



November 13, 2009

In the fall of 2000, the City-County Council unanimously approved an ordinance allowing the Mayor to take “all action necessary” to acquire the water company. Municipal ownership of the water company was a good idea and remains so. A basic obligation of a city is to provide clean water to its citizens. Indianapolis should ensure the safe, efficient operation, management and maintenance of a system that reliably delivers clean water.

In 2002, the city of Indianapolis purchased the water company for \$515 million. Unfortunately, like a home owner who refinanced his mortgage, the water company refinanced its debt. Long term fixed rate debt was exchanged for short term variable rate debt – cheap initially but very expensive later. The recent financial meltdown demonstrated how expensive this action was for the city. To resolve the situation the Mayor is proposing a sale of the water company.

This is nonsense. First, a sale does not address the capital or managerial problems at the water company. Second, a sale does not eliminate the need for future rate increases. For example, over \$100 million must be spent to bring Indianapolis into compliance with new federal water quality standards and to fix, repair and improve things. A private operator will add its profit to those costs further raising the rate to citizens. Third, by selling assets like the water company, the City becomes more dependent on taxes as the only means to finance the services we expect – police and fire, parks, roads and sidewalks and vibrant neighborhoods.

A responsible approach would be to eliminate the variable rate debt, which would be required as a condition of a sale under the Mayor’s approach anyway. Next, the management of the water company should be evaluated. The current ownership and management structure was characterized in a recent independent report as “ambiguous and ill-defined.”

We expect the water company to provide clean water, to maintain the infrastructure necessary to deliver it and to charge a fair rate that allows it to meet those obligations. A private operator may do all that, but it will most certainly accomplish those goals at a profit, which over the long term results in higher water rates. Currently, Indianapolis is not getting the quality or service it deserves. Indianapolis needs leadership that can devise long-term sustainable solutions to the problems it faces. Having built businesses over the last 15 years, I have developed the skills to lead and the skills to learn, both of which Indianapolis needs. Together, we can build a city that works for all of us.

Sincerely,

Brian S. Williams

Paid for and authorized by Williams for Indianapolis, Robert Herzog Treasurer