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FOR IMMEDIATE RELEASE

Default on Canyon Lake Reservoir Lease Payment Prompts Legal Action

Property Owners Association's Failure to Make Payment May Lead to Closure of Canyon Lake Reservoir for Recreational Use

Lake Elsinore, CA – Elsinore Valley Municipal Water District (EVMWD) announced today that it is beginning legal action against the Canyon Lake Property Owners Association (CLPOA) for breach of contract. The action is a result of the CLPOA's failure to make its most recent lease payment of \$344,302.92, due on or before March 15, for its exclusive recreational use of the District's Canyon Lake Reservoir. EVMWD has issued a formal Notice of Default, which establishes a critical time frame during which the CLPOA may immediately make payment and avoid termination of the lease.

“While the Canyon Lake POA is being afforded the opportunity to make its overdue lease payment, the District must respond to the default action and consider all of its legal options,” says John Brown, EVMWD General Counsel. “We are obligated to advise the CLPOA that termination of its lease may result in the CLPOA, as well as members of the CLPOA, being prohibited from recreational use of Canyon Lake Reservoir as a matter of law and public policy.”

Canyon Lake Reservoir operates as a drinking water reservoir and has a surface area of about 500 acres. It can hold as much as 12,000 acre-feet or 3.9 billion gallons of water, which plays a critical role in meeting regional drinking water needs during periods of peak demand. The CLPOA leases surface rights to the lake, manages the use of the lake for recreation and regulates residential development around the perimeter of the lake. The Canyon Lake Reservoir is wholly owned and operated as a drinking water reservoir by EVMWD. The current lease states that the CLPOA must pay \$1.455 million to EVMWD annually in quarterly payments. The current lake lease terms expire in 2022, but both parties have until recently been in discussion to alter terms of the agreement.

“I am extremely disappointed that the CLPOA has stopped paying its rent and this default could have grave consequences for the Canyon Lake homeowners,” says EVMWD Board President Phil Williams. “We have been negotiating in good faith for some time. Now we may be left with no choice but to close the lake to protect the interests of all of our customers once the lease is terminated.”

In the event that the lease is terminated and the Canyon Lake Reservoir and can no longer be leased for recreational purposes, EVMWD could maximize the reservoir supply, allowing the District to treat and deliver 3,000 to 5,000 acre-feet (between 1 and 1.6 billion gallons) of water throughout its service area. In the midst of a historic drought, this would provide the highest level of benefit to its nearly 135,000 ratepayers.

“This isn't only an issue for people who live in Canyon Lake. It's an issue affecting everyone in our service area,” added Williams. “While none of us want to see this community asset embroiled in controversy, the closure of the lake certainly has benefits for our entire region and our Board of Directors needs to consider all alternatives thoughtfully and transparently.”

The Canyon Lake Reservoir lease issue will be addressed at the next meeting of the EVMWD Board of Directors on Thursday, March 26 at 4pm at the District headquarters in Lake Elsinore. All residents, customers and other stakeholders are encouraged to attend and participate in the public process.

For more information on EVMWD visit www.evmwd.com.

EVMWD provides service to more than 133,000 water, wastewater and agricultural customers in a 96-square mile service area in Western Riverside County. The District is a sub-agency of the Western Municipal Water District and a member agency of the Metropolitan Water District of Southern California. Visit the EVMWD website at www.evmwd.com for additional information.

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