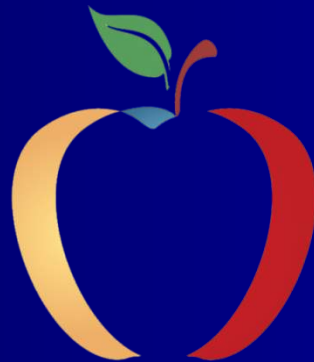


Town of Apple Valley

Ranchos Acquisition Efforts

Transparency Report

September 13, 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 August 31, 2016**

	Budget	Current Month	Fiscal Year-to-date	Other related Ranchos Costs	Prior Fiscal Years (in total)
Expenditure Details	3,500,000				
Attorney Costs - Ranchos ⁽¹⁾					
Ranchos Acquisition	1,500,000	367,450			806,755
Rate Cases and Advice Letters				381,562	
Recycled Water				63,566	
Public Records Requests ⁽²⁾				165,995	
Yermo				32,653	
Carlisle Merger				154,277	
Liberty Merger				71,768	
JLAC Audit				15,771	
Rancho Johansen				47,235	
Appraisal Costs					
The Hayward Consulting Group	127,400				127,377
Other Consulting Services ⁽³⁾					
Rincon	80,000				88,321
Urban Futures	12,500				12,500
Bartel Wells	42,500				42,154
Public Information					
Fiona Hutton & Associates	13,601				13,601
True North Research	22,850				22,850
Katz & Associates	29,400				29,313
20/20 Network	180,000		23,132		132,094
Public Records Requests ⁽²⁾				111,425	
Other - Miscellaneous ⁽⁴⁾	180,000				149,766
Unallocated	1,311,749				
Other Related Ranchos Costs				1,044,252	
Prior Fiscal Years Sub-total					1,404,731
Total Expenditures ⁽⁵⁾	3,500,000	-	190,582		1,595,313

Footnote:

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

(2) Public Records Requests include cost estimates for staff time, duplication and attorney's review. From FY 2011 through FY 2017 year-to-date, eighty-three (83) public records requests were submitted regarding water or related matters. Over 247,610 documents were provided in response to these requests which cost \$277,420 to search files, gather records, review records and reproduce.

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

(4) Other - Miscellaneous also includes radio, print and media costs of \$112,496.

(5) Total Expenditures includes expenditures for FY 2011 thru FY 2017 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

Transparency Report

**Town of Apple Valley
Ranchos Acquisition Efforts
Schedule of Expenditure Details
As of the Month Ended August 31, 2016**

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Liberty Merger				75,768	
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- (4) Other - Miscellaneous also includes radio, print and media costs of \$112,496.
- (5) Total Expenditures includes expenditures for FY 2011 thru FY 2017 year-to-date.

- Includes summary of cost of all public records requests received associated with Ranchos surrogates
- Includes estimate of possible future costs
- Includes such other information as may be requested or deemed appropriate for inclusion

Transparency Report

**Town of Apple Valley
Ranchos Acquisition Efforts
Schedule of Expenditure Details
As of the Month Ended August 31, 2016**

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- (4) Other - Miscellaneous also includes radio, print and media costs of \$112,496.
- (5) Total Expenditures includes expenditures for FY 2011 thru FY 2017 year-to-date.

- This report covers the reporting period from January 1, 2011 thru August 31, 2016.
- As noted within the report, year-to-date expenditures are included for those invoices paid during the months of July and August, 2016.

Transparency Report



**Town of Apple Valley
Ranchos Acquisition Efforts
Schedule of Expenditure Details
As of the Month Ended August 31, 2016**

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Unallocated	1,311,749				
Other Related Ranchos Costs				1,044,252	
Prior Fiscal Years Sub-total					1,404,731
Total Expenditures⁽⁵⁾	3,500,000		190,582		1,595,313

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- Attorney's costs
 - Acquisition costs
 - Direct costs **\$974,205**
 - Other related
 - Rate Cases and Advice Letters
 - Recycled Water
 - Public Records Requests
 - Yermo
 - Carlyle Merger
 - Liberty Merger
 - JLAC Audit

Transparency Report



**Town of Apple Valley
Ranchos Acquisition Efforts
Schedule of Expenditure Details
As of the Month Ended August 31, 2016**

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Unallocated	1,311,749				
Other Related Ranchos Costs				1,044,252	
Prior Fiscal Years Sub-total					1,404,731
Total Expenditures⁽⁵⁾	3,500,000		190,582		1,595,313

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(5) Total Expenditures includes expenditures for FY 2011 thru FY 2017 year-to-date.

