

Shared Drinking Water Service:

A Summary Report on Available Governance Structures

Prepared by Metropolitan Planning Council

June 2018

Table of Contents

Introduction.....	2
Governance Models	3
1. Water Commissions.....	4
2. Municipal Joint Action Water Agency.....	7
3. Wholesale Water Service	8
4. Public-Private Partnerships.....	10
5. Privatization	12
General Considerations.....	13
Conclusion	15
Acknowledgements	15
Appendix A: Community Profiles—Oswego, Montgomery and Yorkville	16
For Further Reading.....	18

Introduction

In the United States, there are over 151,000 public water systems in operation¹. Most public water systems are owned by the municipality they serve, a regional consortium of communities or by a private company. These systems are responsible for everything from ensuring enough supply, to water-quality monitoring and treatment, to service operations and infrastructure maintenance, to ensuring regulatory compliance. Public water systems deliver a public service and charge a fee for this service in much the same way as energy or telecommunication utilities.²

The practice of shared services across municipal boundaries continues to gain traction as municipalities grapple with rising costs. Drinking water service is one such option municipalities can explore. Water resources are not bound by political or utility boundaries, so cooperation across and within municipal, county and state lines, can help facilitate a more sustainable and comprehensive approach to drinking water management.

A shared service model also provides an opportunity to save money. The cost to provide safe and viable drinking water for our communities will only continue to increase. These cost increases can be driven by any number of factors including resource depletion, pollution, infrastructure investment needs, labor costs, population growth and land use practices. Neighboring small and midsize municipalities in the United States are forging service partnerships to achieve economies of scale and mitigate these rising costs. By joining forces, shared service models also provide an opportunity for communities to save money by identifying and minimizing redundant services, supplies and labor costs—all while helping to ensure public health, continuous supply and better stewardship of water resources.

Municipalities and industries have long adopted regionalized approaches to utility services. Government and public service agencies have used this approach in energy, telecommunications and, more recently, in water services. Drivers for a shared services approach vary as each community or region experiences its own, unique pressures—be they financial (deteriorating infrastructure, changes in demand, regulatory compliance), social (justice or equity issues) or environmental (resource availability and/or stewardship). The structure of a shared service model can also vary in how that service is governed and provided. Because these motivations, circumstances and governance structures vary, it is essential for communities to 1) clearly identify the issues motivating action, and 2) judiciously explore the most appropriate water governance structure, so that the shared service model selected is best suited to the needs of the communities involved. The types of information and decisions communities should have in place before considering different governance options is provided in the General Considerations section of this report.

The purpose of this report is to outline various water governance options available in Illinois for shared drinking water service between municipalities. This summary report was requested by three municipalities in Northeastern Illinois (Oswego, Montgomery and Yorkville) currently considering a shared service arrangement for drinking water delivery. Appendix A of this report provides a community profile of these municipalities. However, the water governance structures and considerations provided in this summary report can assist other municipalities, particularly in Illinois, in considering the benefits of regionalized drinking water service for their communities.

¹ United States Environmental Protection Agency. [Information about Public Water Systems](#). Washington DC. 2017.

² Metropolitan Planning Council. [Drinking Water 1-2-3](#). Chicago, IL 2017.

Community Profile: Oswego, Montgomery and Yorkville, Illinois

The Villages of Oswego and Montgomery, and the United City of Yorkville already have a cooperative relationship, and a history of working together on shared services, staff and equipment under an Intergovernmental Shared Services (ISS) agreement as well as an Intergovernmental Agreement for Illinois Public Works Mutual Aid Network (IPWMAN).³

The communities are facing water supply constraints due to significant depletion of groundwater resources in their region, and have been investigating new, sustainable water supply options. Given the overall costs and risks associated with needing to identify and buildout a new water supply source, these municipalities have been exploring the potential for a shared service model to capitalize on economies of scale and resource sustainability.

While the following report summarizes a high-level understanding of some of the available water governance structures for regionalized drinking water service, further analysis and legal counsel would be required to fully understand what option best supports a particular group of communities.

Governance Models

As mentioned previously, there are a variety of configurations in structure and administration for how municipalities can and have approached shared governance related to drinking water service. This report outlines five particular categories of water governance:

- Water Commissions
- Municipal Joint Action Water Agencies (JAWAs)
- Wholesale Water Service
- Public-Private Partnerships
- Privatization

The following sub-sections outline the basic structure, legal and governing requirements, voting rights, fiscal power, examples and important considerations for each of these five categories.

For the purposes of this report, ‘water governance’ is the organizational and administrative processes through which decisions about water supply service and oversight are made and implemented. It also includes a description of the ownership, organizational structure and allocation of responsibilities for operational management.

