040-022 | Laundromat (2.80 EDU) | Undeveloped (Large Parcel) | -33.60 EDU |
| 021-040-034 | Office (1 EDU) | Shopping Center Per SF (4.38) | 40.56 EDU |
| 021-093-002 | Mobile Home Unit | Automobile Repair Shop | TBD EDU |
| 021-111-023 | Single Family Dwelling | Campesinos Unidos Headstart | 0 EDU |

Recommendation: 1) The aforementioned parcel 021-040-034 has multiple lease space. The EPA user classification indicates shopping centers are charged by 100 SF. For reasons previously mentioned a policy decision will need to be made on whether to charge vacant structures. It is common and reasonable to charge vacant structures. Neither the NSD, nor any Successor Agency, have control of when tenants move in, or move out of a structure nor on the changes in use. This is why the EPA table proposes shopping centers be charged per square feet. Note photographs below:

Bo & Go LLC Commercial Center



4. **Incorrect Number of EDU's-** Each residential unit is assessed one (1) EDU. There were several parcels that were verified as having additional units on site than what was previously noted or proposed under the May 2017 Rate Study. The second units were considered only after the field survey noted that there was evidence that either persons were living in them or that they were vacant but habitable. There was only one non-residential use that had the incorrect number of EDU's noted which was the gas station showing four fuel pumps when there are actually six. The difference in value would be substantial is annual revenue (\$27,600 at \$69/EDU). Specifically, the following parcels had unit increases as a result of the initial field review:

| Parcel | Name | Rate Study Units | Field Review Units | Annual EDU Difference |
|------------------|-----------------------------|---------------------|-----------------------|--------------------------|
| 021-061-019 | Marquez | 1 | 2 | 12 EDU |
| 021-082-026 | Goodwin | 2 | 3 | 12 EDU |
| 021-083-013 | Neeley | 1 | 2 | 12 EDU |
| 021-084-001 | Kido | 1 | 2 | 12 EDU |
| 021-084-007 | Knight | 1 | 2 | 12 EDU |
| 021-091-008 | Salazar | 1 | 2 | 12 EDU |
| 021-091-021 | Bates | 1 | 2 | 12 EDU |
| 021-092-002 | Mendez | 1 | 2 | 12 EDU |
| 021-093-001 | Diaz | 1 | 3 | 24 EDU |
| 021-093-003 | Widmann | 1 | 2 | 12 EDU |
| 021-101-022 | Arnold | 1 | 2 | 12 EDU |
| 021-103-010 | Huxley | 1 | 2 | 12 EDU |
| 021-103-023 | Pierce | 1 | 2 | 12 EDU |
| 021-104-025 | Good | 1 | 2 | 12 EDU |
| 021-111-004 | California Evangelist Assoc | 1 | 2 | 12 EDU |
| 021-111-009 | Spring | 1 | 2 | 12 EDU |
| 021-112-006 | Sones | 1 | 2 | 12 EDU |
| 021-112-009 | Deiss | 1 | 2 | 12 EDU |
| 021-116-009 | Guevara | 1 | 2 | 12 EDU |
| 021-116-011 | Almueti | 1 | 2 | 12 EDU |
| 021-116-015 | Daker | 1 | 2 | 12 EDU |
| 021-116-024 | Sones | 1 | 2 | 12 EDU |
| 021-121-020 | Bumford | 2 | 3 | 12 EDU |
| 021-132-014 | Burke (Fuel Pumps) | 4 | 6 | 30 EDU |
| 021-133-024 | Sierra | 1 | 2 | 12 EDU |
| 021-144-006 | Jones | 1 | 2 | 12 EDU |
| 021-144-027 | Garza | 1 | 2 | 12 EDU |
| 021-145-003 | Padilla | 1 | 2 | 12 EDU |
| 021-145-005 | Mendoza | 1 | 2 | 12 EDU |
| 021-151-005 | Fowler | 1 | 2 | 12 EDU |
| 021-152-030 | Clemente | 1 | 2 | 12 FDU |
| TOTAL ANNUAL EDU | | | | 402 EDU |

Recommendation: 1) It is recommended that the Niland Sanitary District or Successor Agency send certified notices to these property owners of the proposed change in number of uses and thus charges, to be effective after 30 calendar days. The property owner should be afforded an opportunity to demonstrate that the additional units are not connected by scheduling an on-site inspection for verification. 2) Again, all connected units that are vacant are generally assessed a fee because neither the NSD, nor any Successor Agency, have control of when tenants move in, or move out of a structure.

