

Town Council
Town of Apple Valley

Members of the Council,

My name is Steve Foulkes. I'm a resident of the City of Big Bear Lake, and have served on both the Big Bear Lake City Council and the City's Department of Water and Power (DWP) Commission. I served two separate terms on the DWP, from 1989-1994 and again from 2007-2014. I was Chairman of the Board of Commissioners of the DWP from 2008-2014.

I understand the Town of Apple Valley is considering adopting a Resolution of Necessity to acquire Park Water's system within the Town of Apple Valley. Since I was indirectly involved in the condemnation and ultimate acquisition of Southern California Water Company's water system in the Big Bear Valley and served on the original Board of Commissioners after the acquisition, I wanted to share some of my experiences.

In the late 1970's and 1980's the Big Bear Lake water system was experiencing water outages on major weekends, hundreds of water leaks, inadequate fire flow, and significantly rising rates. By a voter initiative, the DWP was created in 1986 with the specific intent of acquiring both the water and power systems of Southern California Water Company (now Golden State Water) within the City limits. Shortly after the initiative was passed, the City Council began the process of acquiring only the water system since that was the only system with serious service issues. They never acquired the power system.

As I recall the attorneys for the City originally estimated the cost to acquire the system would in the neighborhood of \$10-\$12 million. I believe So. Cal. Water's original asking price was around \$25 million. After roughly 3 years of litigation, the jury awarded So. Cal. Water around \$28 million including the value of improvements made during the acquisition process. The DWP eventually issued around \$30 million in bonds to finance the system acquisition. The original bonds were refinanced in 1992 to get a lower interest rate and will be paid off in 2022.

While I was proud to serve on the DWP Board and believe the acquisition of the water system from So. Cal. Water was beneficial to our community; it came at a high price. The cost of bond payments has forced our water rates to be significantly higher than those of the Big Bear City Community Services District; our neighbors to the East. We also originally believed that by operating the system more efficiently we could make the desperately needed system improvements without raising rates. This was not the case. Within two years it became clear that a "system rehabilitation charge" was necessary. This significantly raised our rates. It is my understanding that your system is functioning very well, so major improvements may not be immediately needed, but ongoing capital investment will be necessary to maintain an effective and efficient water system.

While your situation is clearly different than what we faced in 1986, I hope information about our experiences in condemning a water system will be helpful as you consider what course of action is best for the Town of Apple Valley.