³ Hoppenstedt, T. (n.d.). Shared Services IGA. Retrieved from Village of Montgomery: <http://drscw.org/wp/wp-content/uploads/2015/03/Hoppenstedt-DuPage-10122017.pdf>.

1. Water Commissions

The establishment of a water commission is enabled by and addressed in the Illinois Municipal Code's Joint Acquisition and Operation of Water Supply and Waterworks ([65 ILCS 5/11.135](#)) and, for Special Districts, the Illinois Water Commission Act of 1985 ([70 ILCS 3720](#)). These State Acts place decision-making authority for water commissions in the hands of municipal leaders and county boards, and establish the legal boundaries and governance frameworks within which water commissions can develop and adopt policies regarding management and oversight of local municipal water systems. A municipality can join a water commission regardless if they are a home rule community or not.

The following stipulation outlines which State Act (between the two listed above) a group of municipalities forming a water commission is governed by:

- A water commission formed by municipalities, excluding cities of 500,000 or more inhabitants, must abide by the Joint Acquisition and Operation of Water Supply and Waterworks Act.
- When the municipalities forming a water commission represent, in aggregate, more than 50% of the population of a county (hereinafter referred to as the "home county"), and that county is contiguous to a county which has a population in excess of 1,000,000 inhabitants, the provisions of the Commissions Act of 1985, for Special Districts, apply.

The governing body for water commissions formed under either State Act is a Board of Commissioners. The process of selecting a Board of Commissioners, as well as some of the operational requirements, depends on which State Act governs the water commission. The following outlines those respective processes.

Commissions founded under Joint Acquisition and Operation of Water Supply and Waterworks

Governing Authority

The Joint Acquisition and Operation of Water Supply and Waterworks Act enables the county board and mayors (or presidents) of represented municipalities to appoint commissioners. Each commissioner appointed to represent a member municipality under the Joint Acquisition and Operation of Water Supply and Waterworks Act must be an elector or the chief administrator of the municipality they represent, and is appointed by the mayor or president of that municipality. Likewise, the commissioner representing the county (see Highlights) has to be an elector of the county and is appointed by the presiding officer of the county board. The appointed commissioners then elect one member to serve as chairperson. This Act also stipulates that commissioners serve six-year terms, which are eligible for reappointment upon expiration.

Highlights:

- The Board of Commissioners is composed of:
 - One commissioner representing the county- appointed by the county board of the county in which the major part of the works of the water commission are, or will be, located
 - One appointed commissioner representing each member municipality
- Commissioners may or may not be elected officials
- Commissioners serve six-year terms

Fiscal Powers

In terms of the financial aspects of water utility services provision, the Joint Acquisition and Operation of Water Supply and Waterworks Act stipulates that a water commission may borrow funds for payment of development costs in advance of permanent financing. The water commission may also issue interim notes for these costs, which must mature within five years from the issue date.

Commissions founded under the Illinois Statutes for Special Districts, Water Commission Act of 1985

Governing Authority

Similar to the Joint Acquisition and Operation of Water Supply and Waterworks Act, the home county board and mayors (or presidents) of represented municipalities are responsible for appointing commissioners. Each county board district and represented municipalities with a majority of residents residing in the home county are each represented by one appointed commissioner (see Highlights). A chairperson (who also serves as a commissioner) is appointed by the county board. Commissioners may be a member of the governing board or officer or employee of the municipality or county from which the appointment is made. The Act also stipulates that commissioners serve six-year terms, which are eligible for reappointment upon expiration.

Highlights:

- All commissioners must be residents of the home county
- Commissioners are appointed, and may or may not be elected officials
- 'Represented municipalities' (aka 'included units') are municipalities that have the greatest percentage of their populations living within the county board district of the home county. Commissioners for these municipalities are appointed by majority vote of their respective mayors.
- Commissioners serve six-year terms

Fiscal Powers

In terms of the financial aspects of water utility services provision, the Illinois Water Commission Act of 1985 stipulates that a water commission may:

- Borrow funds for corporate purposes up to 5.75% of the aggregate value of the taxable property within its territorial boundaries
- Borrow funds from the home county
- Issue general obligation bonds provided that the proposition is submitted to the voters and approved by a majority, however a vote is not required when bonds are for existing debt

A general obligation bond must:

- Mature within 40 years from the issue date
- Be sold at private or public sale
- Bear interest at a rate such that the net effective interest rate does not exceed the maximum rate determined under Section 2 of the Bond Authorization Act

Stipulations of water commissions under either of the above Acts

Ownership, Operation and Maintenance Responsibilities

These Acts provide water commissions with the appropriate powers and authorities in terms of coordination, finance and taxation that outline the legal boundaries within which to conduct strategic planning and policy making. Decision-making regarding infrastructure ownership and the division of roles and responsibilities resides with the water commission's Board of Commissioners.

