



## WHERE ARE THEY NOW?

### ***FIVE EXAMPLES OF ACTIVISTS MISLEADING COMMUNITIES ON MAJOR WATER DECISIONS***

Communities across the country are facing serious challenges with their water and wastewater systems. After decades of neglect and underinvestment, many systems require critical infrastructure upgrades and repair, and the costs and complexity of these projects are often too large for local governments to tackle on their own.

Water companies have the expertise, experience, and access to capital necessary to address water challenges. Thousands of communities across the country have worked with water companies to regain compliance, expand capacity, and address aging infrastructure.

However, some radical activist groups blindly oppose any water company involvement in water and wastewater service delivery. These activists use false claims and scare tactics to mislead voters into rejecting professional, private sector support for their water and wastewater systems.

When water activists are successful at politicizing and defeating proven solutions offered by water companies, communities are left with inadequate options to address their water and wastewater needs. Activists don't provide solutions to water infrastructure challenges; they only block viable solutions, leaving communities empty-handed.

Below are five examples of how communities ended up much worse off after being misled by activist groups.

#### Trenton, NJ

Activists point to Trenton, NJ, as a model city after rejecting a partnership with a water company at the ballot box in 2010. However, the full story shows that Trenton doesn't have much to celebrate with its government-run water utility. The Trenton Water Works has violated the EPA Lead and Copper rule; has issued repeated boil-water advisories due to treatment plant malfunctions and filtration problems; and has struggled to avoid water testing violations. The Trentonian reported in January 2018 that "over the past year, water has turned all colors of the rainbow spectrum — from purple to yellow — and Trenton Water Works could not guarantee to its customers that the water was safe to drink because a broken filter went undetected for a three-month period." The state Department of Environmental Protection has noted the utility's "continued failure" to fix operational, water quality and staffing issues at the water department. Yes, that's right — this is the same water utility that activists point to as a great success simply because it is run by the government instead of a water company.<sup>i</sup>



## Akron, OH

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In 2008, the city of Akron, Ohio, considered a proposal to transfer operations of the city's wastewater system to a water company. The proposed lease had the potential to generate between \$200 million and \$300 million for the city, which would have been used to eliminate outstanding debt on the sewer system and create a scholarship fund for residents. Activists opposed the proposal, arguing the lease would have made "the residents of Akron guinea pigs of a risky privatization experiment." In November 2008, after the proposal was defeated at the ballot box, the activists celebrated, calling the result "a resounding call for public control of water and sewer services."

After rejecting the proposal, Akron's sewer system has continued to struggle under government control. In February 2009, the Environmental Protection Agency (EPA) sued the city of Akron for repeated violations of the Clean Water Act caused by the sewer system contaminating local rivers. To settle the lawsuit with the EPA, the city of Akron promised to undertake a \$1.4 billion project to repair and upgrade the wastewater system. The city has more than doubled sewer rates, yet is still having trouble generating the funds to cover the costs of the project today.<sup>ii</sup>

***"After rejecting the proposal, the city has more than doubled sewer rates, yet is still having trouble generating the funds to cover the costs of a \$1.4 billion project to repair and upgrade the system."***

## Sussex Borough, NJ

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In 2014, the township of Sussex Borough, NJ, solicited and considered bids from water companies for the sale of its water and wastewater systems. At the time, the borough's water and sewer utility had \$8 million in debt, which was projected to increase due to necessary projects to replace aging pipelines and improve water quality. Selling the borough's water and wastewater systems would have eliminated the debt and enabled an experienced water company to manage the much-needed infrastructure projects. Activists argued against the sale, and in November 2014 a ballot question authorizing the sale was defeated.

Since rejecting the sale, Sussex Borough's water system has had serious issues with drinking water quality. Just weeks after the referendum's defeat, residents complained that their water was cloudy and brown, and some residents were left without water at all following a major water main break. Under government control, the borough has been issued 47 Safe Drinking Water Act violations since the referendum alone. The mayor of Sussex Borough blamed aging pipes for the issues with water quality: "The borough has a public plant and lacks the money for upgrades ... we're stuck between the rock of aging infrastructure and the hard spot of high rates already."<sup>iii</sup>

## Allentown, PA

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In 2012, Allentown, Pennsylvania, solicited bids from nine entities to lease the local water and sewer systems for 50 years. Through the lease, the city hoped to raise "between \$150 million and \$200 million ... to avert a pension crisis that could bankrupt the city." Activists opposed the bids of several water companies and instead pushed the city into selecting a \$211.3 million deal with the Lehigh County Authority (LCA), a neighboring government agency. LCA took control of the Allentown water and sewer systems in August 2013.

In early 2016, less than three years into the 50-year deal, The Morning Call reported that the agreement was experiencing "more financial strain than expected." This strain severely limited LCA's ability to make required improvements to infrastructure in Allentown, including EPA-mandated improvements to reduce sewer overflows. LCA deflected blame for the financial strain, claiming that Allentown provided "faulty revenue projections" and inaccurate data during negotiations, charges that Allentown rejected. By the fall of 2018, the Authority's cash reserves were nearly \$6 million below projections.



