

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

REFERRAL OF THE PRELIMINARY “UPDATE OF FEASIBILITY ANALYSIS OF ACQUISITION OF THE APPLE VALLEY RANCHOS WATER SYSTEM” TO THE BLUE RIBBON WATER COMMITTEE FOR REVIEW AND RECOMMENDATIONS

Summary Statement:

The Town of Apple Valley is currently reviewing the feasibility of acquiring a privately held water utility located within the Town. Apple Valley Ranchos Water Company (“AVR”), owned by the Park Water Company, serves approximately 19,500 water customers and projects annual revenues of \$19.5 million at current rates.

The Town is particularly interested in the financial feasibility of acquisition if operation and maintenance of the utility could be less costly over time under public ownership and if it would be financially prudent for the Town to acquire AVR.

The Town solicited Bartle Wells Associates to prepare a preliminary updated feasibility analysis (“Feasibility Analysis”) on the acquisition of the AVR by the Town. The Feasibility Analysis is intended to provide the Town with a rough approximation of the potential costs of the acquisition of the AVR. The Feasibility Analysis estimates that the total acquisition costs could range from \$52.2 million to \$125.7 million, depending on the methods used to value AVR and the type of financing transaction that would be necessary in order for the Town to acquire AVR.

Recommended Action:

Receive and file the preliminary Feasibility Analysis prepared by Bartle Wells Associates and refer the preliminary Feasibility Analysis to the Blue Ribbon Water Committee for Review and Recommendations regarding both the financial feasibility of acquiring Apple Valley Ranchos Water Company through public financing and the advantages and disadvantages of public ownership should public debt be used to finance such an acquisition. The Blue Ribbon Water Committee is requested to provide its recommendations in writing to the Town Council within sixty (60) days.

(Continued)

Proposed by: John E. Brown, Town Attorney **Item Number** _____

Approval _____ **Budgeted Item** **Yes** **No** **N/A**

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The Feasibility Analysis also provides an overview of financing alternatives should the Town decide to proceed with the acquisition of AVR. General obligation bonds, Mellow-Roos bonds, assessment bonds, and revenue-supported borrowing were all examined as possible financing methods in the Feasibility Analysis.

The Feasibility Analysis also examined operations of the water system under public ownership. This examination included revenue sources, operating costs, and risks of public ownership. The Feasibility Analysis generally concludes that operating costs could be less under public ownership than private ownership, when all factors are considered.

Finally, the Feasibility Analysis examined the overall financial feasibility of the acquisition. Bartle Wells Associates concluded that the acquisition of the water utility is financially feasible for the Town under both a high and low purchase price estimate, given the financing alternatives and potential costs savings inherent in a municipally run utility.

Attachments:

1. Preliminary Feasibility Analysis prepared by Bartle Wells Associates (available for review in the Town Clerk's Office).