Taxation Rights

Either state statute allows a water commission to levy taxes throughout its territory. However, these taxation rights are subject to each municipality's current, local taxing authority rules, ordinances and powers.

Examples of Water Commissions

Brookfield-North Riverside Water Commission (Cook County): Established in 1939

Enabling Act: Water Commissions Act of 1985

This water commission originally served Brookfield and North Riverside. LaGrange Park and Lyons subsequently joined in 1999. The commission purchases its water from both Chicago and Forest Park.

Board of Commissioners composition and requirements:

- One commissioner from each represented municipality
- One commissioner/chairperson from Cook County
- Six year terms (staggered)

Northwest Water Commission (Cook County): Established in 1957, distribution started in 1984

Enabling Act: Joint Acquisition and Operation of Water Supply and Waterworks

This water commission purchases its water from Evanston before distributing it to Arlington Heights, Buffalo Grove, Palatine, Des Plaines and Wheeling. Des Plaines is a customer of the commission, but is not a voting member.

Board of Commissioners composition and requirements:

- One commissioner from each represented municipality
- One commissioner appointed by Cook County
- Six year terms

Hillside Berkley Water Commission (Cook County): Established in 1948

Enabling Act: Joint Acquisition and Operation of Water Supply and Waterworks

This water commission purchases its water from Chicago through a pipe system maintained by Melrose Park. The water is then sold to Hillside and Berkeley.

Board of Commissioners composition and requirements:

- One commissioner from each represented municipality
- One commissioner appointed by Cook County
- Six year terms

Water Commission Considerations

- *Consideration should be given to the distribution and balance of power, including the home county, related to representation, authority and voting rights across political and regional boundaries of the water commission.*
 - *Since appointed commissioners may or may not be elected officials, communities should consider whether or not commissioners should have expertise in water management, utility operations, strategic planning and/or risk management.*
 - *Communities that receive all or a portion of their drinking water from the commission, but are not a commission member, will be automatically made a commission member if they meet all of the following requirements:*
 - *The community has been a continuous customer for 20 years or more*
 - *The community receives at least 90% of its drinking water from the commission, and*
 - *The population of the community exceeds 20% of the population of the current member municipalities in the water commission*
-

2. Municipal Joint Action Water Agency

The establishment of a municipal joint action water agency (JAWA) is enabled by and addressed in the Illinois Municipal Joint Action Water Agency Act ([5 ILCS 220/3.1](#)). In a JAWA, decision-making authority is placed in the hands of elected or appointed representatives within the JAWA service area. The Act establishes the legal boundaries and framework within which communities develop and adopt specific policies and strategies regarding management and oversight of local municipal water systems, and stipulates a number of conditions regarding governance. A municipality can join a JAWA regardless if they are a home rule community or not.

Governing Authority

Governing body: Board of Directors

The State of Illinois requires inclusive representation across the JAWA territory. This means one representative from each member municipality, public water district, Township, state university and County within the jurisdiction of the JAWA is appointed by ordinance of the corporate authorities of the respective municipality, public water district, Township or County. This appointed Board of Directors then elects one Director to serve as Chairperson. Directors' terms of office are defined in the initial agreement establishing the JAWA, and may include provisions for appointing alternates.

Highlights

- Each Director has one vote
- Each municipality, public water district, township, state university and county has a representing Director who shall be either:
 - mayor or president of a JAWA member municipality
 - chairperson of the board of trustees of a JAWA member public water district
 - supervisor of a JAWA member Township
 - the appointee of the state university
 - chairperson of the county board or chief executive officer of the JAWA member county, or a county board member appointed by the chairperson of the respective county board
 - an elected member of the corporate authorities for a municipality, public water district, Township, or County that is a JAWA member; or
 - an elected official of a municipality, public water district, Township, or County that is a JAWA member.

Fiscal Powers

In terms of the financial aspects, the State Act allows a JAWA to borrow funds and issue negotiable water revenue bonds or notes, provided the proposition is submitted to the voters and approved by a majority. It is further stipulated that the bonds or notes may bear interest at a rate or rates not to exceed the maximum rate established in the Bond Authorization Act. It also stipulates that the JAWA cannot terminate and no member may withdraw from the agency when any bonds or notes are outstanding and unpaid.

Taxation Rights

A JAWA may levy taxes throughout its territory. However, these taxation rights are subject to each municipality's current, local taxing authority rules, ordinances and powers.

