

SPECIAL TO THE APPLE VALLEY CHAMBER OF COMMERCE NEWSLETTER
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The Hostile Government Takeover of Apple Valley Ranchos Is a Bad Idea

Apple Valley Ranchos Water Company is a business that is over 65-years old and has been an active member of this Chamber of Commerce since 1985. We value our partnership with this organization and the local businesses it represents. Like many of you we work hard to operate, maintain and manage our business in a responsible and professional manner. When something starts happening that could adversely affect us and this business community, we are obligated to keep you informed.

By now, it is no secret to most anyone doing business in Apple Valley that our Town's leadership is actively engaged in a public campaign to rationalize a government takeover of Apple Valley Ranchos Water Company. Like many who want to expand the size of government, they believe they can operate a water utility better and charge less for water service. History doesn't bear this out.

A government takeover of a private business like Apple Valley Ranchos is a bad idea. Like our fellow Chamber members we provide jobs, pay taxes, volunteer in the community, and support local causes and charities. That's why the idea of our government exercising its eminent domain right to condemn a long standing, local company like Apple Valley Ranchos is so baffling and sends the wrong message for any community interested in attracting companies and new jobs.

Apple Valley Ranchos' owner, Park Water Company, does not want to sell its operations in Apple Valley to the Town and is prepared to use every resource at its disposal to continue to provide reliable, high-quality water service. Because our private company is not for sale, the Town's only option is to use taxpayer dollars to pay lawyers to attempt to condemn us and start a long, divisive and costly process.

What affects Apple Valley Ranchos can affect all businesses in Apple Valley who may ultimately have to pick up the tab for higher water costs and property taxes. That's why we wanted to introduce our fellow Chamber members to this takeover issue and the debate it appears Apple Valley Ranchos will be facing in the months and potentially years ahead as some Apple Valley politicians march toward their goal of bigger government.

A Government Takeover Brings Unpleasant Realities

These takeover attempts not only divide communities, they also cause towns to neglect more important priorities. The divisiveness and costs associated from a potential condemnation action in Apple Valley will negatively impact the quality of life of our Town for years to come.

There are some unpleasant realities that communities experience when they attempt to condemn and takeover a privately-owned water utility. Our community will be no different:

1. **Legal Battles.** Apple Valley Ranchos is determined to protect our right to do business. Our politicians can make all the promises they want about how easy these takeover attempts are but condemnation history has proven that takeover attempts cause lengthy legal challenges that can last years and cost more than initially promised as government hires lawyers, consultants and researchers to do studies.

These costs divert money that is normally directed to real priorities like roads, education, law enforcement, and a host of other public services. Just look at Big Bear where the cost to takeover of the water system was three times higher than what that government originally assumed.

2. **Money.** The cost to take over a private company is generally always underestimated. Financial feasibility studies don't consider the impact of a company that does not want to sell. Even if a city or town is successful in its takeover attempt, there is the matter of the final value of the private water utility. This value is not set by the local government or their private consultant. The price is set by a judge and court-appointed jury and can often be many times the amount the people of the community were promised by politicians. The legal fees alone are almost always higher than promised.

A powerful, recent example of this is the Town of Mooresville, IN, where an entire community was mobilized by its government to take over a water utility only to find out after thousands of dollars in legal fees and studies, that they undervalued the water utility by more than three times. This scenario has been played out all over the United States where customers are left in the wake to pick up the tab.

3. **Divided Community.** This slippery slope our politicians are putting us on will divide this community as the issue goes on and on through the courts. Attempts to condemn a privately-owned company usually results in a divided citizenry as those who propose bigger government fight those who support private property rights.
4. **Hangover Legacy.** By the time a takeover attempt moves through the court system, many of the leaders of the takeover attempt are no longer in office and others are left to deal the results. In most cases the results are higher debt and higher water rates.
5. **Lost Time.** As business owners we all understand the importance of using our time effectively. Perhaps the most significant cost to a takeover attempt is everyone's time. The condemnation route always takes more time than anyone thinks and distracts local governments from other more important community needs.

The Town's Misinformation Campaign

A good deal of misinformed talk has been going around about Apple Valley Ranchos in an attempted takeover by the Apple Valley Town Council. Some of our councilmembers are making empty promises and baseless claims when it comes to Apple Valley Ranchos.

What concerns me and my co-workers are these empty promises and baseless claims are being made as part of a taxpayer-funded misinformation campaign to rationalize an attempted takeover of the company where I work. The Apple Valley government is using the more than \$800,000 Apple Valley Ranchos pays in property taxes and franchise fees, to put us out of business, claiming a government takeover means everything will be better and rates will go down. Have you looked at your ever-increasing sewer bill lately?

