

REQUEST FOR COUNCIL ACTION

**SUBJECT: OFFER TO PURCHASE SURPLUS CRAFTON HEIGHTS PIPELINE
COMPANY STOCK**

MOTION:

I move to approve a Stock Purchase Agreement with Rancho Ladero, LLC for the sale of 98 shares of common stock in Crafton Heights Pipeline Company.

STAFF RECOMMENDATION:

Staff recommends that Council approve a Stock Purchase Agreement with Rancho Ladero, LLC for the sale of 98 shares of common stock in Crafton Heights Pipeline Company.

DISCUSSION:

The Crafton Heights Pipeline Company (Crafton Heights) constructed a pipeline in 1911 that conveys Bear Valley Mutual Water Company (BV) irrigation water from approximately the Seven Oaks Dam to the Crafton College area. Use of this pipeline is restricted to the holders of Crafton Heights stock. In 1997 the City acquired 97 of the 98 shares of common stock in Crafton Heights Pipeline Company, as well as, some BV and Crafton Water Company water shares as a result of a Louisiana Bank bankruptcy proceeding.

The City received an offer to purchase the Crafton Heights shares from Rancho Ladero, LLC. Subsequent to receiving this request, staff reviewed and evaluated the potential use of these share for City purposes. The City has never used the pipeline for the conveyance of BV water since it acquired this asset. Instead the City has routinely has leased the 98 shares of Crafton Height sock to BV for \$1,500 per year. Staff evaluated the potential future use of the pipeline. Since the pipeline conveys BV irrigation water to the Crafton Hills area it is unlikely that the City would use this facility in the future. The City currently receives it BV irrigation water at a point in the system where it can be conveyed to the City's Hinckley Water Treatment Plant, where it is processed to comply with drinking water requirement. This drinking water is used to meet customer demands. Based upon staff review, it is unlikely that this pipeline will be needed to provide non-potable water to the City's customers. As such staff has determined the Crafton Heights stock is surplus and can be sold.

FISCAL IMPACT:

The demand for this stock is somewhat limited. The City currently receives \$1,500 per year from BV for the 98 shares of pipeline stock. BV, in turn, leases the stock to interested parties. Rancho Ladero, LLC has offered to purchase the stock for \$5,000 per share or \$490,000, which if sold will be deposited in to the Water fund.

ALTERNATIVES:

City Council may elect to not authorize the sale of the 98 shares of common stock in Crafton Heights Pipeline Company.

ATTACHMENTS:

Stock Purchase Agreement

Prepared by:

Recommended by:

CHRIS DIGGS

Assistant Utilities Director

N. ENRIQUE MARTINEZ

City Manager

Reviewed by:

Reviewed by:

ROSEMARY HOERNING

Municipal Utilities & Engineering Director

FRED MOUSAVIPOUR

Assistant Engineering Director

Reviewed by:

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Finance Director