Examples of Municipal Joint Action Water Agencies

Central Lake County JAWA: Established in 1986

Formation of the agency was driven primarily by decreasing groundwater supplies coupled with the rising costs of purchasing treated Lake Michigan water. The JAWA maintains full ownership of a treatment plant and supply system that uses Lake Michigan water, and provides water to Grayslake, Gurnee, Lake Bluff, Lake Villa, Libertyville, Lindenhurst, Mundelein, Round Lake, Round Lake Beach, Round Lake Consortium, Volo and Wauconda. The JAWA's water supply system became operational in March of 1992.

Board composition and requirements:

- One Director from each municipality
- Two year terms

Northwest Suburban Municipal Joint Action Water Agency: Established in 1981

The JAWA owns a pumping station it uses to distribute Lake Michigan water it purchases from the City of Chicago. It provides water for Hoffman Estates, Streamwood, Hanover Park, Schaumburg, Rolling Meadows, Mount Prospect and Elk Grove Village.

Board composition and requirements:

- One Director from each village (mayor/president)
- Two appointed non-voting members (secretary and treasurer)

JAWA Considerations

- *All Directors must be an elected official of their member municipality, public water district, township, state university or county.*
 - *Examine water governance structure options in the context of representation as well as voting power. Municipalities may opt to further shape and adapt the partnership using ordinances and/or resolutions to meet their needs.*
 - *According to the State Act, member communities are not able to terminate or leave the JAWA when an outstanding debt (bond or note) exists.*
-

3. Wholesale Water Service

A wholesale water service is when a single municipality owns and operates a water utility that also serves other municipalities or communities outside of its municipal boundaries. While each municipality that purchases from the wholesale provider is required to maintain their respective infrastructure e.g., distribution system, the municipal government providing drinking water service is responsible for and has full authority over the operations and maintenance of the system by which it supplies drinking water to the other communities.

Governing Authority

The Illinois Intergovernmental Cooperation Act ([5 ILCS 220/](#)) as well as the 1970 Constitution of the State of Illinois, [Article VII Section 10](#) provide the authority for units of local government to contract among themselves, with other units of local government, and with other states and their units of local government to share services and to exercise, combine, or transfer any power or function, in any manner not prohibited by law or ordinance. As such, these legislative instruments provide the legal authority to enter into wholesale water supply service agreements.

Example of a Wholesale Water Service

The following example illustrates how wholesale water service can be established between municipalities.⁴

The [Oak Lawn Regional Water System](#) stores and delivers Lake Michigan water, purchased from Chicago, to the following municipal customers: Oak Lawn, Chicago Ridge, Country Club Hills, Matteson, Mokena, New Lenox, Oak Forest, Olympia Fields, Orland Hills, Orland Park, Palos Hills, Palos Park and Tinley Park. The initial and primary water contract, enabled by the Illinois Intergovernmental Cooperation Act, was signed in 1973 between the Villages of Oak Lawn and Tinley Park. Since that time, municipalities have been added and agreements amended, with the most recent version having been amended in 2014.⁵

Ownership and Operations

Each respective municipality owns and operates its own system. Member municipalities are required to maintain a certain standard of infrastructure performance through the development and adoption of an asset management program. These programs focus on identifying and incorporating best management practices to ensure the member system is operating effectively and efficiently, as well as in compliance with all applicable federal, state and local laws, codes, ordinances, rules and regulations.

The Oak Lawn Regional Water System delivers water to municipalities via systems that Oak Lawn owns and operates as well as those it does not. Specifically, Oak Lawn owns and operates the system that delivers water to the Villages of Country Club Hills, Matteson and Olympia Fields. The Tinley Park Branch System, not owned and operated by Oak Lawn, delivers water to the Villages of Tinley Park, Mokena and New Lenox.

Representation

The water contract stipulates having a framework for a cooperative relationship between members. Working groups were established to promote transparency and provide a mechanism for members to review and provide input to Oak Lawn. There are currently three working groups comprised of municipal members and representatives: Management, Operations, and Finance/Administration.

Service Costs

Costs for each municipal member are allocated based on their "Proportionate Share" which is for the life of the Agreement. This share of the capital costs and charges is determined using a formula based on each municipality's proportionate water supply demand, how much of the System it used (energy, pump, pipe maintenance), and its distance from the water source.

Financing System Improvements

The Oak Lawn Regional Water System has the authority to finance system improvements. Over the years, some of these improvements include a new water transmission main, piping improvements, a new pumping station as well as improvements to two booster stations. In order to fund these system improvements it has issued General Obligation Corporate Purpose Bonds as well as received loans from the State Revolving Fund. Proportional payments for system improvements are based on each community member's proportionate share of aggregate costs, as outlined above.

⁴ Village of Orland Park. (2013). Village of Orland Park, Illinois. Document Center. Retrieved from Orland Park, Tinley Park, New Lenox, Mokena, Oak Forest: <http://il-orlandpark.civicplus.com/DocumentCenter/View/23069>.

