



## THE TRUTH ABOUT PRIVATE WATER IN FELTON, CALIFORNIA

In 2002, American Water purchased the Felton water system. Later the same year, American Water asked the California Public Utilities Commission (CPUC) for approval to raise water rates in Felton, citing an urgent need for infrastructure repairs and a lack of any increase between 1998 and 2002.<sup>1</sup> The 44 percent rate increase, approved by the CPUC,<sup>2</sup> spurred public concern, and a local grassroots organization formed in an attempt to bring the water system under government control. After six years of operations by American Water, the system was brought under government control via eminent domain in 2008, with Felton citizens passing an \$11 million bond to finance the purchase.

### ACTIVIST FICTION

Critics like Food & Water Watch (FWW) call Felton a “great victory” and cite it as an example of “why local-control movements should not become discouraged when water corporations refuse to negotiate a public purchase.”<sup>3</sup> Specifically, FWW claims residents have more control over their water rates and service under government control.<sup>4</sup> FWW and other critics have repeated false claims about Felton in at least six reports or case studies since 2009.

### THE REAL STORY

In Felton, critics stop the timeline with remunicipalization in 2008. They don’t discuss what has since happened under government operation or ask if it has been better for the community. Felton is an important example of why it is necessary to look beyond activists’ claims to see the whole picture when considering private water’s record.

**RATES:** FWW and Felton Friends of Locally Owned Water (FLOW) fail to note that after purchasing the Felton system, the San Lorenzo Valley Water District accumulated a net operational loss of \$2.7 million in 2009 and 2010.<sup>5</sup> The San Lorenzo Valley Water District (SLVWD) instituted rate increases of 12 percent in 2009; 8 percent in 2010; and 15 percent in 2011.<sup>6</sup> In October 2013, the District decided to raise rates further over the next three years: 14 percent in 2014; 11 percent in 2015; and 11 percent in 2016.<sup>7</sup> By 2016, water rates will have doubled during eight years of government operations in Felton.

**SAVINGS:** Critics make claims about cost savings under public control, but totally ignore the \$535 bond tax all Felton residents will pay annually for 30 years to finance the water system purchase.<sup>8</sup> Even the general manager of the public operator publicly stated there would be no difference in total cost to the average customer under public control – and that was before rates increased significantly under government operation.<sup>9</sup>

**CONTROL:** Activists argue that residents have more control over decisions now that the water system is under government operation, but this has not been the case in Felton. For example, in October 2013, the San Lorenzo Valley Water District Board of Directors proposed a rate increase for district households and received 2,781 written letters of protest.<sup>10</sup> However, the Board was able to ignore this opposition because the number of letters fell roughly 900 short of the required 50%+1 margin of property owners needed to prevent the rate increase from being approved.<sup>11</sup> Furthermore, in more recent years, citizens have organized against SLVWD, saying the public operator has “willingly refused to communicate to the rate payers.”<sup>12</sup> A Santa Cruz grand jury report found that SLVWD’s “lack of transparency has eroded the trust of ratepayers,” pointing to a lack of responsiveness, a failure to provide notice of meetings, and a requirement for extra approvals for public records requests to be released by the District Office.<sup>13</sup>

**ACQUISITION:** Proponents of remunicipalization initially estimated that the total cost to acquire the Felton water system from American Water would be \$2 million. In the end, taxpayers paid more than \$13 million for the system’s assets, more than six times the initial estimate.<sup>14</sup>

**ATLANTA TODAY:** By 2016, water rates in Felton will have effectively doubled during eight years of government operations, all while residents are forced to pay a \$535 bond tax annually for 30 years to finance the water system purchase from American Water. On top of that, when the San Lorenzo Valley Water District Board proposes additional rate increases, residents can no longer rely upon a transparent CPUC rate-setting process to air their concerns.

#### Sources

<sup>1</sup>The Wall Street Journal, “Great Expectations for Private Water Fail to Pan Out” 26 June 2006.

<sup>2</sup>The Wall Street Journal, “Great Expectations for Private Water Fail to Pan Out” 26 June 2006.

<sup>3</sup>Food & Water Watch, “An Overview of the Successful Public Purchase of the Felton Water System” November 2013.

<sup>4</sup>Food & Water Watch, “An Overview of the Successful Public Purchase of the Felton Water System” November 2013.

<sup>5</sup>Santa Cruz Sentinel, “San Lorenzo Valley Water District discusses possible water rate hike” 9 February 2011.

<sup>6</sup>Jim Mueller, SLVWD General Manager, Testimony, Monterey Water Forum, 28 February 2011.

<sup>7</sup>“Rate Increase Approved to Fund Emergency Preparedness and Water System Upgrades,” Press Release, San Lorenzo Valley Water District, 25 October 2013; Santa Cruz Sentinel, “SLV Water board approves rate increase, Lompico merger” 20 August 2015.

<sup>8</sup>Food & Water Watch, “Chicago’s Water Giveaway Latest in National Trend that Will be a Bust for Local Consumers” 20 April 2010.

<sup>9</sup>Jim Mueller, SLVWD General Manager, Testimony, Monterey Water Forum, 28 February 2011.

<sup>10</sup>“Rate Increase Approved to Fund Emergency Preparedness and Water System Upgrades,” Press Release, San Lorenzo Valley Water District, 25 October 2013.

<sup>11</sup>“Rate Increase Approved to Fund Emergency Preparedness and Water System Upgrades,” Press Release, San Lorenzo Valley Water District, 25 October 2013.

<sup>12</sup>San Lorenzo Valley Watchdogs website, “About Us”

<sup>13</sup>Santa Cruz County Grand Jury Audit, “Time to Restore Trust between Voters and District,” June 2014.

<sup>14</sup>“Vote No on Measure O – It’s A Risk You Cannot Afford,” Monterey Vote No on O Campaign, July 2014.