Condemnation:

What Happened After Felton's Water System Changed Hands

TRUST IN WATER

In 2008, the San Lorenzo Valley Water District (SLVWD) acquired Felton's water system from a private, regulated water provider through condemnation. At the time, the system was well-run, operated and maintained by the provider with traditional oversight from the California Public Utilities Commission. Following the acquisition, responsibility for delivering water service including infrastructure investment, ratemaking, long-term financing and affordability shifted to a public agency and placed the burden on its customers. The final settlement totaled $13.4 million, including debt and other transaction costs that were significantly understated prior to the sale.

Nearly two decades later, Felton's story provides an opportunity to evaluate the long-term outcomes of that decision. Public records and rate filings offer insight into how costs evolved, how financial obligations were allocated to customers, how rates changed over time, and how actual results compared with early expectations. For communities considering condemnation, the case demonstrates why transparent cost comparisons, comprehensive financial analysis, and careful consideration of long-term obligations are essential to informed decision-making.

The financial burden of the condemnation process was much higher than residents were originally told to expect.

$7.6M → $13.4M

The final cost significantly exceeded initial appraisals.[1]

$1M → $2M+

Transaction costs more than doubled the amount residents had approved for that purpose.[2]

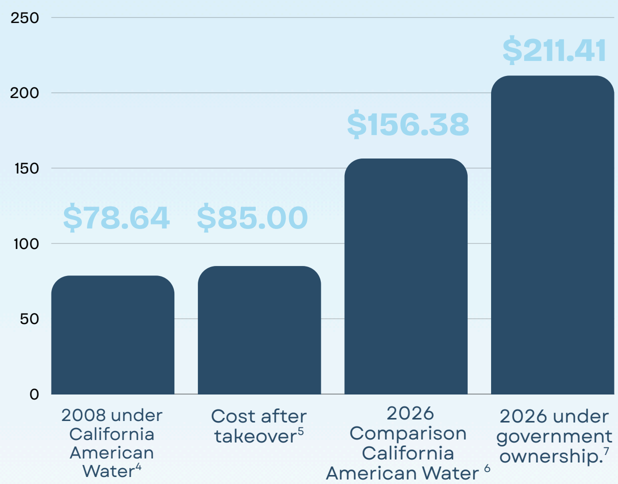
$535 per year

Felton residents became responsible for $535 in new annual bond taxes.[3]

30 years

Length of the new tax burden.

Table 1. Monthly bill of a customer with a 5/8-inch meter using 10 CCFs of water:



Between 2008 and 2016 rates rose by **67%**[8]

By 2026, total cost under government ownership had increased by **148%**[9]

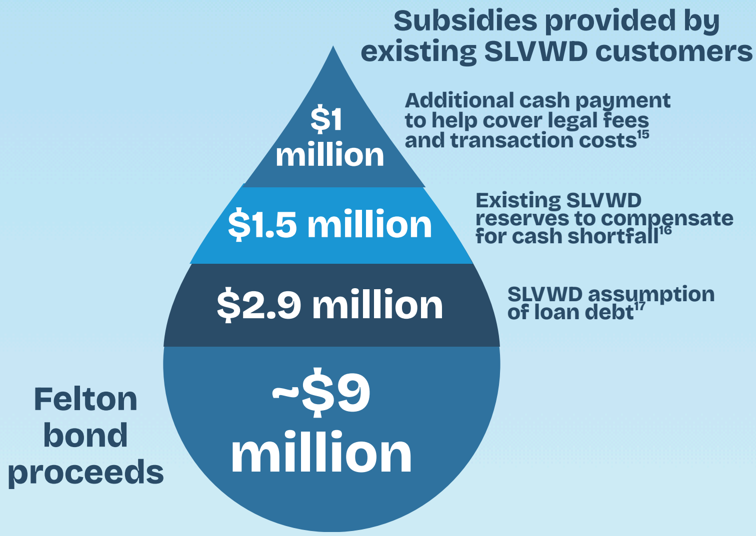
Rates increased nearly three times faster than initial projections over the 8 years following the sale. Current rate increases continue to significantly outpace California American Water over the last two decades.

[1,2,3,4,5,8] Analysis Group, "The Economic Consequences of Contested Government Takeovers of Investor-Owned Water Utilities" January 2017.
[6] California-American Water Co. Schedule No. MO-1-SF: General Metered Service in the Monterey Service Area Tariff Area, Single-Family Residential Customers. Advice Letter 1494. California-American Water Co., effective Jan. 1, 2026. Accessed July 22, 2026. https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-AL/All-Districts/AL%201494.pdf?language_id=1
[7] San Lorenzo Valley Water District. Current Water Rates. Boulder Creek, Calif.: San Lorenzo Valley Water District. https://www.slvwd.com/DocumentCenter/View/2783/Current-Water-Rates (accessed July 22, 2026)
[9] Table 1. Cost Comparison after takeover in 2008 to current water rates in 2026 under SLVWD ownership

NEIGHBORING CUSTOMERS LEFT TO COVER THE SHORTFALL

San Lorenzo Valley Water District had operated neighboring community water systems in Santa Cruz County since 1941 and agreed to fold the Felton system into its operations.[10]

- California American Water and SLVWD settled on an acquisition price of **$13.4 million.**[11]
- This included a **$10.5 million** cash payment to California American Water and SLVWD's assumption of a **$2.9 million** obligation on a Safe Drinking Water Act (SDWA) loan.[12]
- The bond that Felton residents approved to finance the acquisition allowed for the issuance of up to **$11 million** in debt.[13]
- After accounting for issuance fees and other costs, the bond provided approximately $9 million in net proceeds for the acquisition, **which was inadequate to cover the $10.5 million cash portion of the settlement**.[14]



Without this benefit, the average Felton customer would have faced an additional **$17.83** in costs per month upon takeover, for a total cost of **$102.83** per month under government control.[18]

This figure is a 31% increase over the cost of water service under California American Water ownership in 2008.[19]

"LOCAL CONTROL" HAD REAL LIMITS

Supporters also argued that government ownership would give Felton residents more control over water system decisions. In practice, that promise proved limited.

3,063 written protest letters did nothing to stop a rate increase because the number of protests fell about 800 short of the 50% plus one threshold of property owners required to block it.[20]

As a result, Felton residents found that government ownership did not necessarily give them the practical control advocates had promised. **They also lost access to the California Public Utilities Commission rate-setting process, where private water providers must regularly justify their rates and costs through a formal, transparent proceeding.**

Promised:

- Lower costs
- Stronger local control
- A better outcome under government ownership

Reality For Residents:

- Higher than anticipated acquisition costs
- More than doubled transaction costs
- Decades of new taxes
- Higher monthly bills
- Faster than promised rate increases
- Limited practical control

[10] San Lorenzo Valley Water District website, "About Us."
[11-19] Analysis Group, "The Economic Consequences of Contested Government Takeovers of Investor-Owned Water Utilities" January 2017.
[20] Santa Cruz Sentinel, "San Lorenzo Valley residents to pay most for water after rate increase" 27 September 2017.