⁵ Village of Orland Park. (n.d.). Village of Orland Park. Retrieved from <https://www.orland-park.il.us/DocumentCenter/View/25624>.

Wholesale Water Service Considerations

- *The municipality that provides wholesale water service to other municipalities is accountable to regulatory standards, and is financially responsible for maintaining the system it operates. Because of this, it is important to set appropriate water rates with its municipal customers to ensure the utility operates efficiently and is self-supporting.*
 - *Municipalities thinking about proportional-share rate structures should consider what factors to include as inputs to the formula. For example, present population, future population, demand forecasts, miles of pipe, pipe size, etc., as well as the frequency in which reevaluations are conducted to ensure consistent alignment between costs and rates.*
-

4. Public-Private Partnerships

A public-private partnership is a cooperative arrangement between two or more public and private sector actors to provide a service. There are numerous configurations of public-private partnerships, however, they all involve a distribution of functions and responsibilities across these two sectors. For the purposes of this report, the overarching concept is that government and private companies establish a service contract together to provide drinking water service for a common service area and population.

There are more than 2,000 community water or wastewater facilities across the United States that are designed as public-private partnerships, ranging from large design-build-operate projects to small facility operations or shared functions in administration and billing.⁶ Many public agencies, in an effort to reduce costs, outsource or contract out operational functions to private or corporate firms as these organizations tend to benefit from greater economies of scale. The Environmental Protection Agency has long advocated the use of public-private contracts in drinking water service as it is believed these types of partnerships can help reduce costs, speed project completion, guarantee performance and preserve jobs.⁷ Some common types of public-private partnerships are summarized in the Table on page 11.

Public-Private Partnership Considerations

- *Ensure the contract clearly states the division of responsibilities between the public and private actors.*
 - *Consider executing performance-based contracts to ensure the private sector is incentivized to improve operations and management. Or a public-private contract could include a performance management plan in order to measure a utility operator's performance and establish accountability.*
 - *Make sure to clearly define the following within the service contract:*
 - *How water rates can/should be calculated and modified over time.*
 - *Protocols for future system improvement needs such as non-revenue water, meter maintenance, pumping station improvements, etc.*
-

⁶ Cleantech. (n.d.). The US Water Sector on the Verge of Transformation. Retrieved from [http://www.ey.com/Publication/vwLUAssets/Cleantech_Water_Whitepaper/\\$FILE/Cleantech-Water-Whitepaper.pdf](http://www.ey.com/Publication/vwLUAssets/Cleantech_Water_Whitepaper/$FILE/Cleantech-Water-Whitepaper.pdf).

⁷ USEPA. (1989, September). Public-Private Partnerships for Environmental Services, Region 3 Conference Proceedings. Retrieved from <https://nepis.epa.gov>.

Types of Public-Private Partnerships ⁸	
Partnership Option	Description
Joint Venture	A private contractor owns a water system in conjunction with a public utility.
Build, Operate, and Transfer (BOT)	A private contractor builds, owns and operates the water system. At the end of a specified period of time, such as 30 years, the system may be transferred to the public utility for a nominal fee.
Design-Build-Operate	These partnerships grant a single contract agreement to a single private entity to design, build and operate a new water utility while the municipality retains ownership.
Turnkey Facility	A private contractor designs, builds and operates the water system. The public utility retains ownership and generally assumes the financing risk, while the private contractor assumes the performance risk for minimum levels of service and/or compliance.
Full-Service Contract	A public utility contracts with private contractor, for a fee, to operate and maintain the water system. The public utility owns the system (although it may have been built by the private contractor).
Single Municipality–Contract or Delegated Management:	In this arrangement, the municipality owns the water system and contracts with a private firm to perform any/all of the following services: <ul style="list-style-type: none"> • Operation and maintenance of the public utility’s system over a long or short term. • Management oversight and supervision of the public utility’s personnel. • Provides transition management or program management to improve effectiveness of the public utility’s operations.
Multiple Municipalities–Contract or Delegated Management	Multiple municipalities work with a private sector contractor to cooperatively provide drinking water service to the municipalities. Under a delegated management arrangement, the owner(s) of the water system contracts out various aspects of water utility management to a private entity. In this scenario, the municipality(s) retains ownership of the water systems assets. A legally binding, time-bound contract dictates the rights and duties of each party.

As the above table demonstrates, there is flexibility in how the public and private sector can come together to provide drinking water service to communities. The responsibilities and duties the public or private sector take on vary depending on the purpose of the partnership.

⁸ NRC. (2002). Models of Water Service Provision. In N. R. Council, Privatization of Water Services in the United States: An Assessment of Issues and Experience (2002) (pp. 56-80). The National Academies Press. Retrieved from The National Academies Press: <https://doi.org/10.17226/10135>.

