



MPWMD Special Board Meeting

David J. Stoldt
General Manager

April 3, 2023



**MPWMD Special Board of Director's Meeting on Monday, April 3, 2023 – Item No. 2
Slide-Deck Distributed at the Meeting to Public, General Manager, District Counsel and
Board Members.**



Welcome & Introductions

Introductions

How Eminent Domain Works

RUTAN
RUTAN & TUCKER, LLP

Value & Can We Afford It?

 **RAFTELIS**

Can We Finance it?

 **BARCLAYS**

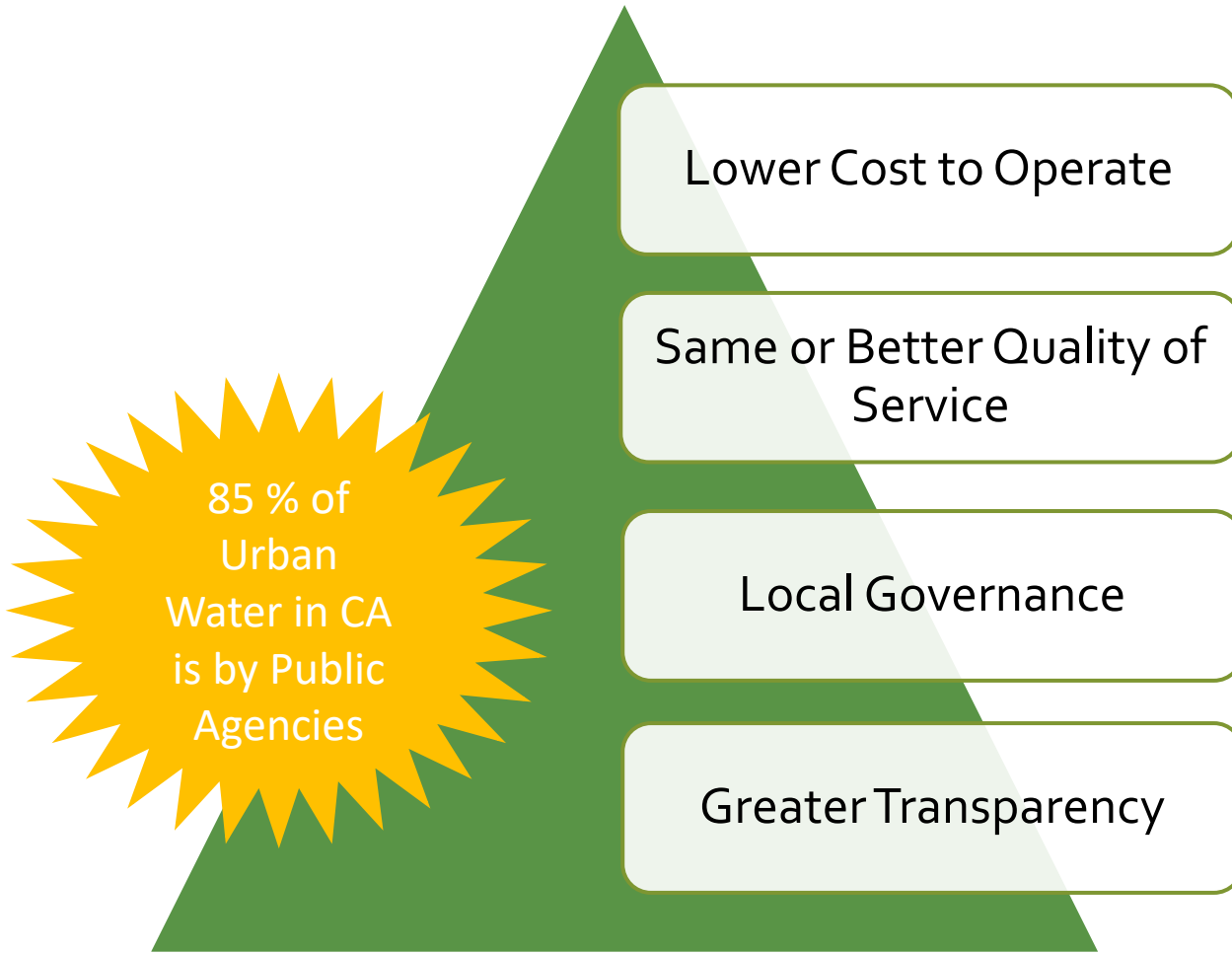
Why Are We Here?