■ Attorney's costs

– Other related **\$932,827**

- Rate Cases and Advice Letters
- Recycled Water
- Public Records Requests
- Yermo
- Carlyle Merger
- Liberty Merger
- JLAC Audit

Transparency Report



**Town of Apple Valley
Ranchos Acquisition Efforts
Schedule of Expenditure Details
As of the Month Ended August 31, 2016**

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(4) Other - Miscellaneous also includes radio, print and media costs of \$112,496.

(5) Total Expenditures includes expenditures for FY 2011 thru FY 2017 year-to-date.

- Attorney's costs
 - Other related **\$932,827:**
Rate Cases and Advice Letters
 - The Town has spent \$381,562 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.

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)
Expenditure Details:	3,500,000				
Attorney Costs - Ranchos⁽¹⁾					
Ranchos Acquisition	1,200,000		256,652		370,357
Rate Cases and Advice Letters				365,566	
Recycled Water				62,388	
Public Records Requests ⁽³⁾				131,922	
Vermo				32,653	
Carlisle Merger				154,277	
Liberty Merger				65,558	
JLAC Audit				15,688	
Appraisal Costs					
The Hayward Consulting Group	127,400				127,377
Other Consulting Services⁽²⁾					
Rincon	80,000		49,561		-
Urban Futures	12,500				12,500
Bartel Wells	42,500				42,154
Public Information					
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 ⁽³⁾				99,425	
Other - Miscellaneous⁽⁴⁾					
Unallocated	1,821,650		66,131		56,022
Other Related Ranchos Costs				927,477	
Total Expenditures⁽⁵⁾	3,500,000		424,868		722,155

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 217,020 documents were provided in response to these requests which cost \$231,947 to search, file, 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 **\$932,827:**
Recycled Water

– The Town has spent \$63,566 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.

Transparency Report



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

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- Attorney's costs
 - Other related **\$932,827**:
Public Records Requests
 - The Town has spent \$165,995 (\$277,420 including staff time) in reviewing the 83 public records requests related to Ranchos and provided over 247,610 documents
 - Ranchos has not released any records to the Town

Transparency Report



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

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■ Attorney's costs

- Other related **\$932,827:**

Yermo

- The Town has spent \$32,653 fighting AVR's purchase of Yermo
- Initial repairs and upgrades now in progress will cost \$7.7million, which works out to almost \$28,000 for each of Yermo's 278 active connections.
- The Town believes these costs will be rate-based and Apple Valley residents will be stuck paying for the repairs to Yermo's water system.