5. Privatization

While not a traditional shared service model for drinking water, there is the option for municipalities, individually or jointly, to privatize water service. In a completely privatized model, a corporation owns and operates the water supply system, and becomes the water service provider for a municipality or group of municipalities. Privatization of drinking water service transfers all ownership, operations and management responsibilities to the private sector.

In the State of Illinois, all privately-owned water utilities are governed by the [Illinois Commerce Commission](#) (ICC). These utilities have an additional layer of regulatory oversight, administered by the ICC, which oversees water rate setting and utility organization (such as a merger of two or more utilities) both of which must go through due process and be approved by the ICC.

Municipalities may sell their existing water utility(s) to a private entity, or elect to fund through various financial mechanisms, the construction of a new utility for this purpose. In this model, the role of the municipal government(s) is to establish policies and provide oversight in addition to the oversight and regulation the ICC already has.

Privatization Considerations









- *Clear and measurable performance indicators are essential to ensure the private sector is meeting the terms of the contract.*
 - *In Illinois, the utility will now be under the purview of the Illinois Commerce Commission (ICC) who can often have a greater capacity for oversight than local governments for compliance with regulations and best management practices.⁹*
 - *The financing and tax advantages of public ownership are lost, and rates may have to be increased to pay for the costs associated with private financing, particularly if water had been underpriced relative to actual costs previously.⁹ However, the region could stand to gain from the corporate taxes the private utility now contributes to the tax base.*
-

⁹ NRC. (2002). Models of Water Service Provision. In N. R. Council, Privatization of Water Services in the United States: An Assessment of Issues and Experience (2002) (pp. 56-80). The National Academies Press. Retrieved from The National Academies Press: <https://doi.org/10.17226/10135>.

General Considerations

There are many questions municipalities need to explore before deciding 1) to enter into a shared service model, and 2) what model best supports the needs of the communities being served. The following list highlights some particular considerations that should be examined.

- Engage stakeholders early in the process. Work collaboratively to identify the issues motivating action and gain buy-in regarding potential approaches. This will improve the likelihood that the option selected is best suited to the challenge at hand.
- In all resource sharing efforts, relationships are very important. Having an established, good working relationship across municipalities is key. Although it can be difficult, it is best to be open and upfront about any potential concerns and address these issues early on.
- Examine water governance structure options in the context of representation as well as voting power. The Illinois statutes for Water Commissions and Municipal Joint Action Water Agencies dictate certain elements of governance structures, however, municipalities may opt to further shape and adapt the partnership using ordinances and/or resolutions to meet the needs of individual municipalities.
- Ensure that the system elements work as one unit rather than compete with each other. Municipalities need to consider a range of options when evaluating potential rate structures, particularly with respect to equity. Consider the location of the water supply source (or water utility), and how this will impact distribution costs for each community. Determining an equitable rate structure across the service area is important.
- Review and determine the membership process—how members join at formation of a shared service arrangement as well as after it has been in operation. For example, Water Commission and Municipal Joint Action Water Agency statutes provide for the addition of members after initial foundation and include provisions for passive membership that should be understood.
- Understand the current and potential future service area region and the implications of neighboring municipalities joining the partnership. Communities need to consider how population growth within their service area, as well as possible expansion of the service area, will impact demands on the utility. These changes can also impact the overall balance of power among members over time.
- When considering regionalizing drinking water service, it is important to have a full understanding of the internal operations and business processes across communities. Members should exercise due diligence. Bringing in a third-party as a mediator can be helpful, and these parties can also perform a financial analysis of all members and any contract agreements as well. This also allows for identification of where efficiencies in service could be implemented in order to improve system operation and performance.
- Utility staffing should be considered carefully when exploring shared service models. How costs will be distributed across municipalities with regards to personnel and pension considerations, etc. are important to understand and delineate up-front.
- Stewardship of water resources is key to sustainable communities. Understanding current and future conditions and risks is an important part of ensuring a shared service model is protecting its water source appropriately.

Comparing Water Commissions and Joint Action Water Agencies				
Governance Type	County Involved	Borrow money and issue bonds	Taxing authority	Governing members must be elected officials
Municipal Joint Action Water Agency				
Water Commission				

Additionally, before exploring what legal governance structure might be most appropriate for the communities involved, being clear about motivations, circumstances and existing relations between communities is essential. Following are important considerations communities, independently and jointly, should be clear about in order to better understand what governance structure might be appropriate for shared drinking water service.