- November 6, 2018
- Passed 56% - 44%



“if and when feasible, to secure and maintain public ownership of all water production, storage and delivery system assets and infrastructure providing services within its territory.” *Not MPWMD’s choice, but our duty.*

Why Pursue Public Ownership?





Overview of Appraisal and Offer Process



Summary of the Offer

- \$448,808,000
 - ✓ Base Utility Enterprise Assets
 - ✓ Other Asset Additions
- Transmitted to Cal-Am Earlier Today

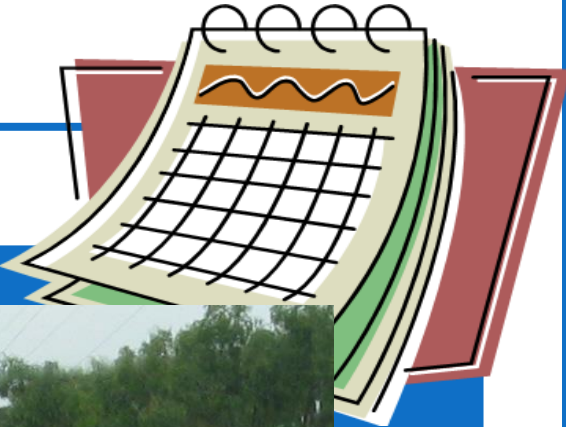
Long & Winding Road...



	Item
Nov 6, 2018	Voters Pass Measure J
Nov 12, 2019	Feasibility Proven / Public Forum
Oct 19, 2020	Environmental Impact Report Certified
Feb 26, 2021	Application to LAFCO
Feb 28, 2022	LAFCO Concludes Process
July 2022	MPWMD Board Authorizes Appraisal



Long & Winding Road...



