

# Town of Apple Valley

## Ranchos Acquisition Efforts

### Transparency Report

January 26, 2016





# *Transparency Report*

- Council Request:
  - To demonstrate transparency in the Town's acquisition efforts of Ranchos, a report was requested to be submitted to Council identifying costs incurred to date.

# Transparency Report

**Town of Apple Valley  
Ranchos Acquisition Efforts  
Schedule of Expenditure Details  
As of the Month Ended December 31, 2015**

	Budget	Current Month	Fiscal Year-to-date	Other related Ranchos Costs	Prior Fiscal Years (in total)
<b>Expenditure Details</b>	<b>3,500,000</b>				
<b>Attorney Costs - Ranchos<sup>(1)</sup></b>					
Ranchos Acquisition	1,200,000		256,652		370,357
Rate Cases and Advice Letters				365,566	
Recycled Water				62,388	
Public Records Requests <sup>(2)</sup>				131,922	
Yermo				32,653	
Carlisle Merger				154,277	
Liberty Merger				65,558	
JUAC Audit				15,688	
<b>Appraisal Costs</b>					
The Hayward Consulting Group	127,400				127,377
<b>Other Consulting Services<sup>(3)</sup></b>					
Rincon	80,000		49,561		-
Urban Futures	12,500				12,500
Bartel Wells	42,500				42,154
<b>Public Information</b>					
Fiona Hutton & Associates	13,600				13,601
True North Research	22,850				22,850
Katz & Associates	29,500				29,313
20/20 Network	150,000		52,524		47,981
Public Records Requests <sup>(3)</sup>				99,425	
<b>Other - Miscellaneous<sup>(4)</sup></b>					
Unallocated	1,821,650		66,131		56,022
<b>Other Related Ranchos Costs</b>				<b>927,477</b>	
<b>Total Expenditures<sup>(5)</sup></b>	<b>3,500,000</b>		<b>424,868</b>		<b>722,155</b>

**Footnote:**

(1) Attorney costs related to the possible Ranchos Acquisition are recorded in total in the related category. All other "highlighted" Attorney costs not directly related to the acquisition process are presented for illustrative purposes only and are not included in the expenditure totals.

(2) Consulting Services includes any services contracted privately; not performed by Town personnel. These amounts primarily consist of payroll costs for consultant's personnel.

(3) Public Records Requests include cost estimates for staff time, duplication and attorney's review. From FY 2011 through FY 2016 year-to-date, seventy-three (73) public records requests were submitted regarding water or related matters. Over 237,020 documents were provided in response to these requests which cost \$231,347 to search files, gather records, review records and reproduce.

(4) Other - Miscellaneous also includes radio, print and media costs

(5) Prior Fiscal Years (in total) includes expenditures for FY 2011 thru FY 2016 year-to-date

- To be presented periodically
- Interim Financial Report prepared for Mgt. & Council in conformity with GASB and NCGAS
- Will include all categories of expense such as;
  - Attorney costs
  - Appraisal costs
  - Other consultants costs
  - Public Information costs
  - Public Records Request costs

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- Will include list of all public records requests received with associated cost estimates
- Will include estimate of possible future costs
- Such other information as may be requested or deemed appropriate for inclusion

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- This report covers the reporting period thru December 31, 2015.
- As noted within the report, no expenditures have been paid during the month of January.
- Financial information presented includes expenditures through December 31, 2015.

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- Attorney's costs
  - Acquisition costs
    - Direct costs **\$627,009**
  - Other related
    - Rate Cases and Advice Letters
    - Recycled Water
    - Public Records Requests
    - Yermo
    - Carlyle Merger
    - Liberty Merger
    - JLAC Audit

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## ■ Attorney's costs

– Other related **\$828,052**

- Rate Cases and Advice Letters
- Recycled Water
- Public Records Requests
- Yermo
- Carlyle Merger
- Liberty Merger
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- Attorney's costs
  - Other related **\$828,052:**  
**Rate Cases and Advice Letters**
  - The Town has spent **\$365,566** since 2011 fighting AVR rate increases and numerous advice letters, and hiring consultants to analyze the accuracy of AVR's claims and water rate modeling
  - AVR has not released any information about its legal bills.



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## ■ Attorney's costs

– Other related **\$828,052:**  
**Recycled Water**

– The Town has spent \$62,388 fighting for the right to use recycled water paid for by Town residents once it becomes available

– AVR has threatened to sue the Town if the Town attempts to use recycled water without giving the water to Ranchos and allowing them to sell it back to the Town and its residents.