To address the shortfall, LCA has pursued multiple rate increases which Allentown rejected as “unconscionable money grabs” that would invalidate the lease agreement. The city has filed multiple lawsuits against rate increases and bill restructuring proposals, spending more than \$400,000 on legal fees for those disputes throughout 2018 and another \$150,000 in the first half of 2019. One case now sits before the state Superior Court, but the ongoing liabilities have taken a toll: citing the lawsuits and the city’s “weakened financial position,” Standard & Poor’s downgraded the city’s bond rating in October 2018. Meanwhile, after following the activists’ lead years ago, Allentown residents continue to wait for a credible, sustainable, long-term solution to their water infrastructure challenges.<sup>iv</sup>

## High Bridge, NJ

The borough of High Bridge, NJ, sought to retire debt and transfer operation of its water system to a regulated water company through a sale of the system in 2017. However, voters were swayed by misleading activist arguments and rejected the authorizing measure at the ballot box.

As a result, under government control, High Bridge taxpayers are now solely responsible for nearly \$400,000 in annual debt payments on its water system in addition to the millions in necessary repairs and upgrades to ailing pipes, pumps and treatment facilities. Rates are expected to rise significantly as the expenses mount.<sup>v</sup>

**“Taxpayers are now solely responsible for nearly \$400,000 in annual debt payments on its water system.”**

### Sources

<sup>i</sup> NJ.com, “How an understaffed, aging N.J. water utility became a ‘failure’” 30 January 2018; The Trentonian, “DEP hits troubled Trenton Water Works with 2 more violations over reporting failures” 31 January 2018; CommunityNews.org, “Trenton Water Works found elad in drinking water, here’s what you need to know” 28 August 2017; Times of Trenton, “Editorial: N.J. DEP needs to make Trenton Water Works a top priority” 20 January 2018.

<sup>ii</sup> Akron Beacon Journal, “Details of the proposal to lease the city’s sewer system to fund higher education for Akron’s children” 29 October 2008; Food & Water Watch, “Akron, Ohio Protects Their Public Wastewater System” 07 November 2008; Food & Water Watch, “Press Release: Akron Voters Reject Stinky Privatization Measure” 05 November 2008; Food & Water Watch, “Akron, Ohio Protects Their Public Wastewater System” 07 November 2008; Akron Beacon Journal, “U.S. EPA sues Akron over sewer system” 11 February 2009; Akron City Council, “Akron to settle EPA Lawsuit for \$1.4 million, given 19 years to make \$300 million sewer system repairs”; Cleveland.com Blog, “Akron’s sewer rate increases won’t cover \$1.4 billion mandatory overhaul” 19 January 2015; Akron Beacon Journal, “Akron sewer customers not happy about higher bills” 23 March 2014; Cleveland.com Blog, “Akron’s sewer rate increases won’t cover \$1.4 billion mandatory overhaul” 19 January 2015; Akron Beacon Journal, “Residents swamped by Akron’s \$1.2 billion sewer system overhaul” 16 March 2019.

<sup>iii</sup> New Jersey Herald, “Sussex mayor recuses self from water, sewer utility sale” July 25 2014; New Jersey Herald, “Water system plagues Sussex Borough again” February 18, 2015; New Jersey Herald, “Sale of Sussex water, sewer will go before public for vote” 05 July, 2014; CBS New York, “Some Sussex County Residents Worried About ‘Gucky’ Drinking Water” 24 November 2014; New Jersey Herald, “Water system plagues Sussex Borough again” 18 February 2015; New Jersey Herald, “Sussex Borough plans to increase water/sewer rates” 22 March 2015; New Jersey Herald, “Sussex Borough receives \$400,000 grant for water system” 22 December 2017; New Jersey Department of Environmental Protection Water Quality Violations Database.

<sup>iv</sup> The Morning Call, “Nine bidders, including Lehigh County Authority, interested in Allentown’s water, sewer business” 24 August 2012; Lehigh Valley Live, “Allentown water, sewer lease pool of bidders down to six” 17 January 2013; University of North Carolina Environmental Center, “Allentown Water and Wastewater Utility Concession”; Lehigh Valley Live, “Lehigh County Authority takes over Allentown’s water system with \$211.3M payment to city” 08 August 2013; The Morning Call, “Lehigh County Authority feeling strain of water-sewer deal; blames Allentown numbers” 14 March 2016; The Morning Call, “LCA initiates legal action against Allentown over water-sewer deal, wastewater services” 11 March 2016; The Morning Call, “Lehigh County Authority not generating enough money to cover long-term wear-and-tear on infrastructure” 02 May 2016; City of Allentown, “Allentown Water and Sewer Utility System Concession and Lease Agreement”; The Morning Call, “Struggling Lehigh County Authority eyes raising Allentown rates as a large bond payment looms” 27 April 2018; The Morning Call, “Allentown water rate hike can move forward after Lehigh County judge denies injunction” 25 September 2018; The Morning Call, “Allentown’s bond rating falls” 23 October 2018; The Morning Call, “City legal fund down the drain” 1 February 2019; The Morning Call, “Arbitrator rules Allentown did not inflate fees” 16 February 2019; The Morning Call, “City spent more than \$1.1M on legal fees” 4 April 2019.

<sup>v</sup> The Star-Ledger, “Voters are facing expensive decision” 5 November 2017; Food & Water Watch, “Can the Residents of This New Jersey Town Stop a Sewer Sale?” 2 November 2017; Food & Water Watch, “Public Water Wins at the Ballot Box in New Jersey” 15 November 2017; Hunterdon Review, “EDITORIAL: What now for High Bridge water?” 29 November 2017.