



## 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 complexities involved 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 America's 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.

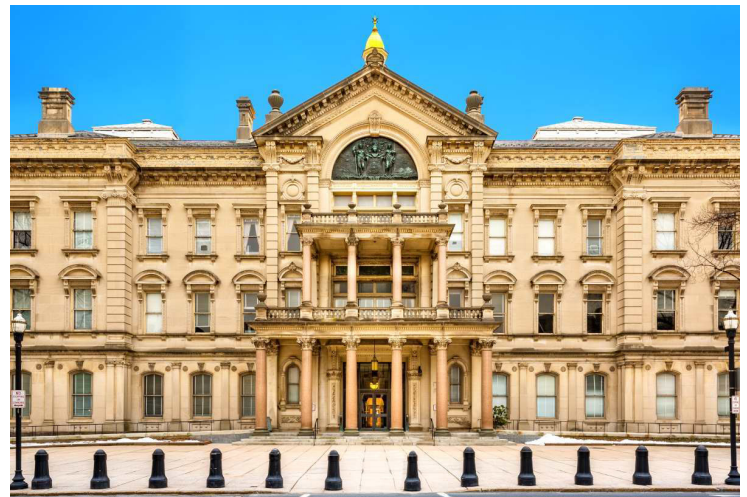
When water activists are successful at politicizing and defeating the proven solutions offered by water companies, communities are left with insufficient options to address their water and wastewater needs. Instead of offering communities realistic, feasible solutions to address water infrastructure challenges, activists only block viable options and leave communities worse off.

Below are five examples of communities that 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. In June 2020, the state sued the city and Trenton Water Works for "years of mismanagement" and a "failure to take necessary steps to address the serious shortcomings in the City's water system." 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>

## Edison, NJ

In 2019, activists blocked Edison, New Jersey, from pursuing a contract operations agreement with a water company. The agreement would have enabled the township to retain public ownership of the infrastructure, make hundreds of millions in needed repairs and upgrades, and maintain predictable, below-average rate increases over the 40-year contract term. Despite being endorsed by the mayor and a majority of the township council, activists convinced voters to reject the deal and prohibit any and all water company assistance in the future.

Banning all water company assistance forced the local government to build a new, in-house water utility from scratch in just a few short months, which led to serious staffing and funding issues. In June 2020, amidst the COVID-19 pandemic, the director of the Edison Water Utility admitted that the new utility was “doing as much as we can with the staff we have” and that “we just don’t have the manpower to physically do all the work necessary.”

In addition, the Edison Township Council was forced to consider a massive water rate increase to fund the operating costs of the new government utility. The council proposed a 22% increase in water rates – a massive jump compared to the capped 4.9% increase residents would have seen under the proposed contract with the water company.

A local news commentator summarized the resulting situation in Edison: “Instead of rolling in dough, this town is sinking in debt from a new Water & Sewer Utility it got forced to throw together. This utility’s 14,000 customers are now getting whacked with whopping fees to pay for the pricey bureaucracy.”

Several community leaders questioned whether Edison residents were broadly misinformed by outside groups as the township considered the future of its water utility services. A leader with the South Edison Community Association noted that “many residents probably did not realize it would be such an enormous and expensive task” for the local government to create and operate a new utility. Mayor Lankey told the local newspaper that “he wasn’t sure” whether those who opposed the water company contract and favored government operation “properly communicated” with voters.<sup>v</sup>

***“The town is now sinking in debt from a new Water & Sewer Utility it got forced to throw together, and the utility’s 14,000 customers are getting whacked with whopping fees to pay for the pricey bureaucracy.”***

## Sources

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