Transparency Report



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

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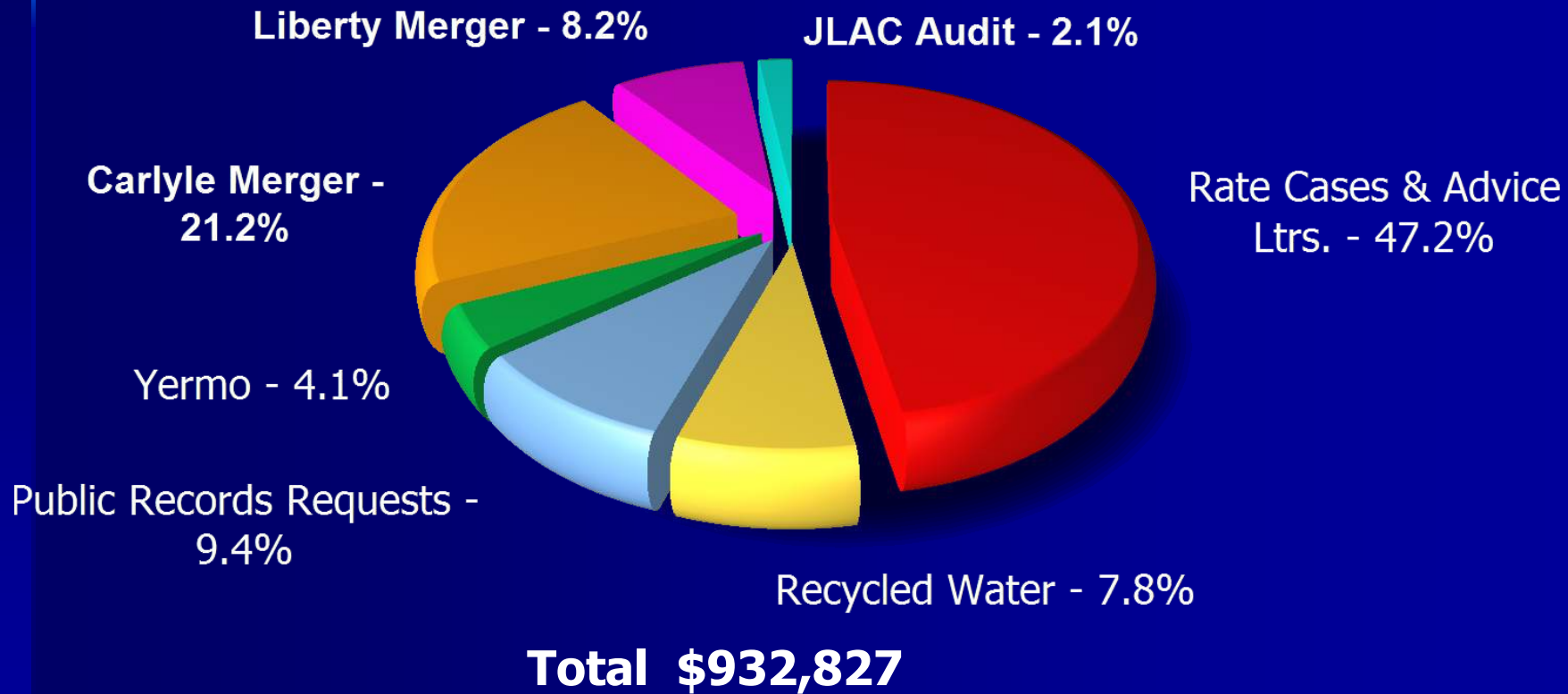
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■ Attorney's costs

- Other related **\$932,827**:
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 \$71,768 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)
Expenditure Details:	3,500,000				
Attorney Costs - Ranchos ⁽¹⁾					
Ranchos Acquisition	1,200,000		256,652		370,357
Rate Cases and Advice Letters				365,566	
Recycled Water				62,388	
Public Records Requests ⁽³⁾				131,922	
Vermo				32,653	
Carlisle Merger				154,277	
Liberty Merger				65,558	
JLAC Audit				15,688	
Appraisal Costs					
The Hayward Consulting Group	127,400				127,377
Other Consulting Services ⁽²⁾					
Rincon	80,000		49,561		
Urban Futures	12,500				12,500
Bartel Wells	42,500				42,154
Public Information					
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 ⁽³⁾				99,425	
Other - Miscellaneous ⁽⁴⁾			66,131		56,022
Unallocated	1,821,650				
Other Related Ranchos Costs				927,477	
Total Expenditures ⁽⁵⁾	3,500,000	-	424,868		722,155

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 217,020 documents were provided in response to these requests which cost \$231,947 to search files, gather records, review records and reproduce.

