



## **MUNICIPALITIES AND TAXPAYERS DESERVE A FAIR DEAL FOR UTILITY ASSETS**

Facing failing infrastructure, an aging workforce, and increasingly stringent water quality and environmental mandates, a growing number of municipal governments no longer want to run their own water and wastewater utilities. The voluntary sale of municipal water and wastewater systems to dedicated water professionals is a proven way for local governments to access the resources and expertise needed to address their water utility challenges.

Unfortunately, unfair and obsolete laws in many states mean municipal governments and taxpayers cannot receive a fair market value price when selling their water and sewer systems.

### [Why do we need utility valuation reforms?](#)

Imagine if, when you went to sell your home, there was an archaic law in place that capped what price you could sell it for, allowing you only to get back the original building costs plus improvements, minus depreciation. As a result, instead of being able to sell the house for what the market said it was worth, it would have to be sold at a price far below market value.<sup>1</sup>

Unfortunately, this is the reality currently faced by local governments and taxpayers across the country who wish to voluntarily sell their water and wastewater assets yet are unable to obtain a fair market price thanks to unfair and outdated accounting rules. These rules discourage system sales, leaving local governments that are facing urgent infrastructure challenges without viable options to fix their systems.

### [What does utility valuation reform legislation do?](#)

A total of 14 states have adopted reforms that modernize the value-setting procedures used when municipal water and wastewater systems are sold. Of those states, ten have passed reforms in the last three years with overwhelming bipartisan support.

Utility valuation reform legislation – sometimes called Fair Market Value (FMV) legislation – establishes a clear process for independent appraisal experts to calculate a reasonable and fair value for water and wastewater systems, thereby ensuring that local governments and taxpayers get a fair deal for their assets.

***14 STATES have passed utility valuation legislation: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, North Carolina, Ohio, Pennsylvania, Texas, West Virginia, and Virginia.***

## What are the benefits of reforming the utility valuation process?

Experts agree that utility valuation reforms can provide significant benefits for customers and municipalities.

### **Safe and reliable water infrastructure**

America's water companies have an unmatched record of providing superior water quality to customers.<sup>2</sup> The voluntary sale of water and wastewater systems to experienced water professionals is a proven way to enable urgent infrastructure investments and provide greater expertise to municipal operations.

### **Help for troubled systems**

Valuation reforms provide lifelines to troubled systems facing enforcement orders from state and federal regulators, allowing them to regain system compliance and retire utility debt. Without reforms, these systems would be valued at next to nothing, severely limiting the benefits of a sale.

### **Professional operators with a singular focus**

While local governments have numerous competing priorities beyond water services, water companies are able to singularly focus their professional expertise squarely on providing high-quality water service to communities.

### **Strong consumer protections**

Valuation reforms require all system sales to be reviewed by state public utility commissions via a transparent, open process. Regulators must approve all water system transactions and can reject an unreasonable purchase price or any sale that is not in the best interest of the public.

### **Access to capital for municipal priorities**

Under valuation reforms, municipalities get a better deal for their assets and can put those resources toward other local priorities. Even municipalities that do not face urgent infrastructure challenges have found voluntarily selling water and wastewater systems can be an effective way to offload risk, monetize assets, and focus resources on other local needs. This may include paying down debt, funding pension obligations, making other infrastructure improvements, investing in economic development initiatives, or providing other government services.

## What are some examples of how utility valuation reform has provided benefits to communities?

### **CHELTENHAM, PA: System sale allows township to repair sewers without raising taxes**

Like many communities across the country, Cheltenham Township has faced urgent sewer system challenges stemming from aging infrastructure. Despite millions of dollars in repair efforts that were driving the Township into debt, the system remained out of compliance, resulting in a moratorium on new sewer connections and fines by state agencies for sewer overflows. In 2019, state regulators approved the sale of the wastewater system to Aqua Pennsylvania. The sale enabled the Township to leverage private sector expertise to plan, permit and execute more than \$50 million in infrastructure repairs without raising taxes on residents, all while still benefitting from over \$50 million in proceeds.<sup>3</sup>

### **GEORGETOWN, IN: Consolidation enables infrastructure upgrades and lower water rates**

With just 1,300 connections, the drinking water system in Georgetown, Indiana, struggled for years to keep costs low as the utility desperately needed significant infrastructure and operations upgrades. The aging system suffered from water main breaks that would leave the entire town without water for days. In 2017, Georgetown leaders decided to sell the system to Indiana American Water. After state regulators approved the sale, water rates in Georgetown fell by 40% for the average user even as the company implemented major infrastructure upgrades, illustrating the clear benefits of water system consolidation for customers.<sup>4</sup>

### **MANTENO, IL: Sewer acquisition leads to infrastructure upgrades and lower customer costs**

In 2018, the Village of Manteno received \$25 million in proceeds from the sale of its sewer system to Aqua Illinois – a deal that Mayor Tim Nugent summarized at the time as “turning an asset of concrete into an asset of cash that we can invest and use for other projects.” In addition to the proceeds being made available for local priorities, Aqua’s infrastructure improvements have helped support industrial, commercial, and residential growth in the area. Residents also benefit from the company’s strong regional footprint in Kankakee County and will collectively pay \$800,000 less in sewer bills over the first five years of Aqua ownership.<sup>5</sup>

### **RANSOM, IL: System sale provides solution to drinking water quality crisis**

Due to high levels of radium in the groundwater, for several years the Village of Ransom was forced to provide bottled water to residents. Given the small size of the system, the Village had no dedicated water system staff and no ability to raise the capital needed to build proper treatment facilities. Selling the system to Illinois American Water enabled Ransom to connect to the company’s nearby Streator service area and gain access to safe, high-quality drinking water. Consolidating under Illinois American Water’s larger service territory also meant lower rates for customers and the addition of dedicated, professional staff to care for the system.<sup>6</sup>

#### Sources

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6. BusinessWire, “Illinois Environmental Protection Agency Approves Village of Ransom’s Drinking Water” 3 April 2017 ([link](#))