Nov 6,

Nov 12

Oct 19

Feb 26

Feb 28

July 20





Methodology & Findings of Appraiser



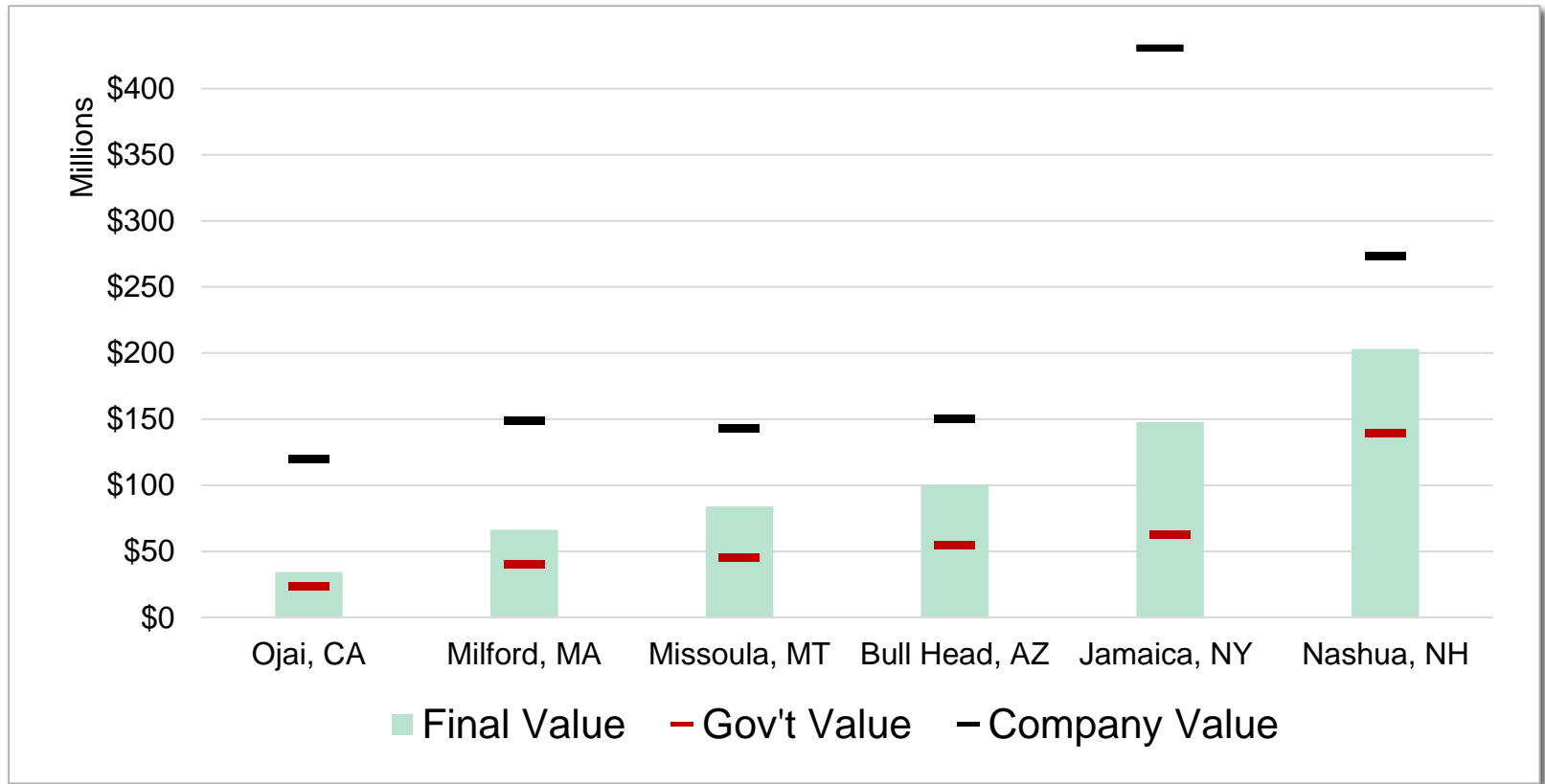
Other Issues & Next Steps



Obvious Areas of Disagreement

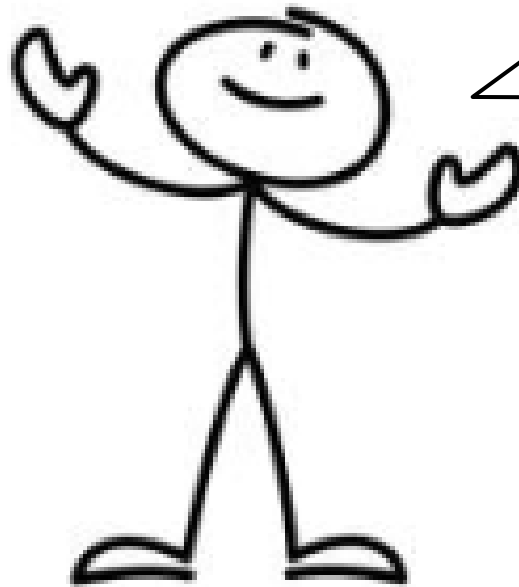
- Weighting of 3 Appraisal Methods
- Investor-Owned Utility Bias to Replacement Cost
- Valuing Real Estate and Water Rights
- California Public Utilities Commission World vs. the Real World

They Will Tell You the Final Price is Always More



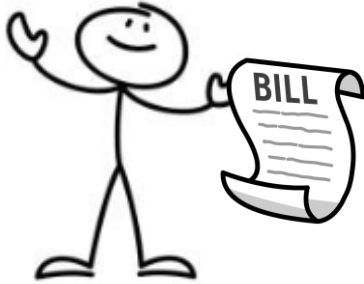
Typically, Final Price is Closer to Initial Government Appraisal than Company Valuation

Bob is Back!