These same councilmembers are misinforming our customers by providing no context when they do public surveys and make statements about rates, the condemnation process, and the fair market value of Apple Valley Ranchos. These incumbent councilmembers say that Apple Valley Ranchos is impeding economic growth and then talk about the economic vitality of our Town in their re-election campaigns.

Today our councilmembers continue to allow our tax dollars to be spent lobbying the public to support a hostile government takeover of the oldest private business in Apple Valley. That's right—lobby. They are using government resources on a campaign theme, a survey, a new web site, another feasibility study and hiring an appraiser—not to mention the thousands of tax dollars already spent on lawyers and consultants.

In 2011 and 2012 our local government spent \$500,000 to study a takeover and a government-appointed Blue Ribbon Committee said it was not in the Town's best interest to takeover Apple Valley Ranchos. Just this month another feasibility study was done by the Town Council based on flawed assumptions, analysis and conclusions. Could this be the new definition of insanity?

Condemnations in California and elsewhere suggests a takeover of a private water utility through eminent domain rarely has the government's desired outcome. In Big Bear Lake the government estimated the water system would cost \$10.3 million—final price was \$28 million and the City ultimately issued a bond at \$35 million to finance the takeover. Recently an attempted government takeover in Mooresville, Indiana was abandoned when the Town Council learned the water system would be more than three times what they thought—final price was \$20.3 million.

And what about the Apple Valley citizens who aren't even customers of Apple Valley Ranchos? Do they know they are helping foot the bill for this misinformation campaign and government takeover?

Now our councilmembers are making claims about the government's ability to run a water utility and they don't even know how much it will cost to run it, invest in it, or much less the final cost to buy it assuming the court even grants a condemnation.

This is a slippery slope for our entire community. Apple Valley Ranchos is not for sale. If this takeover attempt makes it through the court system, it means a judge and court-appointed jury will decide the final cost to Apple Valley citizens—certainly not the councilmembers, their lawyers, their feasibility studies or their appraiser.

It's time to stop the insanity because a hostile government takeover of a 65-year old private business like Apple Valley Ranchos is a bad idea.

Apple Valley Ranchos Water Rates and Investments in the Water System

The fact is rates for water service are increasing and will likely need to increase in the years ahead. Maintaining and upgrading the pipes, pumps, valves and tanks that serve almost 20,000 customers in Apple Valley ensures our community's public health, economy and lifestyle. This fact does not change if the government owns a water utility.

Some local politicians have been exaggerating what people pay for water service. Half of Apple Valley Ranchos' residential customers use less than 150 CCF per year (112,200 gallons) and have water bills averaging less than \$60 per month (less than \$2 per day) and water service cost less than a penny a gallon. Yes rates have increased, but the average bill for Ranchos' customers has increased by an annual average of 3% per year over the last ten years. No one wants to pay higher rates but it is a fact of life when an essential service requires continued care and attention. Due to conservation our customers now use over 30% less water than they did just several years ago and yes, the rates per unit of water have increased to offset this declining consumption, which is necessary as most of the costs of running the water system are fixed. This is true regardless of who operates the system.

Apple Valley Ranchos' capital expenditure plan has budgeted more than \$8 million a year to continue to maintain, repair and replace pipes, pumps, tanks, and valves in our system. Apple Valley Ranchos has invested more than \$41 million in the water system the last ten years (2004-2013). Consider this. According to the National Association of Water Companies, every \$1 million invested in water infrastructure creates nearly 20 jobs for a local economy. Rancho uses local vendors and services everywhere possible while balancing the responsibility to operate efficiently.

Some politicians compare Apple Valley Rancho's water rates to those paid in Hesperia and Victorville. But this is an apples to oranges comparison. Our customers see their complete bill every month--not so in Victorville and Hesperia. Why? Because their water bills hide the true cost of the water system. Some of their costs are covered by property taxes and other fees. In fact, the true total cost of delivering water in those cities is higher than in Apple Valley.

We have no desire to be critical of government-run water companies in our area, or anywhere else for that matter. It may interest you to know the American Society of Civil Engineers has stated that municipal water systems have consistently underfunded or deferred needed infrastructure so much so that California's government-owned and operated water systems alone will require \$74.6 billion by 2020 just to get systems where they should be.

If the Apple Valley government is so worried about rates residents pay, why then have rates risen so much for the sewer system controlled by the local government? Sewer revenues have increased 400% from \$1.7 million in 2003 to \$6.9 million budgeted for the 2014/2015 fiscal year. Why? Perhaps it's because the politicians are diverting almost \$2 million of sewer revenues for other programs in the general fund.

A Final Word

If our local politicians continue down this path it will force everyone involved to spend more time, more money, and more tax dollars to attempt to takeover and buy a business that is already serving the community as it has done for more than 65 years.

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