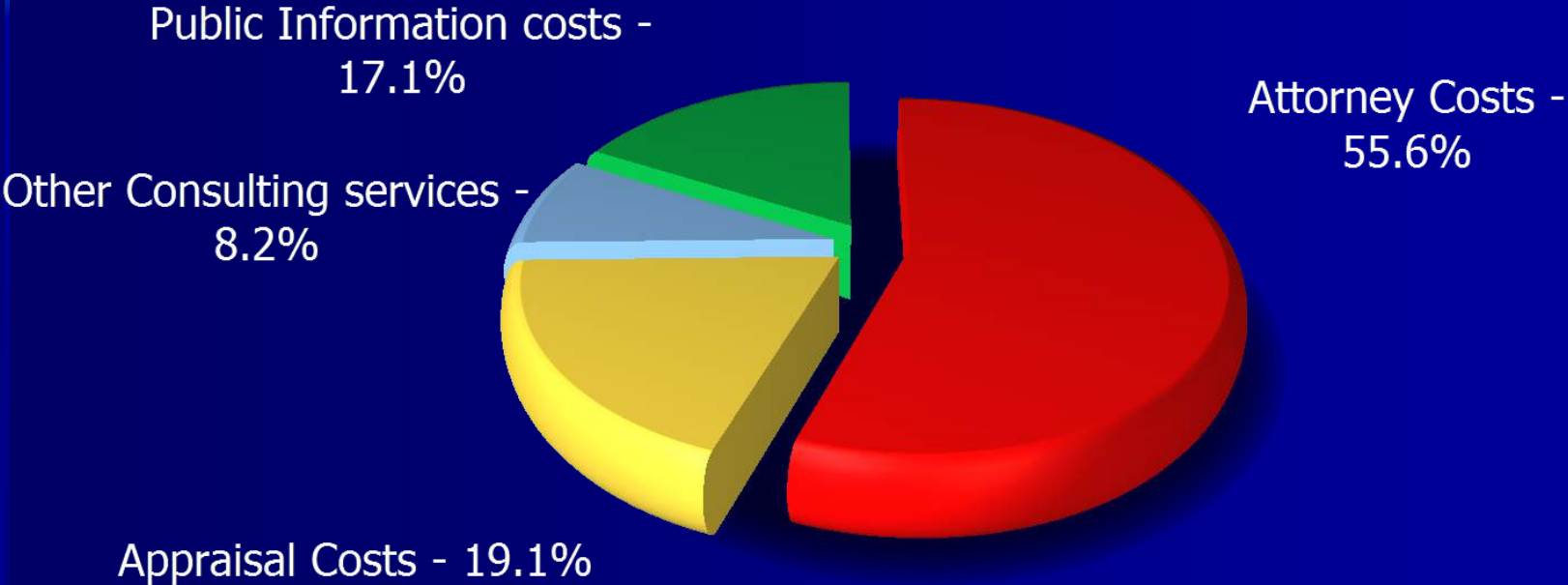
(4) Other - Miscellaneous also includes radio, print and media costs.

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

■ Categories of expense: Direct Acquisition Costs - \$1,595,313

- Attorney's costs
 - \$974,205
- Appraisal costs
 - \$127,377
- Other consultants costs
 - \$122,975
- Public Information costs
 - \$197,858
- Other Misc
 - \$149,766
- Public Records Requests (not included in total)
 - \$277,420

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



Total \$1,595,313

Transparency Report



REQUEST FOR RECORDS LOG 2017


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 http://avh2ours.com/ , 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 http://avh2ours.com/ . Requestor K. Brogan (dtr)	12,400

- Public Records Request Costs - **\$277,420**
 - Attorney's costs
 - \$165,995
 - Staff costs
 - \$111,425
 - Over 247,610 records provided in response to 83 public records requests related to water or related matters



ESTIMATE OF POSSIBLE FUTURE COSTS

Total Expenditure Estimate	\$	3,500,000
Expended as of August 31, 2016		1,595,313
Amount Unexpended	\$	1,904,687
Percent Unexpended		54.42 %



TOTAL COST OF WATER TO THE TOWN FOR MUNICIPAL USES

Total Number of Accounts	85
Expended for FY 2016	\$ 702,668.21*
Cost per Billing Cycle	\$ <u>117,111.37</u>
Annual Cost per Account	\$ <u><u>8,266.68</u></u>
Average Bill	\$ <u><u>1,377.78</u></u>
Average # of Surcharges/Bill	6

***Reduction in annual water costs - \$125,541.05 due to water conservation and use of the AVGC well.**

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

Town of Apple Valley

Ranchos Acquisition Efforts

Transparency Report

September 13, 2016

