

**ITEM NO. _____ TO THE CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom was
Referred a POLICY SESSION Regarding the WATER COMPANY
BUYOUT and to Provide Direction to Staff as Appropriate.**

A Policy Session was held on Tuesday, May 9, 2017, beginning at 7:36 P.M. at City Hall, Council Chambers (Room 400), 419 Fulton Street, Peoria, Illinois, with Mayor Jim Ardis presiding, and with proper notice having been given.

ROLL CALL

Roll Call showed the following Council Members were physically present: Akeson, Cyr, Grayeb, Jensen, Montelongo, Moore, Oyler, Riggerbach, Ruckriegel, Turner, Mayor Ardis – 11;
Absent: None.

Others present were: City Manager Patrick Urich, Assistant City Manager Chris Setti, Corporation Counsel Don Leist, City Clerk Beth Ball, Public Works Director Scott Reeise, Chief Deputy City Clerk Stefanie Tarr, interested citizens and members of the media.

**Communication from the City Manager and Director of Public Works with a Request for a
Policy Session on the WATER COMPANY BUYOUT, with a Request for Direction.**

City Manager Urich provided an overview of the City's option to buy the water company, which was reviewed every five years. He said the option began in 1889 wherein the City of Peoria sold its water utility to now Illinois American Water Company. He said the agreement was amended in the early 1900's to include the City's option to buy every five years. He said the City's option to buy would come before the City Council in 2019 with the deadline for the final decision to be made on May 3, 2019. He said, according to the agreement, the City must give the water company notice of its intent to consider purchasing the utility no later than November 2, 2018.

City Manager Urich asked the Council to consider the following policy considerations:

1. Should the water supply, and its distribution system be controlled by the public?
2. Should the City perform some due diligence up front prior to notifying the water company of the intent to purchase?
3. What is the status of the PAAG lawsuit?
4. How does the Council want to include the public in these discussions?

City Manager Urich reviewed the Appellate Court decision from 2002 that stated the purchase option was legal and the City's purchase option would continue throughout the life of the City – the option was not terminable. He reviewed whether the City should perform some due diligence prior to notifying the water company of the intent to purchase, noting that 18 months from now the City had to provide such notice. He commented that the challenge the City currently faced was budgetary noting that the due diligence process would cost between \$600,000.00 and \$1,000,000.00.

City Manager Urich provided the status of the PAAG Lawsuit noting the agreement dated back approximately 20 years. He reviewed how the Council wanted to involve the public in the buyout discussions commenting that over the last year discussions were held at neighborhood association meetings and various other public meetings.

Mayor Ardis stated that this Policy Session was to help determine how the City Council wanted to proceed in this matter. He remarked on the importance of being transparent with the public. He said this was just the beginning of the process stating that this came before the Council in order to determine what information was needed and what the taxpayers wanted. He said the PAAG litigation was still being litigated and should not be discussed until it was settled.

Council Member Akeson said that throughout the course of discussions, there were concerns regarding who would manage the utility should the City purchase the water company. She asked if it would become a separate public agency, a branch of the Public Works Department, or autonomous and independent from the City. She expressed the importance of needing to understand what public utilities used for management. She asked who would be responsible for the infrastructure and water quality. She asked how the purchase would impact the current employees and their status as it related to their pensions. She said due diligence was focused on the cost of the buyout, but she said they needed to decide if they could afford the day-to-day operations of the utility.

In response to Council Member Oyler's question as to whether the City could put the water company on notice prior to the November 2018 date, City Manager Urich said the City could provide earlier notice, but the agreement stated it could be no later than November 2018. Council Member Oyler also stated that once the CEO Council gathered all the information, that it was imperative for the entire Council to review the information together.

Council Member Jensen recommended finding individuals and organizations who would be willing to help with the due diligence process on a volunteer basis. She said this option was important for the community to consider, stating the determination needed to be made as to whether the purchase would be a substantial revenue source for the City. She asked why the City could not combine the analysis along with the due diligence, and City Manager Urich stated that the City was bound by the 1889 Agreement. She remarked on the importance of public input and the need to start the education process early. She said if the City determined to move forward with the purchase, it was important to ensure that the workers at the water company were protected and that their wages and benefits would continue. She said it was important to explore how the water company would be managed and if it should be put under some type of trust that would make day-to-day decisions. She asked for more information on how the management of the company would be structured.

