

# **Selling the sewer system: Permanent pension fix or kicking the can down the road?**

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**ALTON** - The City of Alton has some serious financial woes due to unfunded mandates.

A recent restructuring of the city's pension debt for firefighters and police officers showed the city owed more than \$20 million than previously thought for these state-required unfunded mandates. The total is more than \$113 million and nearly \$8 million

is expected to be allocated toward that debt in the upcoming year's budget. Those unfunded mandates are joined by an additional mandate from the Environmental Protection Agency (EPA) requiring sewer separation - a major and expensive undertaking, which must be completed within the next six years, Alton Mayor Brant Walker said Thursday morning.

That separation would make the storm drain and the sewer lines within the city go to different locations. The wastewater would go to the city's outdated wastewater treatment facility. As of now, a minor undertaking for that separation was done on State Street, and major ones are planned for the Piasa Corridor and an area around Milton. Walker said an additional minor one is planned following that.

Because of these looming expenses, the city is growing desperate for both additional revenue and solutions. At a Feb. 28 meeting of the Alton City Council, the council unanimously voted to approve a measure to allow the City of Alton to begin negotiating the sale of its sewer system and wastewater treatment facility for bids. While the measure does not take any direct action with the sale at this point, it does allow City Corporate Counselor Jim Schrempf to begin negotiating a contract. As of now, the main interested party is Illinois American Water.

“All this means is a corporate counselor can talk to Illinois American Water to speak about the offer,” Alton Mayor Brant Walker said. “There have been offers. We need money to offset pensions. The police and fire department pensions are out of control. If it goes through, our first thought is to alleviate that pressure, while also taking care of our employees and the people of Alton. Our unfunded mandate was recently recalculated with an additional \$20 million, making it over \$100 million.”

Walker compared those unfunded mandates to two people going to lunch in any city they would like and charging the bill to a third party, who would be forced to fund it. He said his administration is the first to really address that looming issue after 30 years of under funding and neglect.

He added the sewer separation was another unaddressed issue – as the city knew it was required by the EPA as early as 1994 and has done nothing about it.

If a deal goes through with Illinois American Water, Walker said the corporation would assume the sewer separation, a new intake system and a new \$19 million plant. Despite that, he said the value of the deal could be anywhere between \$50-\$60 million.

In an email to Riverbender.com, Senior Manager of Illinois American Water in Alton, Karen Cooper, said she agreed with the mayor's assessment of the plant's value.

“That's in the range of our preliminary proposals to the city submitted in mid February,” she said. “Final price will be part of the upcoming discussions with the city.”

Cooper also agreed Illinois American Water would assume the responsibility of EPA-mandated sewer separation, saying the corporation would “become responsible for all operations, maintenance and improvements made at the wastewater system, including mandates from the EPA.” Cooper said Illinois American Water would work closely with the city on all improvements.

Altonian Jonathan Forbes spoke against the vote at Wednesday's meeting – the first meeting at which he has spoken since becoming an Altonian in 1986. Forbes believes the privatizing of a city's water treatment plant is not a good move for several reasons. He said water may be the most valuable natural resource in the 21<sup>st</sup> century, and, even if Alton were to sell the wastewater treatment facility and sewer system, immediately offering it to Illinois American Water with such a short window of time is not beneficial to the people of Alton.

“If we're going to sell out, we might as well sell out to the highest bidder and open it up a little more,” he said.

Forbes described Illinois American Water as “water barons,” claiming they own privatized water facilities in 47 states and several Canadian provinces. He said the sale of the wastewater treatment facility and sewer system to Illinois American Water would raise the rates of many Altonians, which would hurt vulnerable populations within the city.

“Of course Illinois American Water is going to be the cleanest and the nicest when they start negotiating,” Forbes said. “They are using 3,500 gallons as the average used in Alton, when it is actually 5,000. I checked with my wife, and we average about 6,000 gallons.”

Walker said sewer rates have gone up from a base of \$15.74 - \$22 a month in Alton, but could not comment on rates if the plant and sewer system were to be purchased by Illinois American Water.

“Rates are one of the issues to be discussed during upcoming conversations and negotiations with city leaders,” Cooper said in an email. “A final purchase price will play a role in rates. As an investor-owned utility, all our rates must be reviewed and approved by the Illinois Commerce Commission. Regulatory oversight by the Illinois Commerce Commission offers rate stability and oversight for Alton residents.”

But, due to the need for infrastructure overhaul in Alton's aging sewer system and wastewater treatment facility, Cooper said rates may in fact increase if the city maintains control of it.

“Similar to other communities in Illinois and in the country, Alton's wastewater system has immediate and long-term capital improvement needs,” she said. “Coupled with the uncertainty of future investments that may be required, under city ownership, Alton's wastewater customers likely would face significant future rate increases to address growing needs. As the largest regulated water and wastewater utility in the state, Illinois American Water has the ability to offer maximum benefits for rate stabilization to Alton customers.”

Those rate increases and possible service cuts coming with the dire state of economic affairs and future entropy are part of life to most Altonians, Forbes said. He said the city would come together, whine, complain and get through it together if the treatment facility and sewer stayed within the city's control. In fact, he said a city selling its assets is like a business closing stores. He said it seems like an act of desperation not attractive to potential investors.

Cooper also argued in favor of community. In her opening remarks to the council meeting Wednesday, she said the following:

*There are many important parts of the sale. Obviously, proceeds can be used by the city to care for obligations. But know our goal is to continue the provision of reliable wastewater service to the residents and businesses in Alton in the near term as well as the long run.*

*To do that, a goal of ours is to retain all current city wastewater employees in similar or larger roles. We need their experience, knowledge and dedication. We have met with the city employees who work to support the wastewater operation. We will continue to meet with them. We will be transparent, honest and forthright about how a transition would affect them as a team and as individuals...*

*Illinois American Water is part of the Alton community. We have been providing water service here for more than 140 years. In fact, Alton is where our company started in Illinois. Today, our local employees live and work here in the Riverbend. We are active in the local community from river clean-ups, to school programs, to firefighter grants, to chamber and economic development programs and services. American Water's national customer service center is here in Alton. That's around 400 good jobs in addition to the 30 jobs that support the water operation. We are invested here.*

Alderwoman Stephanie Elliott voted yes to the measure Wednesday night, but said she was hesitant to do so. She said she has voted against similar measures as many as three times, but decided to vote yes Wednesday night in order to “keep an open mind” regarding the sort of contract the city could reach with Illinois American Water.

It should be noted, however, no purchases or deals have been made with Wednesday evening's vote. In fact, the vote only began the process to discuss a possible contract.

In a July 2017 article in *Washington Post*, the issue of privatizing municipal water sources was investigated, and many municipalities throughout Indiana and Montana have tried to buyback their water treatment facilities and sewer systems after what was described as bad service and increasing rates. It was based in Lake Station, Indiana – a suburb of Chicago – which recently sold its municipal water to American Water.

Like Alton, Lake Station is a town struggling with mounting debt and a massive need for revenue. American Water purchased its facilities – giving them a much-needed \$9 million windfall. The article states the selling of municipal water facilities helps elected officials not be blamed for higher rates, but added studies show for-profit companies running water facilities increases the fees for most customers in the city.

A complete copy of that article can be found [here](#).