



Mayor Jim Ardis and City Manager Patrick Urich
Peoria City Hall
419 Fulton St
Peoria, IL 61602

January 5, 2018

Dear Mayor Ardis and City Manager Urich:

I am pleased to inform you that the CEO Council has succeeded in raising private sector funds to conduct an appraisal of the Peoria District of Illinois American Water Company and related due diligence. The CEO Council is prepared to make \$400,000 available to the City for this purpose, upon an affirmative vote to pursue said due diligence by the Peoria City Council prior to December 2018.

Please consider this letter as an official offer from the CEO Council to the City of Peoria to provide this funding. We are confident that this level of funding is sufficient to complete the appraisal.

As you know, the CEO Council's work on this issue has been a major initiative that has engaged some of the best business minds in our community over several years. After our Water Infrastructure Study Committee completed a report that recommended that the City should initiate an appraisal pursuant to the 1889 Franchise Agreement, the CEO Council unanimously adopted five motions on September 15, 2016.

Those motions were:

- 1) That the CEO Council approve and adopt the report as submitted.
- 2) That the CEO Council immediately present this report to the Peoria City Council for their review and consideration.
- 3) That the CEO Council immediately make this report available to the public and the media to stimulate discussion on the topic.
- 4) That the CEO Council immediately establish a committee to educate and inform Peoria residents and other stakeholders about this issue.
- 5) That the CEO Council encourage and assist with the raising of private funds to facilitate the city's conducting the appraisal process.

With this formal offer, the implementation of those motions is now complete, with the education of the public and stakeholders an ongoing effort. We are pleased to report that the overwhelming public response to our study is support of the CEO Council's recommendation.

The decision to target \$400,000 in private sector finding was based primarily on three factors.

They are:

- 1) The news that the city's draft budget identified \$400,000 to conduct due diligence.
- 2) The advice of CEO Council members who have experience in conducting appraisals of this magnitude.
- 3) A review of expenditures from the 1998-2005 appraisal process. It is worth noting that a great deal of time and money went into legal expenses to uphold the validity of the re-purchase option through the Illinois courts. With that issue settled, any future appraisal should be significantly less costly.

One of the most important aspects of our Study Committee's report is the listing of lessons learned from the 1998-2005 appraisal. It is clear that the City must retain the best available team of professionals to achieve a fair appraisal. To that end, the CEO Council proposes the creation of an oversight committee to advise, make recommendations, and offer consent about the selection of the in-house experts and outside consultants involved in due diligence. This committee should include representatives of the City of Peoria, the CEO Council, the League of Women's Voters and other community stakeholders. This proposal is consistent with existing precedent and recent discussions between City officials and representatives of the CEO Council. With regard to repayment of this funding from the CEO Council, our proposal is that reimbursement of the \$400,000 is appropriate and can be included with the issuance of bonds for the eventual purchase of the IAWC's Peoria District. If, however, the City Council eventually opts not to go forward with the purchase, the \$400,000 will not be repaid. In either circumstance, the City will not be responsible for paying any interest.

If, during the due diligence process, additional resources are needed, the City of Peoria, the CEO Council and other stakeholders shall enter into negotiations to provide the support deemed necessary to continue.

In summary, following is our offer:

- \$400,000 will be provided to the City of Peoria from the CEO Council to begin the appraisal of the IAWC Peoria District.
 - The funds will be repaid through the city's bond issue used to purchase the water system.
 - If the purchase is not consummated, the city will not make repayment to the CEO Council.
 - If additional resources are needed, the parties will negotiate terms of raising that money.
- No money is requested from the City, or any other government, at this time.

- An oversight committee of various stakeholders shall be appointed to assist in hiring various experts needed to complete the due diligence. The City Council will have final approval authority.

We look forward to further discussions with representatives of the City of Peoria to answer any questions about this offer and for preparation of a binding and specific contract that can be submitted to the City Council for approval.