5. **Under-Assessment for Previously Undeveloped Parcel-** There were several parcels that are currently being billed as undeveloped (and proposed as undeveloped under RCAC Rate Study) but that actually have units on site. The difference in value would also be substantial in annual revenue (over \$20,000 at \$69/EDU) particular since the annual charge for undeveloped lots is nominal. Specifically, the following parcels were documented as having on-site structures:

| Parcel | Name | Parcel Size Billed in Rate Study | Field Review Units | Annual EDU Difference |
|-------------|-----------------------|----------------------------------|--------------------|-----------------------|
| 021-083-020 | Lopez | Small | 1 | 12 EDU |
| 021-084-005 | Pierce | Small | 1 | 12 EDU |
| 021-091-002 | Bates | Large | 1 | 12 EDU |
| 021-093-008 | Gerlach | Small | 1 | 12 EDU |
| 021-093-018 | First Street Property | Small | 1 | 12 EDU |
| 021-093-039 | Dominguez | Small | 1 | 12 EDU |
| 021-093-040 | Billing | Small | 1 | 12 EDU |
| 021-093-041 | Contreras | Small | 1 | 12 EDU |
| 021-095-003 | Bendell | Small | 1 | 12 EDU |
| 021-101-003 | Hernandez | Small | 2 | 24 EDU |
| 021-101-016 | Corona | Small | 1 | 12 EDU |
| 021-103-003 | Valdez | Medium | 1 | 12 EDU |
| 021-103-020 | Clemente | Small | 1 | 12 EDU |
| 021-104-011 | Miranda | Large | 1 | 12 EDU |
| 021-111-019 | Cornelison | Small | 1 | 12 EDU |
| 021-112-002 | Niland Union Church | Small | 1 | 12 EDU |
| 021-112-004 | Singh | Small | 1 | 12 EDU |
| 021-112-007 | Sones | Small | 1 | 12 EDU |
| 021-115-005 | Cadiz | Small | 1 | 12 EDU |
| 021-116-025 | Deutsch Bank | Small | 2 | 24 EDU |
| 021-142-001 | Davis/Ballesteros | Small | 1 | 12 EDU |
| 021-144-018 | Hueso | Small | 1 | 12 EDU |
| 021-145-006 | Mendoza | Small | 1 | 12 EDU |
| 021-145-033 | Mendoza | Medium | 1 | 12 EDU |
| 021-151-001 | Goodrum | Small | 1 | 12 EDU |
| 021-151-004 | Fowler | Medium | 1 | 12 EDU |
| 021-151-008 | Vista | Large | 1 | 12 EDU |
| 021-151-013 | Steffler | Medium | 1 | 12 EDU |

Recommendation- 1) it is recommended that the aforementioned parcels be properly assessed immediately. It is further recommended that Imperial County Building Department coordinate all building permits with the NSD or Successor Agency to make sure all future installations are properly assessed immediately. 2) It is recommended that the NSD or Successor Agency adopt a policy imposing fines on unauthorized connections and the maximum period that sewer fees may be collected upon retroactively.