Council Member Montelongo inquired as to the methodology the City used in the past on whether the purchase of the utility would be an asset based on income. He said it was important to see how the CEO Council determined their figures. He said all the information regarding the buyout should be put on the City's website for public access and to gather public input.

Council Member Turner said the affordability would tell the Council whether it could or could not afford investment in the water company. He said the City thought it would be a good revenue source, but not until 7 to 9 years after its purchase. He remarked on the importance of everyone reviewing the analysis in order to help determine as to whether purchasing the utility was feasible. He said the cost was going to be higher than what was shown on the high end of the estimates. He asked the Mayor and City Manager to allow the City Council to review this in advance, which could alleviate the need for pre-due diligence.

Council Member Ruckriegel commented on the importance of getting public input on this item. He said the City needed to be a leader on public input and should use technology to its advantage throughout the process. He commented on the City Manager's report wherein 85%

of the American population was served by publicly-owned water utilities, and he requested additional information such as recent transactions, what happened, who purchased or sold their water company and their experience. He said there were strong opinions on both sides of the argument with validity on both. He remarked on the importance of doing some of the due diligence in-house in order not to take away the validity of the research. He asked for a breakdown of costs for conducting due diligence and how those costs would fall on the timeline. He said the City Council needed to establish a budget, knowing that this option revolved around review every five years, in order to prevent the cost from having an affect over the conversation. He said some of the questions that should be addressed would be how it would affect everyone on a day-to-day basis, would it be private or public dollars, what is the long-term budget, what does it look like for the rates to the citizens and whether they could expect lower rates. He said in order for the City to purchase the water company, it would have to bond for the payment. He asked what the revenue bonds looked like. He said the citizens deserved a say on what happens within the City and they should be afforded an opportunity to vote on a referendum.

Council Member Grayeb expressed a concern about the costs associated with the buyout in light of the potential settlement with the EPA, which was going to be costly for the City and its taxpayers. He asked what the EPA settlement would cost the City in light of the possible purchase of the water company. He expressed a need for a lot of public education. He said it was important for the community to know that the City continued to negotiate in good faith with the EPA and its potential cost.

Council Member Riggerbach expressed his appreciation to the CEO Council for their time and effort put into the water buyout presentation that was presented last fall. He asked if there was a way during the pre-due diligence to get a scope of the legal parameters. He asked for clarification on what was required to be given to Council for review and what was required of the City. He suggested another Policy Session to explore this opportunity, noting that the cost would be significant.

Council Member Oyler said, with regards to the private sector getting involved in this matter, the City needed them to come to the table to state exactly their plan in order for the Council to make the consideration.

Council Member Moore expressed a concern with the cost of the due diligence and potential buyout in light of the City's budgetary needs and other needs that should be met first, especially in Districts that need housing and infrastructure.

Council Member Grayeb expressed the importance of knowing what the numbers would be should the City purchase the utility. He said if the community could be enriched by making the water company publicly owned, it would be better in the City's pockets than in the shareholders' pockets. He said it was the prospect of keeping the money in the community versus giving it to stakeholders. He said this was one of the biggest decisions this Council had to make.

Mayor Ardis remarked on the importance of having all the information prior to making the decision to buyout the water company. He said a utility was not going to get more affordable over time and that the City Council needed to understand and make a decision based on the numbers and not on the emotions. He said the reality was that the City did not have this budgeted. He expressed his appreciation to the CEO Council on the work they put forth in this project. He said a referendum in order to get the appeal of the community was important. He said the City had to provide the best information to the people who would be paying the bill on this buyout. He said the City needed to devise a way to fund this as soon as possible and that

the citizens deserved a time to weigh in on this matter. He said the sooner the Council could get the information needed, the sooner it could move forward with discussions.

The Policy Session closed at 8:44 P.M.

A handwritten signature in cursive script, appearing to read "Beth Ball", written over a horizontal line.

Beth Ball, MMC, City Clerk
City of Peoria, Illinois

st