

**TOWN OF APPLE VALLEY
TOWN ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE "F"**

On March 9, 2017, the Town Council voted unanimously to place Measure "F" on the June 6, 2017, ballot.

If approved by the voters, Measure "F" will allow the Town to finance the acquisition of the Apple Valley Water System (currently owned and operated by Liberty Utilities (Apple Valley Ranchos Water) Corp., a subsidiary of Liberty Utilities, Co., which is in turn owned by Canadian power company Algonquin Power & Utilities Corp.) by issuing debt up to a maximum amount of \$150 million. The debt would be repaid from revenues generated by the water system and not from taxes, and the Town would be required to conduct an annual independent audit.

The Town began exploring the potential acquisition of the Apple Valley Water System in response to a number of factors, including, but not limited to, the following: public concern about water rates, which are higher for customers of the Apple Valley Water System as compared to neighboring jurisdictions; lack of local control over water rates, service, expenditures, and policy; lack of responsiveness to ratepayer concerns; and lack of transparency in the operation of the Apple Valley Water System.

Under State law, the Town may issue some forms of public debt for the acquisition, construction, improving, or financing of an enterprise without calling an election. However, Measure V, which was adopted by the voters in November 2016, requires the Town to seek voter approval before it may issue any form of public debt over \$10 million to provide funds for the acquisition, construction, improving, or financing of an enterprise, including the Apple Valley Water System.

Consistent with Measure V, Measure F provides voters the opportunity to approve the Town's decision to acquire the Apple Valley Water System by issuing debt. Although the Town believes the value of the water system is significantly less than \$150 million, it seeks approval for a maximum of \$150 million because Town finance staff have indicated that is the level of debt for which the Town can pay the debt service through the elimination of profits, taxes, and other avoidable expenses, such as executive compensation, without having to increase rates for water system customers. If the Town is able to acquire the water system for less than \$150 million, it expects that it would be able to reduce rates for customers of the Apple Valley Water System.

Measure "F" requires simple majority approval to pass.

A "Yes" vote will approve Measure "F."

A "No" vote will not approve Measure "F."

The above statement is an impartial analysis of Measure "F." If you desire a copy of the Measure, please call the elections official's office at 760-240-7000, ext 7800 and a copy will be mailed at no cost to you.

/s/

JOHN E. BROWN
Town Attorney