



MEMORANDUM

TO: City Council Members
Laurel Prussing

FROM: Bruce Walden

DATE: January 12, 2006

RE: Participation in Multi-City Group to Explore
Acquisition of Illinois-American Water Company

The German multi-national corporation RWE owns our local water provider, Illinois American Water Company. RWE is a leading provider of gas, electricity and water in Europe. In November RWE “took the strategic decision to gradually withdraw from the water business.” As we have faced several times in a few short years our local water provider is again up for sale.

Since this announcement, the City Managers and attorneys from Pekin, Peoria, Champaign and Urbana have been discussing the feasibility of purchasing the system. As you may recall, there have been serious attempts in Peoria and Pekin to acquire the system in just the last few years. You may also remember that we attempted but failed to obtain a first right of refusal for our system via the most recent franchise negotiations. There are many issues involved in addressing the feasibility of a purchase from an operational, valuation and political perspective. It is a difficult and highly complex matter.

The City Managers have agreed to pursue three joint and common actions at this time:

First, we are recommending, subject to City Council approval, to enter an intergovernmental agreement to organize our joint efforts and to initially fund expenses on the basis of one dollar per resident. The draft agreement is attached. I am requesting that \$37,000 be set aside for this purpose at this time via the attached budget amendment.

Second, we are actively pursuing State legislation to permit the sale of such facilities, or in the case of representative Kosel's bill attached, require an offer of first right of refusal to acquire for Illinois communities where the water system is to be sold. We are meeting and communicating with our Legislators and others across the State.

Third, we will be contacting other Illinois communities served by Illinois American Water Company to determine their interest in participating in this joint acquisition effort.

Staff will be providing more information on this matter as it is developed.

BKW:ss