- Clear goals should be established between the partner communities. Are the communities trying to save money, protect a shared resource, attract business? What are the motivations and clearly stated goals for why a shared service model would be beneficial?
- Fairness is important for building trust when entering into a long-term partnership. Ensure equitable representation of communities involved.
- Have clear legal understanding of how a shared service will operate including voting rights and representation, taxation and financing abilities, legal rights for entering or leaving a service contract, and transparent cost delineation and responsibilities.
- Safe and reliable drinking water is a foundation of community livability. Any decisions made about drinking water service should be transparent to your community members as well as safe and sustainable over the long-term.
- Finally, the following facts need to be understood for each community involved before moving forward with exploring governance structure options:
 - What county(s) each community is located in
 - Current and projected population of each community
 - Current and projected water use within each community

Conclusion

This summary report provides a high-level overview of water governance structures and considerations in order to assist municipalities, particularly in Illinois, in understanding the various options for regionalized drinking water service in their communities.

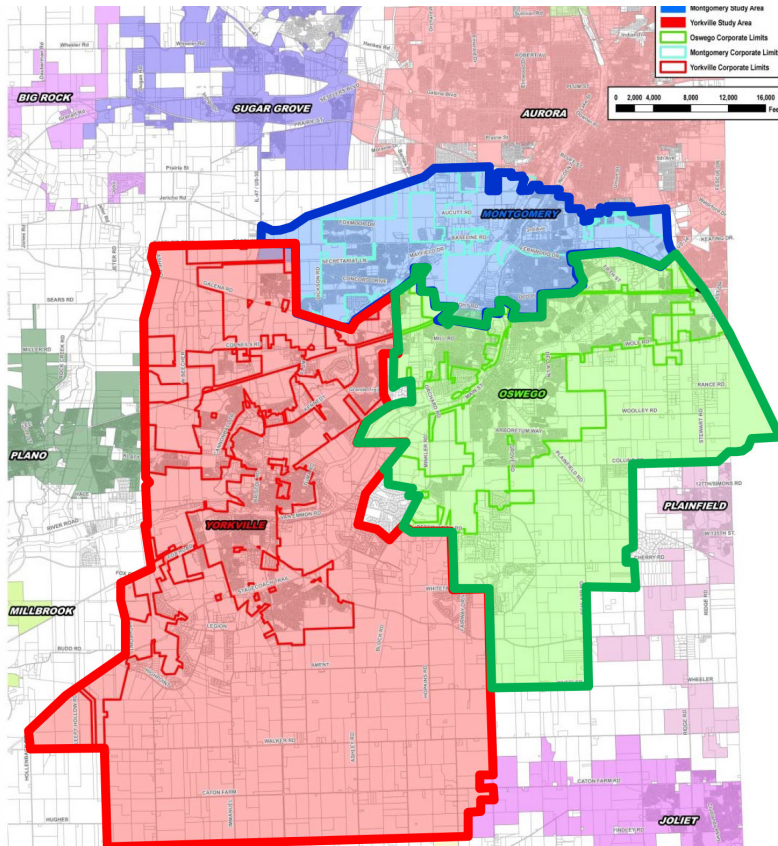
The five categories of water governance structures highlighted provide a broad ranging view of how shared water supply service in Illinois can operate. As the costs to provide safe and sustainable drinking water services continue to increase, the need to explore cost sharing opportunities will be even more important. Communities working together enables municipalities to reduce these costs by sharing resources, leveraging shared infrastructure, accessing financing options together, improving their collective purchasing power and ultimately ensuring their communities have safe and sustainable drinking water now and into the future.

Acknowledgements

This report was funded by the Illinois Department of Natural Resources (IDNR) via the Chicago Metropolitan Agency for Planning's (CMAP) Local Technical Assistance (LTA) Program. The Metropolitan Planning Council is grateful to both IDNR and CMAP for their support of this work.

Appendix A: Community Profiles—Oswego, Montgomery and Yorkville

The following provides some additional context about the three communities who originally requested this governance structure report. The following type of information is important for any community to assess before considering a shared service model.



Village of Montgomery
Planning Area: 15.6 sq mi
Ex. Corp. Limits Area: 9.3 sq mi

United City of Yorkville
Planning Area: 72.9 sq mi
Ex. Corp. Limits Area: 20.2 sq mi

Village of Oswego
Planning Area: 40.2 sq mi
Ex. Corp. Limits Area: 15.1 sq mi

Map Source: [http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20\(Freeman\)%20-%20HANDOUTS.pdf](http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20(Freeman)%20-%20HANDOUTS.pdf).

The Village of Oswego and United City of Yorkville, Illinois are wholly located in Kendall County, while the Village of Montgomery, Illinois crosses Kane and Kendall Counties. Yorkville is the county seat of Kendall County and follows a mayor-council government structure, whereas Montgomery and Oswego use a Village Board model.

