

An Overview of the Successful Public Purchase of the Felton Water System

Fact Sheet • November 2013

In 2008, at the request of Felton households, the San Lorenzo Valley Water District purchased the Felton water system from California American Water. American Water and other companies have tried to distort this successful public purchase to undermine other local buyout efforts.¹ Communities should not heed these corporate scare tactics. Felton has benefited from local, public control of its water services.

Felton Households Are Saving Hundreds of Dollars a Year With Public Control

Public ownership saved a Felton household about 30 percent, or \$500, in 2011. A typical Felton household’s actual water costs were about \$94 a month — \$49 for eight ccfs of water² and \$45 in special taxes to pay for the system purchase.³ California American Water had sought to make Felton households pay about \$135 a month for the same amount of water that year.⁴ Although the district has increased rates to pay for system improvements, including necessary upgrades to Felton’s water system,⁵ overall, rates increased by much less than what the company proposed.⁶

Felton Households Have Control Over Their Water Rates and Service

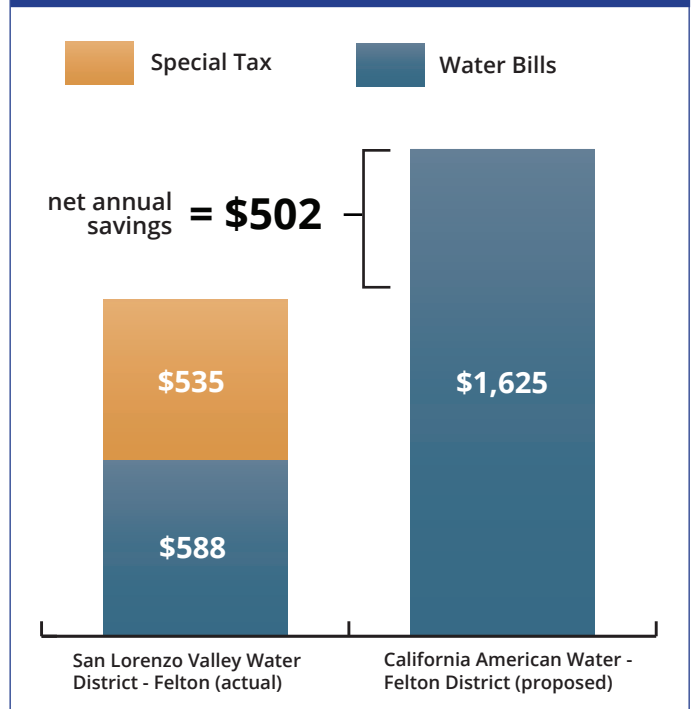
Unlike customers of privately owned systems, Felton households have ultimate control over their rates and services. If residents disapprove of the decisions of the district, they can vote in a new board of directors. Similarly, district customers have the ability to directly stop rate increases. According to Prop. 218, if a majority of property owners protest a proposed increase in writing, the district cannot increase rates.⁷

Felton Households Overwhelmingly Supported the Public Purchase

During a special election in 2005, residents specifically authorized raising their taxes and issuing \$11 million of bonds to purchase the system. The measure passed with three-quarters

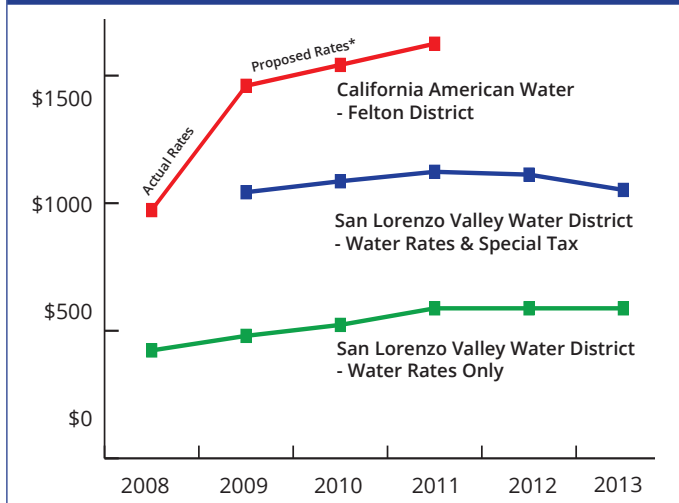
Annual Savings With Public Water

(total annual water costs for a Felton household using 8 ccfs a month, 2011)



of the vote. As a district official remarked, “It is hard to imagine how any stronger proof could be provided of the Felton community’s level of commitment and support for gaining local control of their water utility.”⁸

Annual Water Costs for a Typical Felton Household (annual water bill and taxes for a household using 8 ccfs of water a month)



* proposed rate increases for years 2009 to 2011, filed with the California Public Utilities Commission

Water Corporations May Try to Inflate the Value of Their Water System

The district bought the Felton system for \$10.5 million in cash and the assumption of \$2.9 million of existing debt, and the company “donated” 250 acres of watershed land.⁹ The donation arrangement was presumably for corporate income tax purposes.

Felton Friends of Locally Owned Water predicted that the system would cost \$10 million to \$12 million,¹⁰ and the district appraised the system at \$7.6 million. They were much closer to the final price than the company was. The company appraised the system at \$25.6 million,¹¹ and at one point claimed that it was worth as much as \$46 million¹² — nearly three-and-a-half times the actual price.

Other local-control movements can look to Felton as an example of why they should not become discouraged when water corporations refuse to negotiate a public purchase or demand excessive purchase prices.

Endnotes

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- San Lorenzo Valley Water District. “Water and Wastewater Charges Study.” March 2013 at 1-3 to 1-4.
- Those taxes apply to only Felton customers, and they expire in 2035. In 2012, the county refinanced the acquisition bonds at a lower interest rate, decreasing the special tax from \$524 in 2012 to about \$464 in 2013. Mueller, Jim. San Lorenzo Valley Water District. Testimony at the Monterey Water Forum. February 28, 2011 at 15 and 22; “Felton homeowners to save \$60 on property tax bills; officials close deal on 3.4 percent bond interest rate.” *Santa Cruz Sentinel*. November 23, 2012.
- Includes the surcharge to repay the California Safe Drinking Water Bond Act loan. The water district assumed the loan upon purchasing the system but eliminated the surcharge. California American Water Company. “Compliance Filing.” California Public Utilities Commission. A.08-01-022. March 24, 2008 at Exhibit A; California Public Utilities Commission. “Opinion Resolving General Rate Cases.” Decision 06-11-050. November 30, 2006 at Appendix B.
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- California American Water Company, March 24, 2008 at Exhibit A; California Public Utilities Commission, 2006 at Appendix B.
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- Mauriello, Susan A. Santa Cruz County. (Memorandum). “Resolutions of Intention – to Establish a Community Facilities District and to Incur Bonded Indebtedness to Acquire the Private Water System Which Serves the Felton Area.” March 10, 2005 at 8.

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