



Joliet Alternative Water Source Study

Topic #4: Breakdown of “Control” of Water Sources December 31, 2018

One of the major factors mentioned during early discussions of the alternative water sources is the level of “control” that Joliet will have over its future water supply. We have identified this issue as one of the Preliminary Phase II criteria included in the Phase I evaluation of alternative water sources. But what does it really mean?

As a verb, the word control means “to determine the behavior or supervise the running of”. For Joliet’s evaluation of water source alternatives, we have considered control issues from two slightly different points of view: control and governance.

Control. For the alternatives considered, there are varying degrees of control that Joliet would have over the various water supply sources. At one extreme, Joliet would have total control in the case of an alternative where the permit for water withdrawal and all the infrastructure required to treat and convey water to Joliet are owned by the City (e.g., Fox River, Des Plaines River, Illinois River, Kankakee River). In cases where Joliet is purchasing treated water from an entity with direct control over the source (e.g., City of Chicago, Southland Water Commission, Aqua Illinois), Joliet’s level of control is limited. If Joliet purchases water from an entity that is one or more tiers removed from the entity with direct control over the source (e.g., DuPage Water Commission, Illinois American Lake Michigan system, Oak Lawn), Joliet’s control is further reduced.

Governance. While similar, governance pertains to a slightly different aspect of control – that is, the degree to which Joliet has input on decisions related to use of the water source. Again, if Joliet holds the water withdrawal permit and owns all the infrastructure required to treat and convey water to its customers, it has full control and responsibility for all decisions related to the water system. If Joliet is simply a bulk purchaser of water from another entity under a water supply agreement, it has no real involvement in the governance of the supply system and can only affect factors that it can negotiate as part of its agreement. As a member of a water commission, Joliet would have a role/vote in decisions related to the governance of the system, but as one of multiple members of the commission.

When discussing water systems, control and governance can typically be correlated with ownership. The City can directly control decisions related to the components of the system that it owns. If the City is purchasing water from another municipality, private water company or is part of a water commission, its control over that portion of the system owned by the other municipality, private water company or water commission is limited. The degree of control and involvement in overall governance affect the City’s ability to influence rates, the system improvements being made, and other factors related to its best interests.

Home ownership provides a general analogy:

- If you build and own your own house, you can decide when it is built, how it is built, who builds it, what features it has, and what level of quality is incorporated into it. Once it is constructed, you own it and you can decide whether you live there, or make improvements, or rent it out to someone else. (This is analogous to the City owning and operating the new alternative water source – the City maintains full control over the system and factors affecting the total cost of water to customers.)
- If you rent a house from someone else, you negotiate a lease/contract that stipulates rent, responsibilities of the owner and renter, and length of agreement. After the lease/contract expires, the owner can decide whether you can continue to rent, what the rent will be and what the terms of the new lease/contract will be. The renter is at the mercy of the owner, though it is to the owner's advantage to keep renting the house. The renter can move, but the costs may be prohibitive and the renter is stuck, without any control. (This is analogous to the City purchasing water from another municipality or private water company.)
- If you own a unit in a condominium building, you have control over many decisions related to your unit, but at the same time, you must work within the constraints of rules set by the condominium association. As an owner in the building, you have some say in decisions made by the condominium association, but you don't have full control over those decisions. (While not directly analogous, this can be related to the City obtaining water from a water commission.)

To add another layer to the discussion of control, the municipality or private water company or water commission that you are purchasing water from might be purchasing water from another municipality, private water company or water commission. In the case of three of the Lake Michigan options considered (DuPage Water Commission, Illinois American, Oak Lawn), the potential supplier is at least one level removed from the primary water supply (Chicago) and is subject to a water supply agreement negotiated with Chicago.

A 2017 Chicago Tribune article highlighted the disparity in Lake Michigan water rates that occurs across Northeastern Illinois: <https://graphics.chicagotribune.com/news/lake-michigan-drinking-water-rates/index.html> As noted in the article: *"The web of connections can yield a scenario in which a town receives Lake Michigan water after it passes through three or four other communities or providers. Each transaction generates a markup."* This lack of control creates a significant risk related to the cost of purchased water. Depending on the terms of a water supply agreement, the supplier may have the ability to raise water rates without any recourse by the purchaser. This is highlighted in the article referenced above: *"Starting in 2012, Chicago began aggressively hiking water rates — by 90 percent over four years — to make overdue infrastructure repairs. Then in 2016, city officials, desperate for cash, imposed a water and sewer tax to generate revenue for a chronically underfunded pension system."*



The water supply alternatives being evaluated offer Joliet varying levels of control and involvement in the governance of its water supply. Given the importance of this issue, its impact on the City and the level of control that the City of Joliet can live with need to be brought to the forefront early in Phase II. However, control and governance are just two of the criteria that will be considered further during Phase II of the alternative water source study and will have to be weighted with other criteria such as cost, risk, quality, and sustainability.