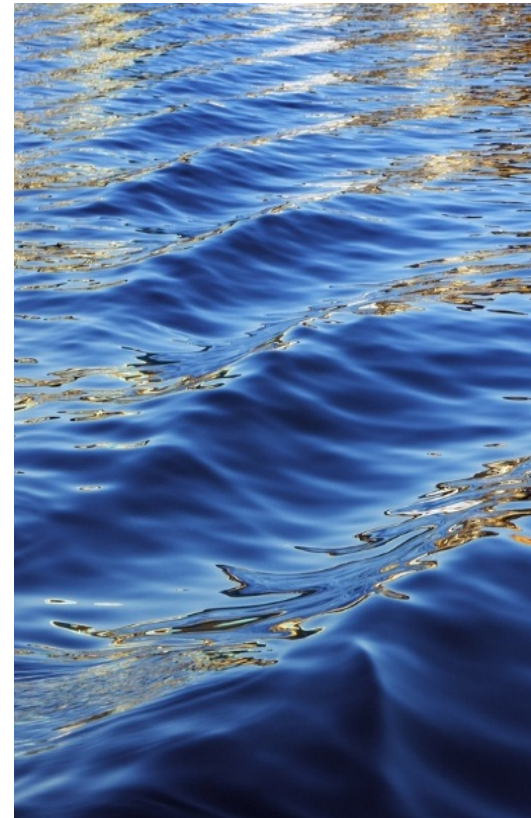


# Measure J Public Workshop on Preliminary Valuation & Cost of Service Study

Special Meeting

November 12, 2019



# Agenda

---

- Introductions/Team
- Review Feasibility Criteria
- Overview of the Process
- Raftelis Presentation on the Preliminary Valuation and Cost of Service Study
- Costs & Financial Exposure
- Next Steps
- Public Comment

# Introductions/Participants

---

How Does Eminent Domain Work?

**RUTAN**  
RUTAN & TUCKER, LLP

What's it Worth & Will it Save Money?

 **RAFTELIS**

Can We Finance it?

 **BARCLAYS**

How do We Operate? Costs/Savings?

**Close & Associates, LLC**

District's Authority to Issue Debt?

 **NORTON ROSE FULBRIGHT**

Prop 218 Issues under Public Ownership?

**COLANTUONO**  
**HIGHSMITH**  
**WHATLEY, PC**

# Introductions/Participants

---

## Recent Municipalizations of Investor-Owned Water Utilities

Casitas Municipal Water District, CA  
Golden State Water Co. Ojai System  
\$34.4 million  
2017



Missoula, MT  
Mountain Water Co. (Liberty Utilities)  
\$94.7 million  
2017



Close & Associates, LLC

Apple Valley, CA  
Liberty Utilities  
Up to \$150 million  
In Process

Close & Associates, LLC

San Lorenzo Valley WD  
Cal-Am Water, Felton System  
\$13.4 million  
2008



## Feasibility Criteria: Rule 19.8

---

A. It shall be the policy of the District, 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.

# Feasibility Criteria: What We Have Agreed To... So Far

---

Evaluate whether the following four measures, taken together, indicate it is in the public interest to acquire the system and sufficiently satisfy the criterion of “feasible” inherent in paragraph A of Rule 19.8:

- **Cost to ratepayers:** Will the system be less costly to operate; how soon will total cost savings (including acquisition costs) inure to ratepayers?
- **Quality and delivery of service:** Can the District provide operations and quality of water service as good as or better than the current operator?
- **Governance:** Will public ownership provide greater local control, oversight, and transparency in rate-setting, capital planning, and operations?
- **Legally Permissible:** Will the acquisition pass muster under California’s Eminent Domain Law if Cal-Am challenges the District’s “right to take” its Main System?

# Feasibility Criteria: Re-Read of Measure J Initiative

---

Section II. Purpose. The purpose of this Measure is to ensure the long-term sustainability, adequacy, reliability, cost-effectiveness and quality of water service within the Monterey Peninsula Water Management District area, to lower the cost of service to ratepayers, to promote and practice sustainable water management measures, and to establish public ownership of water system assets by establishing regulations requiring the District to take affirmative action, to the extent financially feasible, to acquire the water system assets owned and operated by the California American Water Company that currently provide water service to the District and its ratepayers.

