



Town of Apple Valley

Measure F – Frequently Asked Questions

Prepared by the Town of Apple Valley

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What would Measure F do?

Measure F would authorize the Town of Apple Valley to finance the acquisition of the Apple Valley water system, currently owned and operated by Liberty Utilities, by incurring debt in the maximum amount of \$150 million.

Analysis by the Town Finance Department shows the cost will likely be much less than \$150 million.

The measure requires that the debt be repaid from revenues generated by the water system, and not from taxes, and that the Town conduct an annual independent audit.

Why is the Town pursuing acquisition?

As stated in the Town's prior resolutions and court documents, the Town began pursuing acquisition in response to:

- longstanding public concerns about escalating water rates;
- the significantly higher rates paid by customers of Liberty Utilities compared to neighboring communities;
- the consequences of high rates on the Town's ability to drive economic development and support essential services;
- the lack of local control over water rates, service, expenditures and policy;
- the lack of responsiveness and accountability of the owners to the concerns of ratepayers within the service area; and
- the lack of transparency in the operation of Liberty Utilities.

Under Liberty's ownership of the system, the water rates and surcharges are approved by the San Francisco-based California Public Utilities Commission. The CPUC is a governmental body appointed by the Governor.

The vast majority of Californians, and Americans, get their water from government agencies, not private companies.

How did Measure F come about?

In November 2016, a ballot measure (Measure V) was passed in Apple Valley requiring voter approval for the issuance of certain public debt in excess of \$10 million. As a result of the passage of Measure V, which was supported and funded by Liberty Utilities, the Town must obtain voter approval before it may issue any debt to acquire Liberty Utilities.

How was the \$150 million figure arrived at?

According to the Town's Finance Department, the figure is based on a variety of factors:

- An independent appraisal conducted in 2015 placed a value of approximately \$50 million on the Apple Valley water system.
- According to Liberty's documents, the system's rate base is approximately \$60 million.
- In Missoula, Montana, community acquisition of a similarly sized water system owned by the same company was recently priced at \$88 million.

Because a final price for the Apple Valley Water System has not been determined, and in order to avoid another costly public vote, Measure F has a not-to-exceed ceiling of \$150 million.

Town officials do not believe the water system will cost that much.

How will the Town pay for acquisition?

According to the Town's Finance Department, and based on Liberty's filings, the Town will save an estimated \$11.9 million annually when it owns the system because it will not pay profits, taxes, or corporate overhead expenses.

This is more than enough to make an annual payment to cover the bond debt even at the conservative \$150 million number at current market bond rates. Even if the Town did have to borrow \$150 million to buy the system, the annual repayment could, depending on market bond rates, be less than \$10 million. Depending on the final cost of acquisition, the cost savings could exceed the loan repayment by several million dollars a year.

Will this raise my taxes?

No. Measure F requires that the debt be repaid from the revenues generated by the water system, and not from taxes. The measure also requires that the Town conduct an annual independent audit.

Will the Town lower rates if it acquires the water system?

Following acquisition, the Town will conduct a comprehensive rate study under Proposition 218. The Town's financial analysis suggests that the Town will be able to stabilize rates, and possibly lower them, if acquisition is approved.

Why isn't the Town running a campaign to urge voters to vote one way or the other on Measure F?

By law, the Town is not allowed to campaign for or against the passage of Measure F. It can provide objective information only.

Why are voters being asked to approve of financing before a court approves the acquisition?

Under Measure V, which passed in November, a debt issuance of this size and type cannot be completed unless and until it is approved by voters. Given the length and cost of the acquisition process itself, the Town Council took the position that scheduling Measure F now was the most responsible and fiscally prudent course of action.