6. **Over-Assessment of Vacant Undeveloped Parcel-** There were several parcels that no longer contained units or that had units that were officially condemned or inhabitable, thus should no longer be billed as with any EDU. This adjustment will have an adverse impact of around \$9,000 in annual revenue loss, nonetheless, it would result in a fair assessment. Specifically, the following parcels no longer had habitable development on them:

| Parcel | Name | Rate Study EDU/Units | Applicable Parcel Size Charge | Annual Revenue Difference |
|----------------|-------------|-------------------------|-------------------------------------|------------------------------|
| 021-073-021 | Ballesteros | 1 EDU | Small | -12 EDU |
| 021-092-015 | Griffith | 1 EDU | Large | -12 EDU |
| 021-103-007 | Hernandez | 1 EDU | Small | -12 EDU |
| 021-103-021 | Algar | 4 EDU | Medium | -48 EDU |
| 021-115-008 | Estrada | 1 EDU | Small | -12 EDU |
| 021-116-020 | Tabliago | 1 EDU | Small | -12 EDU |
| 021-116-030 | Darough | 1 EDU | Small | -12 EDU |
| 021-151-011 | Buckner | 1 EDU | Small | -12 EDU |
| TOTAL EDU LOSS | | | | 132 EDU |

Recommendation- 1) it is recommended that the aforementioned parcels be properly assessed immediately. It is further recommended that a policy be adopted addressing the homeowner’s responsibility to report/communicate demolitions or mobile home removals and that retroactive reimbursements will not be honored.

7. **Incorrect Parcel Size-** Currently, the District charges undeveloped parcels an annual flat fee by four parcel size categories: small parcels \$72.00; medium parcels \$86.40; large parcels \$115.20. Parcels are considered small when they measure 1 SF to 4,250 SF; parcels are considered medium when they measure 4,251 SF to 8,500 SF, parcels are considered large when they measure over 8,501 SF. After reviewing undeveloped parcel size designations and actual parcel sizes, it was determined that thirty-one (31) parcels had incorrect charges being applied. The changes in revenue is nominal and under \$1,000 annually, nonetheless proper adjustments shall be made for fair assessment. Those parcels are specifically identified as follows:

| Parcel | Rate Study Reported Size | Size Per County Assessor | Current Annual Revenue Difference |
|-------------|--------------------------|--------------------------|-----------------------------------|
| 021-052-010 | Medium | Large | \$28,80 |
| 021-062-009 | Large | Medium | -\$28.80 |
| 021-073-021 | Small | Medium | \$14.40 |
| 021-082-017 | Small | Medium | \$14.40 |
| 021-083-015 | Small | Medium | \$14.40 |
| 021-091-014 | Small | Large | \$43.20 |
| 021-091-024 | Small | Medium | \$14.40 |
| 021-092-006 | Large | Medium | -\$28.80 |
| 021-092-007 | Small | Medium | \$14.40 |
| 021-092-013 | Small | Medium | \$14.40 |
| 021-093-021 | Small | Medium | \$14.40 |
| 021-094-011 | Small | Medium | \$14.40 |
| 021-095-001 | Medium | Small | -\$14.40 |
| 021-111-007 | Small | Medium | \$14.40 |
| 021-111-013 | Small | Large | \$43.20 |
| 021-111-015 | Small | Large | \$43.20 |
| 021-112-016 | Small | Medium | \$14.40 |
| 021-115-001 | Small | Medium | \$14.40 |
| 021-115-016 | Small | Large | \$43.20 |
| 021-116-012 | Small | Medium | \$14.40 |
| 021-116-013 | Small | Medium | \$14.40 |
| 021-116-034 | Medium | Small | -\$14.40 |
| 021-132-002 | Small | Medium | \$14.40 |
| 021-133-003 | Small | Medium | \$14.40 |
| 021-133-004 | Small | Medium | \$14.40 |
| 021-133-005 | Small | Medium | \$14.40 |
| 021-134-007 | Small | Extra Large | TBD |
| 021-144-003 | Small | Medium | \$14.40 |
| 021-151-010 | Small | Medium | \$14.40 |
| 021-151-017 | Small | Medium | \$14.40 |
| 021-152-017 | Small | Medium | \$14.40 |
| | | | \$540.00 |

Recommendation: 1) It is recommended that the proper billing assignments for undeveloped parcels be made immediately. Additionally, there are numerous parcels that measure over 15,000 SF which enables them to be subdivided. It is recommended that a fourth category (x-large parcels) be considered and established for parcels 15,001 SF and over. At least thirty (30) parcels would fall under this X-large bracket. Although this proposed change will not significantly affect revenue, it may somewhat address the “fairness” concerns that the residents have been voicing.