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- Attorney's costs
  - Other related **\$828,052:**  
**Public Records Requests**
  - The Town has spent \$131,922 (\$231,347 including staff time) in reviewing the 73 public records requests related to Ranchos and provided over 237,000 documents
  - Ranchos has not released any records to the Town

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**Yermo**

– The Town has spent \$32,653 fighting AVR's purchase of Yermo

– Initial repairs and upgrades will cost \$7.7million, which works out to almost \$28,000 for each of Yermo's 278 active connections.

– The Town believes residents of Apple Valley will be stuck paying for the repairs to Yermo's water system

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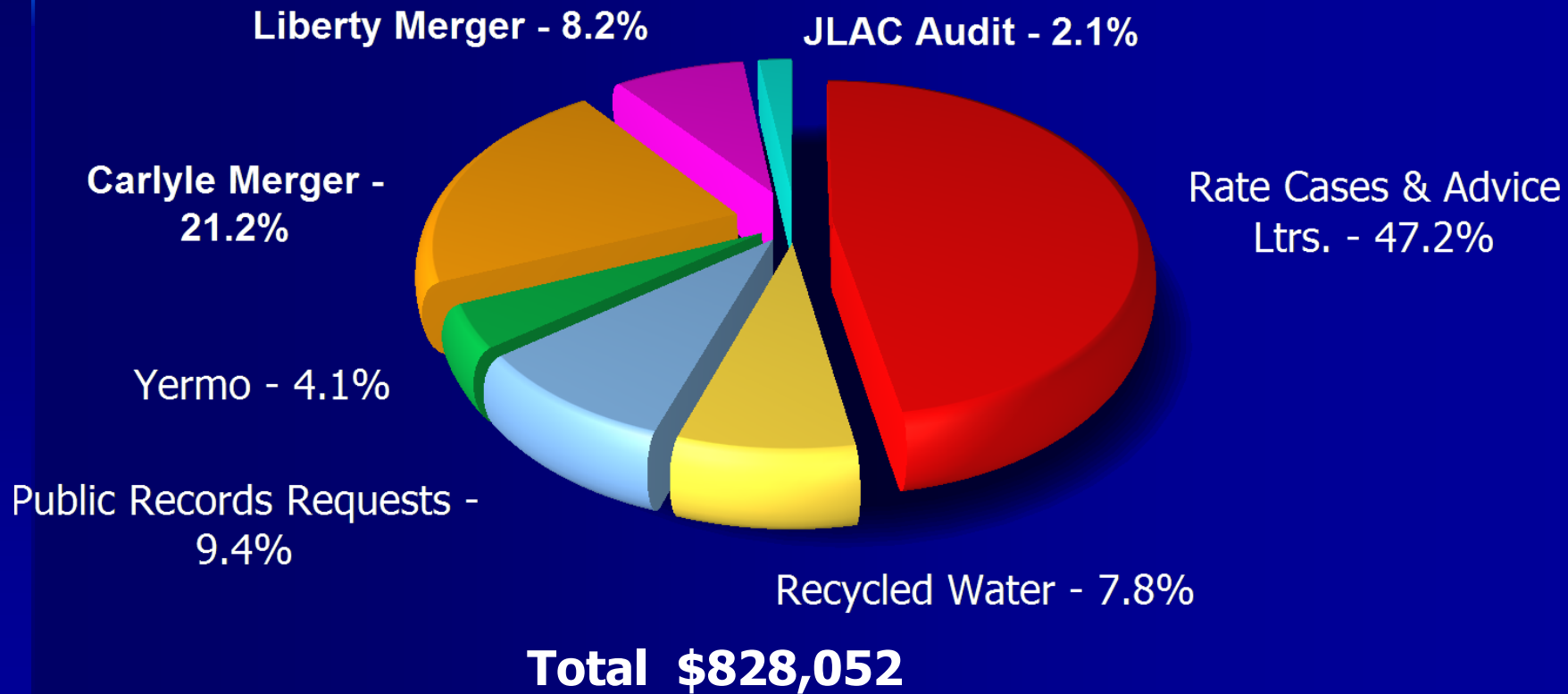
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 (3) Public Records Requests include cost estimates for staff time, duplication and attorney's review. From FY 2011 through FY 2016 year-to-date, seventy-three (73) public records requests were submitted regarding water or related matters. Over 237,020 documents were provided in response to these requests which cost \$231,347 to search files, gather records, review records and reproduce.  
 (4) Other - Miscellaneous also includes radio, print and media costs  
 (5) Prior Fiscal Years (in total) includes expenditures for FY 2011 thru FY 2016 year-to-date

## ■ Attorney's costs

- Other related **\$828,052**:  
**Carlyle Merger/Liberty Merger**
- The Town has spent \$154,277 fighting the sale of AVR' to the Carlyle Group, a Washington D.C. based hedge fund.
- The Town has spent \$65,558 so far fighting the sale of AVR to Liberty utilities, a Canadian firm.
- Liberty Utilities has stated to investors that the California market is attractive because of its "favorable regulatory environment" and opportunities to "deploy capital" – at a guaranteed rate of return of 9.7%