The following table provides current and projected population for all three communities. As the table indicates, Oswego currently has the largest population among the three communities and, if the current trend continues, will grow further to make up 47% of the total population by 2050. Oswego is also the largest community located entirely within Kendall County. Yorkville, currently the least populated of the three communities, is expected to grow in population and bypass Montgomery’s population by nearly 10%.¹⁰

Population Trends for Oswego, Montgomery and Yorkville						
County	Municipality	Current Population	% of Population	Annual Growth Rate	% of Population	2050 Population Projection
Kendall	Oswego	34,820	42%	2.8%	47%	90,996
Kane and Kendall	Montgomery	28,346	34%	2.0%	22%	42,000
Kendall	Yorkville	19,804	24%	3.2%	31%	59,565
	Total:	82,970				192,561

Data compiled from Illinois State Water Survey: <https://www.isws.illinois.edu/pubdoc/CR/ISWSCR2013-05hi-res.pdf> and Engineering Enterprises, Inc.: [http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20\(Freeman\)%20-%20HANDOUTS.pdf](http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20(Freeman)%20-%20HANDOUTS.pdf)

The following table outlines past and projected water demand for the three communities. As the table indicates, these communities are projected to significantly increase water demand, and sustainable sources, along with best practices in water demand management, will be necessary.

Historical and Projected Water Demand			
Year	Oswego	Montgomery	Yorkville
2000	1.25 Mgd reported ¹	2.2 Mgd reported	0.6 Mgd reported
2010	2.6 Mgd reported ¹	1.9 Mgd reported	0.95 Mgd reported
2020	3.1 Mgd to 3.8 Mgd ^{2,3}	1.9 Mgd to 2.6 Mgd	1.3 Mgd to 2.0 Mgd
2050	8.2 Mgd to 15.6 Mgd ^{2,3}	3.8 Mgd to 6.6 Mgd	5.4 Mgd to 10.7 Mgd

¹ ISWS data as of 2013

² EEI data as of 2017

³ Average daily demand to maximum daily demand

Data compiled from Illinois State Water Survey: <https://www.isws.illinois.edu/pubdoc/CR/ISWSCR2013-05hi-res.pdf> and Engineering Enterprises, Inc.: [http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20\(Freeman\)%20-%20HANDOUTS.pdf](http://www.eeiweb.com/resources/presentations/watercon2017/Sub-Regional%20Water%20Supply%20&%20Treatment%20Analysis%20(Freeman)%20-%20HANDOUTS.pdf)

Given the varied population distribution across the communities, and projections for future water demand, careful consideration of what new water source(s) would be sustainable for these communities is important. Additionally, the distribution of equitable costs for each community will need to be addressed when considering a shared service model.

¹⁰ Illinois State Water Survey (2013). Groundwater Studies for Water Supply Planning In Kendall County, Illinois. George S. Road-cap, Scott C. Meyer, Walton R. Kelly, H. Allen Wehrmann, Yu-Feng Lin. Retrieved from: <https://www.isws.illinois.edu/pubdoc/CR/ISWSCR2013-05hi-res.pdf>.

For Further Reading

General Guidance and Resources

- This website, hosted by the University of North Carolina (UNC) Environmental Finance Center, provides resources and assistance to water systems, local governments and regulators who are involved in water system partnerships across communities. The website provides a host of resources including tools, reports and summaries that can assist communities when considering if and how to enter into a shared service model: <https://efc.sog.unc.edu/project/water-system-partnerships-interconnections-and-interlocal-agreements>.
- This report by the UNC Environmental Finance Center provides insight and important considerations when crafting inter-local water agreements, and highlights key issues to avoid: https://efc.sog.unc.edu/sites/www.efc.sog.unc.edu/files/water_partnership_tips.pdf.
- This guide, by the U.S. Conference of Mayors Urban Water Council, provides Mayors and local government officials with information about public-private water and wastewater partnership service agreements including managing risk, contracting and performance criteria, financing and employment considerations: http://www.nawc.org/uploads/documents-and-publications/documents/document_a1638c71-50df-4e74-b093-057048c28714.pdf.
- This handbook, prepared by the Water Partnership Council, offers guidance to communities on whether and how to form and manage public-private partnerships to meet their water and wastewater needs: http://www.nawc.org/uploads/documents-and-publications/documents/document_567764ad-b69f-4715-bc5d-eea32c304fdd.pdf.

Wholesale Water Service Example Agreement and Ordinance

- Water Sale, Purchase and Service Agreement between Oak Lawn, Illinois and five of its municipal customers: <https://www.orland-park.il.us/DocumentCenter/View/25624>.
- Ordinance for a wholesale water agreement between Oak Lawn and Orland Park, Illinois: <https://www.orland-park.il.us/Archive/ViewFile/Item/5734>.