Although the fee for the small parcels is nominal, there are also a couple of substandard parcels that are too small to accommodate any type of development (under 200 SF). It is recommended that these parcels not be charged.

| Parcel | Name | Rate Study Size | Actual Size |
|-------------|------------|-----------------|-------------|
| 021-073-012 | Pivovoroff | Small | 190 SF |
| 021-084-014 | Pierce | Small | 40 SF |

8. **Inconsistent Billing**-It was noted that the larger Mobile Home Parks are not being assessed as per permitted mobile home park under HCD and Imperial County permit records. Instead, they are proposed under the existing RCAC Rate Study as RV Parks (fractional charge) instead of the full EDU charge. The difference is substantial at a value well over \$29,000 annually:

| Parcel | Name | Permitted Spaces/EDU | RCAC Rate Study | Annual EDU Difference |
|-------------|-------------------------------|------------------------|-----------------|-----------------------|
| 021-030-015 | Bo&Go- Oasis Mobile Home Park | 76 (-44 Capped)= 32 | 20.07 | 143.16 EDU |
| 021-072-001 | Buzick- J&H Mobile Home Park | 29 | 9.08 | 239.04 EDU |

The following is permitted as a MHP/RV Park but RCAC had it as two homes and 18 RV's. However the RV's were proposed as primitive instead of full service (if sewer is provided then it is considered full service).

| Parcel | Name | Permitted Spaces/EDU | RCAC Rate Study | Annual EDU Difference |
|-------------|------------------|----------------------|-----------------|-----------------------|
| 021-030-015 | Oleander RV Park | 7.63 | 4.25 | 40.56 EDU |

Recommendation: 1) A Policy decision will need to be made as to whether the Mobile Home Parks will be assessed per permitted space (as an industry standard) or whether spaces should be treated as RV spaces even though they are not noted as RV Parks under the issued permits. Mobile home parks have a perceived permanent residency and discharge flow is generally considered equal to that of a single-family dwelling while RV Parks are generally temporary in nature with many of the spaces operating only seasonally (less than six months per year). Based on our field observations it is evident that the mobile homes and recreational vehicles on site have been there for a long period of time and not "seasonal." It was, however, observed that some of the spaces were currently vacant. The industry standard, again, is to assess a fee by permitted space because neither the NSD, nor any Successor Agency, have control of when tenants move in or move out of the park.

9. **Other observations:** Restaurants should be assessed by realistic capacity which is generally calculated by the Fire Chief and posted on-site. The two Niland restaurants did not contain such postings and their seating capacity and assessment under the Rate Study differed significantly:

| Parcel | Name | Rate Study Seating Capacity/EDU | Annual Cost at Rate Study Rate | Actual Per Fire Chief |
|-------------|---------------------------------|---------------------------------|--------------------------------|-----------------------|
| 021-051-011 | Hernandez, Ruben & Virginia | 75 Seats (6.6 EDU) | \$5,464.80 | TBD |
| 021-081-001 | Galindo Aurelio & Santana Maria | 28 Seats (2.46 EDU) | \$2,036.88 | TBD |

Recommendation: 1) It is recommended that the Fire Chief assign a realistic capacity for each food establishment facility so a proper assessment can be calculated.

Based on the data and field surveys available and after applying the EPA EDU's it was noted that a total of 548 EDU's could be assessed (after eliminating the 44 capped connections at Oasis Mobile Home Park). This number is substantially higher than the EDU's used in the RCAC Rate Study of 485 EDU's. The difference in value (at \$69/EDU) is an estimated \$45,000.