# *What the Town has spent in Attorney fees protecting you, the resident (If the acquisition is successful, these expenditures cease)*



# Transparency Report



**Town of Apple Valley  
Ranchos Acquisition Efforts  
Schedule of Expenditure Details  
As of the Month Ended December 31, 2015**

	Budget	Current Month	Fiscal Year-to-date	Other related Ranchos Costs	Prior Fiscal Years (in total)
<b>Expenditure Details</b>	<b>3,500,000</b>				
<b>Attorney Costs - Ranchos<sup>(1)</sup></b>					
Ranchos Acquisition	1,200,000		256,652		370,357
Rate Cases and Advice Letters				365,566	
Recycled Water				62,388	
Public Records Requests <sup>(2)</sup>				131,922	
Yermo				32,653	
Carlisle Merger				154,277	
Liberty Merger				65,558	
JUAC Audit				15,688	
<b>Appraisal Costs</b>					
The Hayward Consulting Group	127,400				127,377
<b>Other Consulting Services<sup>(3)</sup></b>					
Rincon	80,000		49,561		-
Urban Futures	12,500				12,500
Bartel Wells	42,500				42,154
<b>Public Information</b>					
Fiona Hutton & Associates	13,600				13,601
True North Research	22,850				22,850
Katz & Associates	29,500				29,313
20/20 Network	150,000		52,524	99,425	47,981
<b>Public Records Requests<sup>(4)</sup></b>					
Other - Miscellaneous <sup>(5)</sup>			66,131		56,022
Unallocated	1,821,650				
<b>Other Related Ranchos Costs</b>				<b>927,477</b>	
<b>Total Expenditures<sup>(5)</sup></b>	<b>3,500,000</b>		<b>424,868</b>		<b>722,155</b>

**Footnote:**

(1) Attorney costs related to the possible Ranchos Acquisition are recorded in total in the related category. All other "highlighted" Attorney costs not directly related to the acquisition process are presented for illustrative purposes only and are not included in the expenditure totals.

(2) Consulting Services includes any services contracted privately; not performed by Town personnel. These amounts primarily consist of payroll costs for consultant's personnel.

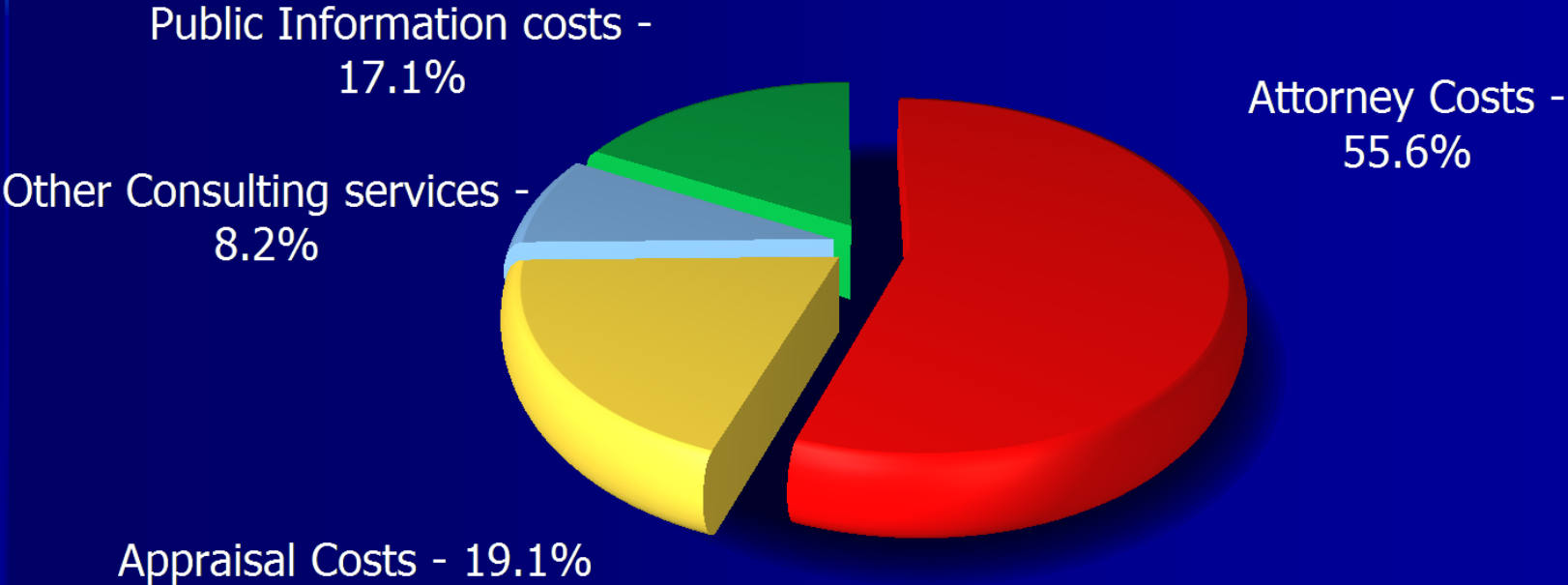
(3) Public Records Requests include cost estimates for staff time, duplication and attorney's review. From FY 2011 through FY 2016 year-to-date, seventy-three (73) public records requests were submitted regarding water or related matters. Over 237,020 documents were provided in response to these requests which cost \$231,347 to search files, gather records, review records and reproduce.

