



# Fact Check



## Highlands Mutual Water Company Sets the Record Straight About Water Services

CITY CLAIMS	FACT CHECK SCORE	FACTS
"It's essential our community has consistently reliable, high-quality drinking water..."		The one thing Highlands Mutual Water Company and the City of Clearlake agree on is the importance of providing consistent, reliable, high-quality drinking water to residents and businesses. For the past 99 years, Highlands has proudly fulfilled this mission!
Assertion: Water Quality is a Concern		Highlands remains in full compliance with all State water quality regulations.  Highlands regularly takes water samples, submits them to the State for testing and shares the test results online in its Consumer Confidence Report.
<b>CONTROLLING COSTS &amp; STABILIZING RATES</b>		
Assertion: Rates too High		Highlands' rates are among the lowest in the region. As a not-for-profit, we are required by state law to only charge only what we need to cover water service costs.  The median household income in Lake County is significantly lower than the statewide median and the poverty rate is twice that of the State as a whole. This fact is recognized by the State as a challenge for Highlands and any other entity that currently, or in the future, has responsibility for providing water to the community.  The City will need to set up a new Tax Assessment District to support the proposed new City Water Department.
Assertion: Consolidation Would Make Access to Grant Funds Possible		There is no special pot of money from the State or grant opportunity that automatically becomes available with consolidation or a takeover. In actuality, many grants available to support water systems are limited to systems that are formally classified by the State Water Resources Control Board to be at risk of failing, which Highlands is not.  Further, recent audits of the City's finances indicate that internal controls have at times been lacking and that a high rate of finance employee turnover has impacted the City's ability to prepare timely financial reports that would be necessary for government grants. Past delinquencies could prevent awards of new grants. It appears that in 2022, the City spent \$7.2 million in federal grants while lacking adequate internal controls.
<b>TRANSPARENCY RATES</b>		
Issue: Transparency Lacking		As a community-owned, nonprofit mutual water company, Highlands is co-owned by — and responsible to — residents and businesses with active water connections. Each property in Highlands' service territory is eligible to access water and becomes a shareholder with a voice upon water service activation.
Issue: Transparency Lacking		Highlands Mutual Water Company Board of Directors meetings are held on the last Wednesday of every month, publicized 24 hours in advance and open to shareholders to attend.  The City made requests for information in connection with its aggressive efforts to take over the Company. Highlands has also provided information to the Local Agency Formation Commission (LAFCO), the County Health Department, the State Water Resources Control Board and the City of Clearlake as required by law.
Issue: Transparency Lacking		The City has complained that it does not have a representative on the Highlands Board. <b>Any shareholder interested in running for the Board has an opportunity to be elected by shareholder vote at the Company's annual meeting in April.</b> In our nearly 100-year history, no representative of the City who is a shareholder has expressed interest in being a candidate for consideration for the Highlands Board until the most recent election.  In April, all City Council members solicited support from the owners of vacant properties (none with active water connections) and attempted to take control of the Board with illegitimate proxies.
<b>WATER AGENCY STAFF</b>		
Assertion: Consolidation of Water Suppliers Would Improve Service		The City does not have a track record of success in providing the very limited set of city services it is already responsible for. Do we want water service that parallels the city's current lack of proper management for animal control, street services or code enforcement services? The City has undergone much staff turnover and instability in its leadership. The current city manager, who has held the position for five years, recently received kudos from the Council for his "longevity."  Highlands' general manager, on the other hand, was recently celebrated for his 30 years of service.
Assertion: Working for the City Would Provide Better Compensation to Staff		Highlands Water Company provides its staff with robust compensation. The "economies of scale" that the City envisions as a result of consolidation may not exist and translate to the loss of jobs for some current water system staff in order to fund costly government pension plans and other special benefits for those who remain, driving up rates and compromising customer service..
<b>RELIABLE INFRASTRUCTURE</b>		
Assertion: Consolidation Would Improve Coordination Between Water Suppliers		The three water suppliers that serve the City actively work in collaboration. Highlands, Golden State Water Company and Konociti County Water District are in near-daily contact. On a monthly basis the three water providers meet with Lower Lake Water and Lake County Fire and Special Districts to discuss water issues and community concerns and to collaborate on resolutions. While City staff are invited to attend these meetings, no Clearlake officials have.
Assertion: Fire Flow Inadequate		Highlands worked with the two other water utilities to combat recent fires by assuring adequate water availability and water pressure.  Recently, when the Fire Department identified an area of deficiency Highlands mobilized to install two new hydrants. However, the City placed a work-stop order on the project, causing a six-week delay and additional engineering requirements that more than doubled the project's cost.  In the last couple of years, 19 new hydrants were installed. Flow testing was conducted in several areas of the district, and none showed deficiencies.
<b>CURRENT &amp; FUTURE PLANNING</b>		
City Admits it Doesn't Know, But Guesses the Worst, About the State of Infrastructure		Highlands has a strong commitment to the maintenance of the company's infrastructure. Recent examples include a contract to execute a five-year tank rehabilitation plan. The project includes seeking grant funds to replace a tank and testing a new tank design that would help lower water treatment costs and improve summer-month water quality.  In addition, bids will be collected soon for a plant zone booster pump project. Unfortunately, some delays in projects have occurred in recent years while Highlands addressed the City's pavement projects.
City Admits it Doesn't Know, But Guesses the Worst, About the State of Infrastructure		Aging infrastructure affects every community and water system in California. Mutual water companies are the ultimate form of local accountability and control because they are directly owned by the residents who own shares and are served reliable water supplies from Highlands.  City bureaucracies are infamous for waste, bad customer service, corruption and run-away costs.
<b>REGULATIONS &amp; ECONOMIC DEVELOPMENT</b>		
City Admits it Doesn't Know, But Guesses the Worst, About the State of Infrastructure		The City says it doesn't know whether Clearlake water suppliers are meeting state and federal requirements. It is simple enough to find out.  Highlands posts all water sampling results on its website in the Consumer Confidence Report and is assessed annually by the State through the SAFER Small System Risk Assessment. The State consistently finds that Highlands' Water Quality, Accessibility, Technical, Managerial and Financial Capacity are strong while the community's socio-economics present some challenges.
City Admits it Doesn't Know, But Guesses the Worst, About the State of Infrastructure		Highlands has a strong track record of supporting development. In the last 30 years, Highlands has partnered in more than 50 development projects ranging from senior living facilities in Burns Valley to a Walmart.  Highlands follows the best practice of requiring developers to carry the costs of linking new homes or businesses to the water system. The alternative would be to pass those costs on to shareholders. Highlands is committed to investing in Clearlake and keeps its costs as low as possible.  The City is attempting to take over the three water utilities and charge current users to pay for new development services.

We encourage you to express your thoughts and concerns regarding this matter to the City Council during public comment at their regular meetings held on the 1st and 3rd Thursday of every month at 6:00pm at City Hall.

Protect Your Water Company  
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Highlands Mutual Water Company

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