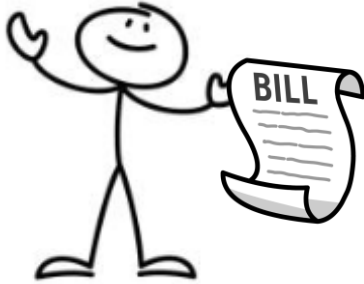
How the heck do we afford this?

What is in Bob's Water Bill TODAY?



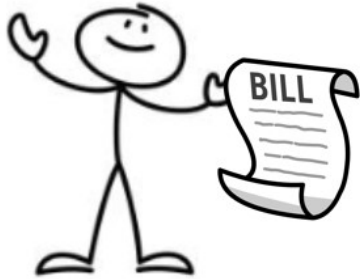
■ Debt & Equity Return/Profit	\$21,200,000
■ California Parent	5,000,000
■ New Jersey Parent	3,300,000
■ San Clemente & Acquisitions	7,000,000
■ Income Taxes	5,300,000
■ Property Taxes	3,000,000
■ Other Taxes	1,000,000
■ Regulatory Expenses	500,000
■ Depreciation & Amortization	11,700,000
■ O&M and Purchased Water	<u>42,000,000</u>
Total (Annually)	\$100,000,000

What GOES AWAY with Public Ownership?



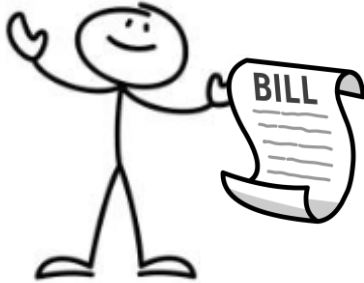
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■ O&M and Purchased Water	<u>42,000,000</u>
Total	\$43,000,000

What GOES AWAY with Public Ownership?



■ Other Taxes	1,000,000
■ O&M and Purchased Water	<u>42,000,000</u>
Total	\$43,000,000

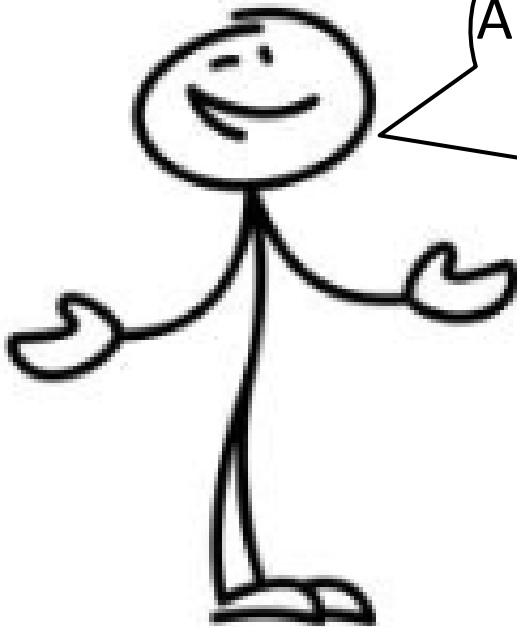
What NEW Costs Will Bob Pay For?



■ Debt for the Acquisition*	\$27,600,000
■ Other Taxes	1,000,000
■ Capital Investment	11,700,000
■ O&M and Purchased Water	<u>42,000,000</u>
Total	\$82,300,000
Annual Savings over Cal-Am	\$17,700,000