# Determining Financial Feasibility

---

Valuation

- Cost , Income, and Market Approach



Convert  
To Debt

- Tax-exempt financing secured by rates



Cost of  
Service  
Model

- Substitute for Cal-Am Return, Taxes, & Other



## Recent Statements about the Study

---

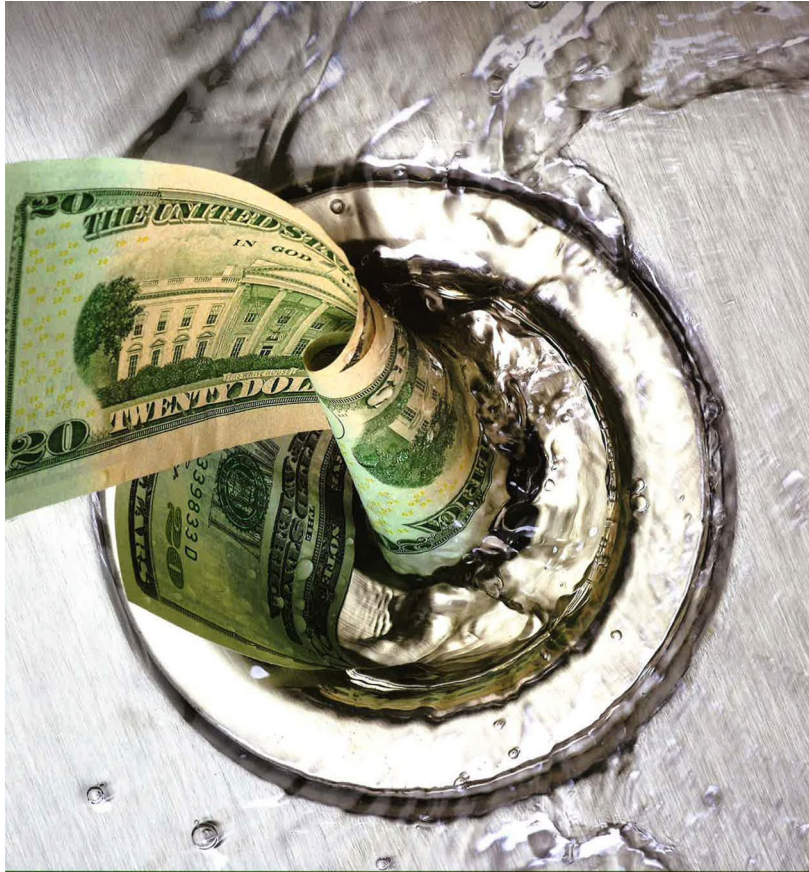
“Even at their estimate, the cost would equate to tens of thousands in expense per household with interest”

*Cal-Am spokesperson in Monterey Herald last Thursday*

“Water bills will greatly increase for customers”

*Cal-Am spokesperson on KSBW last Thursday*

# Rule of Thumb: If it Costs More, It is NOT Feasible



## DOWN THE DRAIN

## Measure J Could Flush Over \$1 Billion Down the Drain — That's \$1,812 of Your Money Every Year

*Proponents of Measure J continue to claim that it's "just a feasibility study." But even the Monterey County Counsel released an impartial analysis saying that Measure J was a mandate for the water agency to take over Cal Am's system through eminent domain. And if that happens, Measure J could cost the Monterey Peninsula over \$1 billion in buyout costs. For the average customer, that's about \$1,812 a year down the drain for the next 30 years.<sup>1</sup>*

### EMINENT DOMAIN AND NO SECOND VOTE

Measure J provides a mandate for the Monterey Peninsula Water Management District (MPWMD) to take over the water system using eminent domain. Eminent domain is a costly legal process in which, under Title 7 of California's Code of Civil Procedure, a court would decide the fair market value of the water system — recently valued at over \$1 billion — and then customers will have to pay the bill, even though there won't be another chance to vote on the issue.<sup>2</sup>

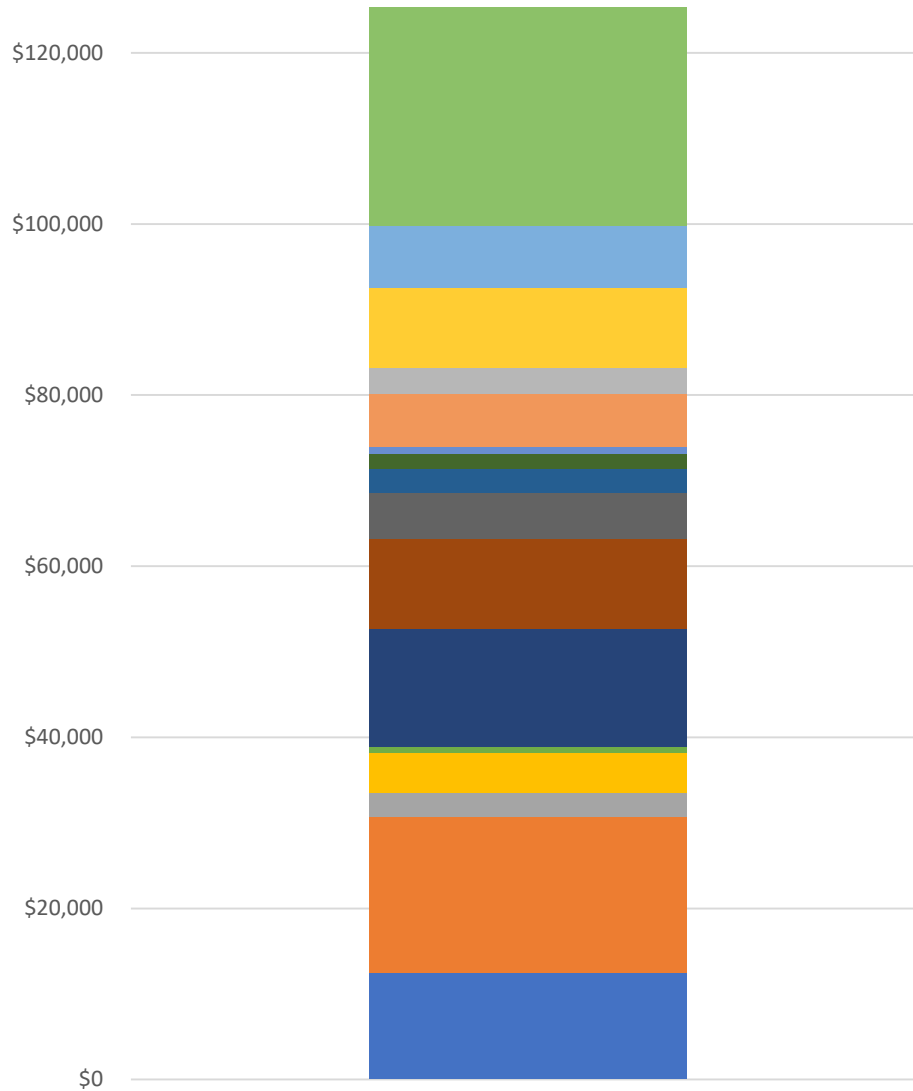
### \$54,350 OF YOUR MONEY DOWN THE DRAIN

