

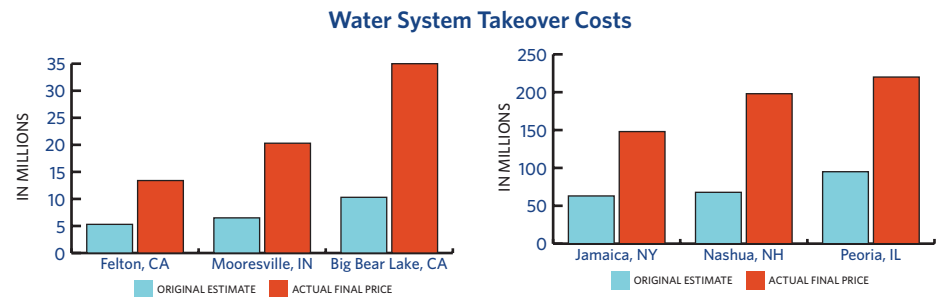


A Government Takeover of your Local Water System from Cal Water: Costly. Risky. Unnecessary.

Cal Water has provided safe, reliable, and high-quality water service for nearly a century. A government takeover of your local water system from Cal Water would substantially increase water rates and taxes. And it would put politicians without any experience in charge of the system, making your family's water service less safe and less reliable.

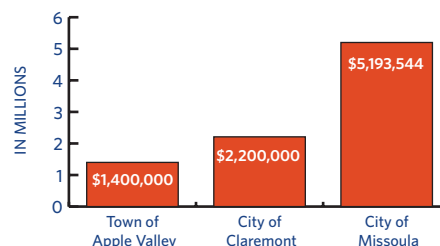
A GOVERNMENT TAKEOVER WOULD MEAN: Higher Water Rates and Taxes

If the city takes over your local water system, it would be required to pay Cal Water millions and millions of dollars for forcibly seizing its property and business. Cities use low-ball estimates to justify trying to take over water systems. Government takeovers end up costing many times more than originally estimated, and taxpayers end up paying for all of it.

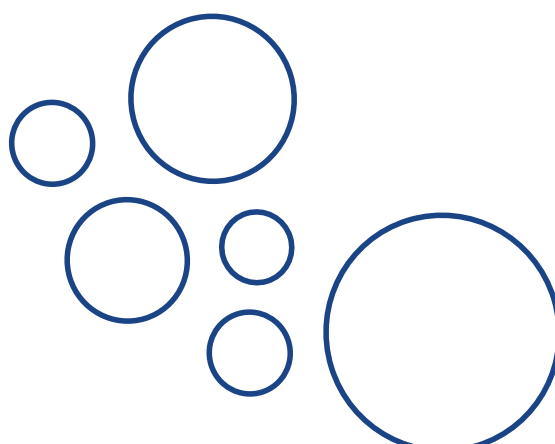


In addition, taxpayers would be on the hook for the millions the city would have to pay for lawyers and consultants to complete a takeover.

Legal Expenses for Water System Takeovers (Through March 1, 2016)^{1,2,3}



Where would this money come from? The city would have to take on millions and millions of dollars of debt. Since it doesn't have the cash to buy the system outright, the city would try to force taxpayers to pay for it by substantially increasing water rates, taxes, or both. Every household and business in one California community has seen their yearly property tax bill increase by more than \$500 after their local water utility was brought under government control.





A GOVERNMENT TAKEOVER WOULD MEAN: A Less Safe and Less Reliable Water System

Our top priority is protecting the health and safety of our customers. Each and every day, our employees work to ensure that our customers receive safe, high-quality water every time they turn on the tap.

If the city takes over the water system, inexperienced politicians will be making critical decisions about the safety and reliability of your drinking water. The city doesn't have the experience or expertise needed to operate a complex water system, and it hasn't explained how it would be able to provide customers with safe, reliable, and high-quality water service if it took over the water system.

Plus, Cal Water makes millions of dollars worth of improvements to the water system to ensure it remains safe and reliable. Many government-owned water utilities are not as proactive, and kick the can down the road by deferring needed upgrades to the water system,⁴ which needlessly jeopardizes public health and safety.⁵

A GOVERNMENT TAKEOVER WOULD MEAN: A Loss of Citizen Input

In order to take over your local water system from Cal Water, the city would have to use eminent domain, a rarely used form of state-sanctioned property seizure that doesn't allow for a vote of the people. Eminent domain is usually reserved for situations that threaten public health and safety, like demolishing rundown, abandoned, crime-ridden houses. Using eminent domain to force Cal Water out of business would be nothing more than government overreach, and would be contrary to the principles of democracy and free enterprise all residents of the city cherish.

Conclusion

Cal Water has been part of this community for decades. Surveys show that customers are happy with their service. A government takeover of the water system by using the power of eminent domain is unnecessary. Instead of trying to put Cal Water out of business, the city should focus its efforts on issues that will improve the quality of life and business climate.

THE CAUTIONARY TALE Felton, California

The case of Felton is a cautionary tale for anyone who believes that a government takeover of the water system from Cal Water will result in lower water rates. In response to concerns about the cost of water service, the local water utility was brought under government control in 2008. The 4,000 residents of Felton were encouraged to approve an **\$11 million bond** to finance the acquisition.

Today, every household and business has seen their yearly property tax bill **increase by more than \$500.**⁶ But that's not all. Water rates in Felton will **double** during the first eight years of government control. In response to a net operational loss of \$2.7 million, the government-owned utility increased water rates by **12%** in 2009, **8%** in 2010, and **15%** in 2011.⁷ Then in 2013, the government-owned utility adopted a three-year water rate increase of **14%** in 2014, **11%** in 2015, and **11%** in 2016.⁸

Today, residents of Felton wish that they had **never voted to support** the takeover and have encouraged other communities to avoid making the same mistake they did.⁹

¹ Apple Valley Water Facts, "How Much of Your Tax Dollars Have Been Spent on the Eminent Domain of Apple Valley Ranchos?," available at: <http://www.applevalleywaterfacts.com/108>, accessed on March 1, 2016.

² Claremont Courier, "City Expenses Add Up in Extended Legal Battle Over Water," July 20, 2015, available at: http://www.claremontflow.org/city_expenses_add_up_in_extended_legal_battle_over_water, accessed on March 1, 2016.

³ NBC Montana, "Missoula Approves More Expenses for Mountain Water Purchase," January 25, 2016, available at: <http://www.nbcmontana.com/news/missoula-approves-more-expenses-for-mountain-water-purchase/37638328>.

⁴ David Konisky and Manuel Tedoro, "When Governments Regulate Governments," 2015, available at: <https://spea.indiana.edu/doc/research/konisky-govt-2015.pdf>

⁵ American Water Intelligence, "Data Show IOUs are Cut Above in SDWA Compliance," October 2012.

⁶ Truth from the Tap, "The Truth about Private Water in Felton, CA," available at: http://truthfromthetap.com/wp-content/uploads/2015/04/TruthFromTheTap_CaseStudy_Felton_040615.pdf.

⁷ Jim Mueller, San Lorenzo Valley Water District General Manager, Testimony, Monterey Water Forum, February 28, 2011.

⁸ San Lorenzo Valley Water District, "Rate Increase Approved to Fund Emergency Preparedness and Water System Upgrades," October 25, 2013.

⁹ Letter from Beth Hollenbeck to A Risk We Cannot Afford Committee, 2014.