(4) Other - Miscellaneous also includes radio, print and media costs

(5) Prior Fiscal Years (in total) includes expenditures for FY 2011 thru FY 2016 year-to-date

- Categories of expense: Direct Acquisition Costs - **\$1,147,023**
  - Attorney's costs
    - \$627,009
  - Appraisal costs
    - \$127,377
  - Other consultants costs
    - \$104,215
  - Public Information costs
    - \$166,269
  - Other Misc
    - \$122,153
  - Public Records Requests (not included in total)
    - \$231,347

# *What the Town has spent protecting you, the resident (Direct costs of Acquisition) from exorbitant rate increases*



**Total \$1,147,023**

# Transparency Report

REQUEST FOR RECORDS LOG 2015				
Date Rec'd	Request Number	Requestor	Department	Staff Cost to Prepare Response (Does not include attorney review costs)
4/20/2015	106	K. Brogan	Finance/PIO/Town Manager & Municipal Operations 1. All invoices from Best Best & Krieger LLP for work performed relating to Apple Valley Ranchos from May 30, 2010 through and including January 1, 2011; 2. To the extent not already produced, all invoices from Best Best & Krieger LLP for work performed relating to Apple Valley Ranchos from January 1, 2011 to present; 3. To the extent not already produced, all invoices from consultants or experts relating to work performed relating to Apple Valley Ranchos from January 1, 2011 to present; 4. All complete appraisal reports by Hayward Consulting Group of Apple Valley Ranchos; 5. All appraisal reports of any appraisers of any and all assets of Apple Valley Ranchos; 6. All correspondence and emails mentioning or relating to Apple Valley Ranchos from January 1, 2010 to present; 7. The request for proposal relating to public relations services for the Town of Apple Valley's acquisition of Apple Valley Ranchos,  all responses to that request for proposal, all contract(s) for public relations services relating to or supporting the Town of Apple Valley's acquisition of Apple Valley Ranchos, including but not limited to the development and content of the website <a href="http://avh2ours.com/">http://avh2ours.com/</a> , and all invoices related thereto; and 8. All correspondence and emails between employees or agents of the Town of Apple Valley, on the one hand, and any firm providing public relations services supporting the Town of Apple Valley's acquisition of Apple Valley Ranchos, including but not limited to the development and content of the website <a href="http://avh2ours.com/">http://avh2ours.com/</a> . Requestor K. Brogan (dit)	12,400

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- Public Records Request Costs - **\$231,347**
  - Attorney's costs
    - \$131,922
  - Staff costs
    - \$99,425
  - Over 237,000 records provided in response to 73 public records requests related to water or related matters



# ***ESTIMATE OF POSSIBLE FUTURE COSTS***



<b>Total Expenditure Estimate</b>	<b>\$</b>	<b>3,500,000</b>
<b>Expended as of July 31, 2015</b>		<b>1,147,023</b>
		<hr/>
<b>Amount Unexpended</b>	<b>\$</b>	<b>2,352,977</b>
		<hr/> <hr/>
<b>Percent Unexpended</b>		<b>67.23 %</b>
		<hr/> <hr/>



# ***TOTAL COST OF WATER TO THE TOWN FOR MUNICIPAL USES***

<b>Total Number of Accounts</b>	<b>85</b>
<b>Expended for FY 2015</b>	<b>\$ 828,209.26</b>
<b>Cost per Billing Cycle</b>	<b>\$ 138,034.88</b>
<b>Annual Cost per Account</b>	<b>\$ 9,743.64</b>
<b>Average Bill</b>	<b>\$ 1,623.94</b>
<b>Average # of Surcharges/Bill</b>	<b>6</b>

## PARK WATER – STRATEGIC INVESTMENT IN THE WEST



- Strategic investment in drought-challenged states
- Infrastructure re-investment needed
- Heightened awareness of value of water



**Increase in Operating Profit of US\$ 18 million by 2020**

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# Town of Apple Valley

## **Ranchos Acquisition Efforts**

### **Transparency Report**

January 26, 2016