With a recent valuation putting the price of the water system at \$1.04 billion, that means Measure J could cost the average Monterey Peninsula customer about \$1,812 a year for the next 30 years — that's \$54,350! And because Measure J is not just a feasibility study, customers will not get another say about the takeover or the buyout costs they will assume.<sup>3</sup>



# What Makes Up the Cost of Service?

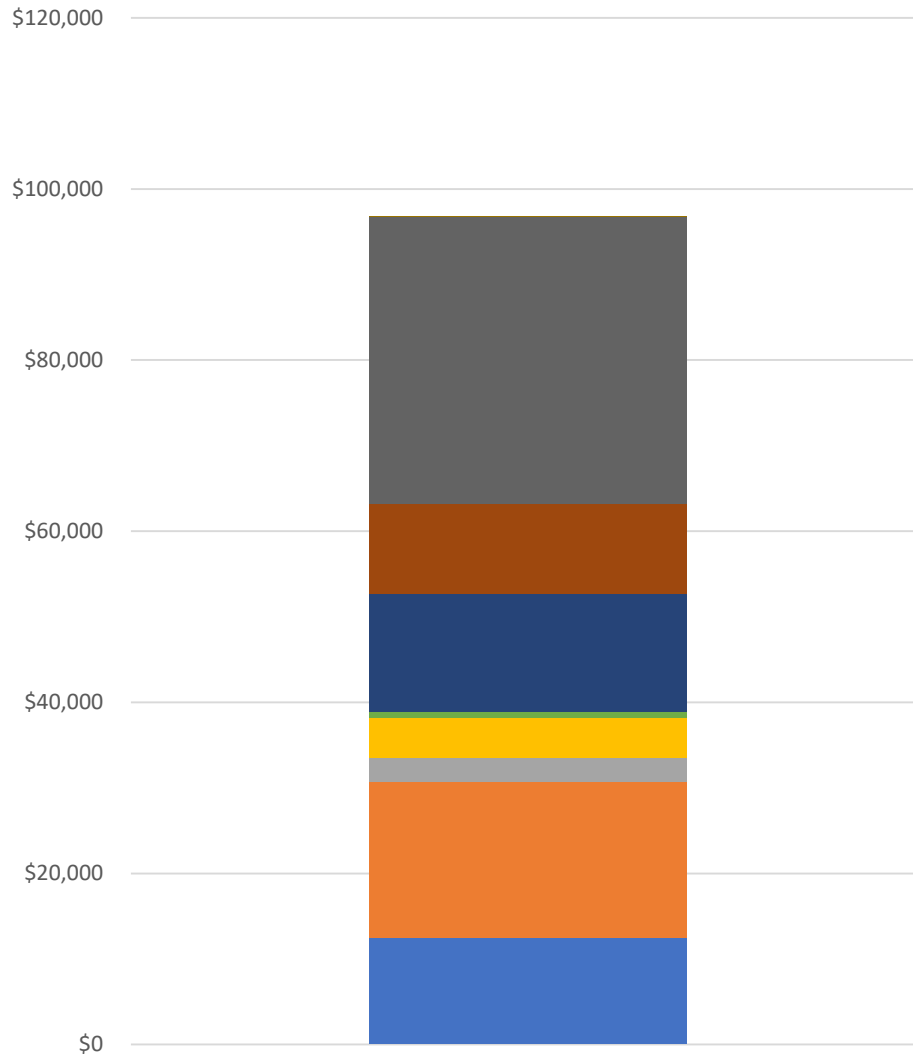
---



Total Cost of Service  
Under Cal-Am

# Add Back the Annual Debt for Acquisition?

---



Total Cost of Service  
Under Public  
Ownership

# Compare the Two