**: Debt at Offer Price, 30 years, 4.5% rate; Disclaimer – Just a conceptual example*

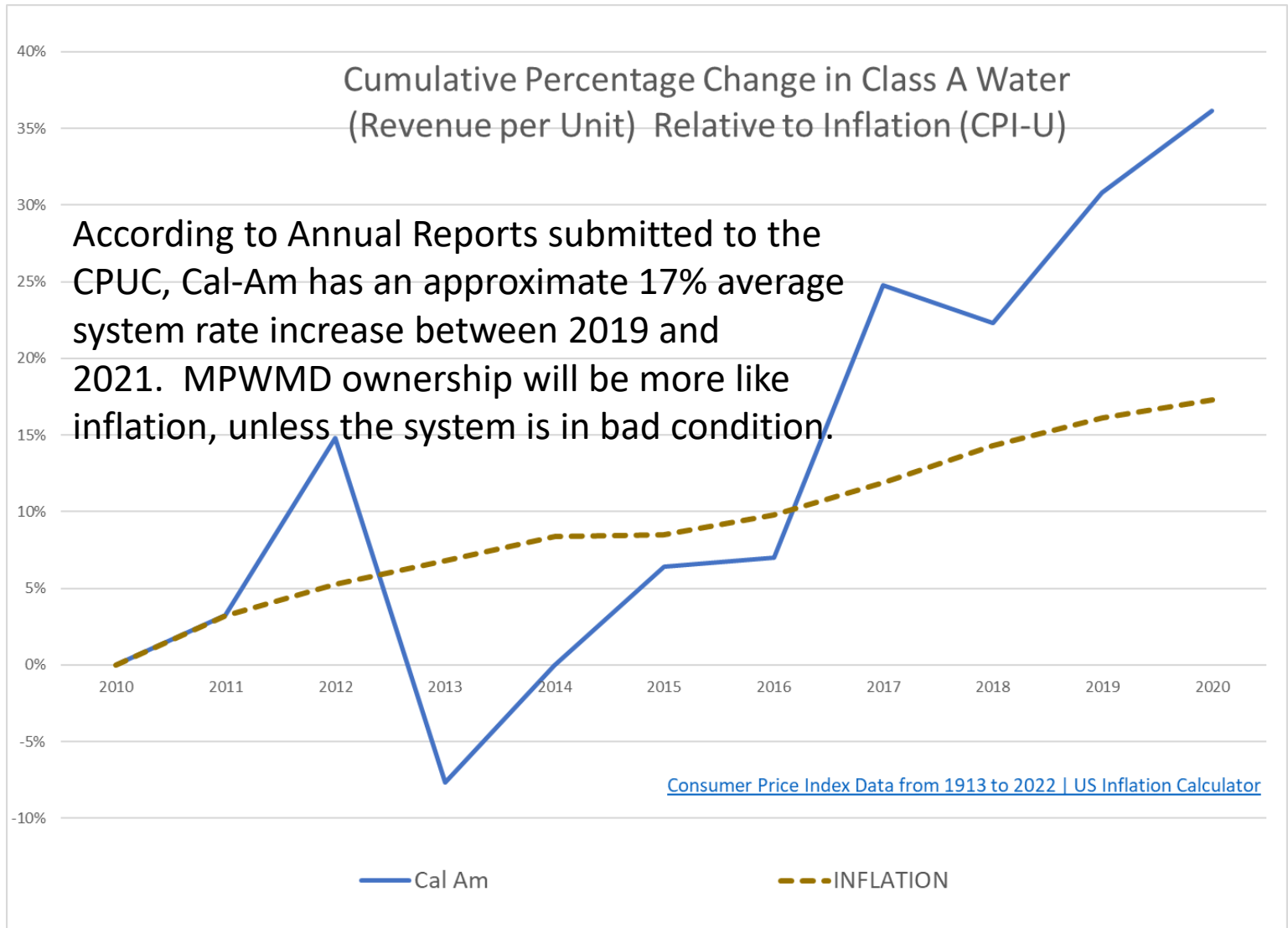
Bob Gets It!



Annual Savings over Cal-Am = \$17,700,000
and Paid for Within the Rates

Disclaimer: Just a Conceptual Example

What Can You Expect in the Future?



Next Steps

April

- Offer Letter Sent
- Likely Will Be Rejected

May

- Develop Findings
- Draft Resolution of Necessity

June

- Special Closed Session
- Board Decides on Hearing of Public Necessity

July

- Hearing of Public Necessity, If Board Decides
- File Condemnation Action (maybe August)

Wrap-Up

Thank You.



Progress on Behalf
of the Voters !!!