Tom Fliege
CEO Council Water Study Community Education Committee, Chairman



Katie Kim
Chairwoman



Jeff Griffin, IOM
President & CEO



Question: Where is the \$400,000 coming from?

Answer: The list of funders is not final because we are still receiving pledges. However, we are able to make this formal offer because the availability of \$400,000 has been guaranteed by several people and entities. They are: the CEO Council (\$50,000), Tom Fliege (\$25,000), Rita Kress (\$62,500), Diane Oberhelman (\$62,500), Bill Cirone, (\$15,000), and Citizens for Water (\$185,000). Citizens for Water is the largest and final guarantor.

Question: What are these funders and guarantors getting in return for offering their money?

Answer: They will be repaid from the bond issue if the purchase is made. The final terms will be negotiated with the City. There will be no interest as part of any repayment. There should be an Oversight Committee to recommend how the \$400,000 will be used to achieve a fair appraisal. Some of the funders/guarantors should have a role on the Oversight Committee.

Question: Are there other “strings” attached?

Answer: No

Question: What if \$400,000 isn’t enough to complete the appraisal or the City and Oversight Committee run out of funds?

Answer: The City and other stakeholders will re-enter negotiations to secure funds necessary to continue with the appraisal.

Question: Who will serve on the Oversight Committee?

Answer: Three members appointed by the City, three members from the CEOC, one member from Citizens for Water, one member from the League of Women Voters, and one at-large member from the community.

Question: What are the responsibilities of the Oversight Committee?

Answer: The Committee will solicit, select and recommend consultants including lawyers, appraisers, financial analysts, and engineers. This will include the City’s appointment to the Appraisal Commission as specified in the 1889 Franchise Agreement. The Committee will prepare a budget for the use of the \$400,000, and negotiate contracts with consultants. The Committee will review and approve payments made from the \$400,000. Once the appraisal is completed, the Committee shall engage experts to review viability of the appraisal and recommend to the Council whether a purchase at that price is in the best interests of Peorians. The City Council will have final approval on all of these actions.

Question: Who will staff the Committee?

Answer: The City should provide staff to assist the work of the Committee, but the Committee should be able to access outside staff assistance as needed.

Question: Will the Committee members be paid for their work?

Answer: No

Question: Why is this Committee necessary? Why can't the City Council and the administration manage this process without the Committee?

Answer: The City Council and staff are capable of managing this process, but the Committee offers some important advantages, including leaving the City Manager and his team free to concentrate on other more immediate challenges that are before the City. The Committee offers the Council a buffer of expert, engaged Peorians to navigate the step-by-step details of the appraisal process. Although the last appraisal was not favorable to the City, our research clearly reveals that critical lessons were learned in the appraisal process. Only one member of the City Council from that time is still in office, but there are others in the community who know those lessons, who have studied them over the last several years and who can serve on or assist the Committee. There is precedent for such an Oversight Committee.

Question: How will the \$400,000 be transferred from the CEOC to the City? All at once at the beginning of the process or as reimbursement for expenditures?

Answer: That will be negotiated with the City, but one of our goals is that no money from the City, or other governmental bodies, will be used as part of the appraisal.

Question: What obligations does the City have in this endeavor?

Answer: First, to serve notice on Illinois American pursuant to the 1889 Franchise Agreement. Second, to review the work of the Committee and either approve or reject recommendations on the use of the \$400,000. Third, to provide staff support to the Committee. Fourth, to make a fact-based, objective review of the final appraisal and determine whether a purchase is in the best interests of Peorians. Fifth, to make a good faith effort to arrive at a fair purchase price of the Peoria District of IAWC.

Question: Will the work of the Oversight Committee be open and subject to the Open Meetings Act?

Answer: Yes

Question: Who will Chair the Committee?

Answer: The Committee should be able to select its own officers including the Chairperson and the term of those officers.

Question: Is the PAAG lawsuit a part of this offer in any way?

Answer: The PAAG lawsuit is an entirely separate matter and it not a part of this offer in any way.