

**MICHAEL J. MURPHY**  
ALDERMAN, 10TH DISTRICT

City Hall, Room 205  
200 East Wells Street  
Milwaukee, WI 53202

Phone (414) 286-2221  
Fax (414) 286-3456

e-mail: [mmurph@milwaukee.gov](mailto:mmurph@milwaukee.gov)  
website: [www.milwaukee.gov/district10](http://www.milwaukee.gov/district10)



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- Milwaukee Arts Board
- Housing Trust Fund Advisory Board
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**MEMBER:**

- Zoning, Neighborhoods & Development
- Steering & Rules Committee

May 28, 2009

Mr. W. Martin Morics, City Comptroller  
Office of the Comptroller  
City Hall Room 404  
200 E. Wells Street  
Milwaukee, Wisconsin 53202

Re: Options to Privatizing the Milwaukee Water Works

Dear Mr Morics,

The Common Council appreciates the gravity of our current and projected future fiscal situation, and is glad that the Office of the Comptroller is initiating innovative thinking about potential revenue sources. One possibility your office had already begun exploring, with our approval, was the possible privatization of the Milwaukee Water Works. However, with your consent it appears more prudent to hold that study until we pursue future options. To ensure that the Common Council has a thorough understanding of this initiative, we ask that your office perform parallel analyses of relevant options to privatizing the water utility.

Specifically, we ask that the Office of the Comptroller investigate 2 options to privatization. Both these options hinge on the capacity of Water Works to pay the City of Milwaukee "dividends" from operations. We have requested the City Attorney's legal opinion on the possibility of such dividends and the circumstances of their payment (cc'd to the Office of the Comptroller). We believe some "what if" analysis will prove instructive.

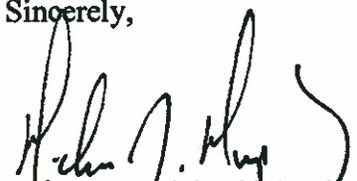
**Option #1** – What if the City raises water rates to the maximum currently allowable under Public Service Commission regulations and fully exploits the current dividend paying capacity of the Water Works? Based on the highest allowable water rates, current dividend paying capacity and current Water Works operations, and factoring in water sales to the "middle" section of New Berlin, we ask your office to analyze and project what additional revenues might be available to the City in the future and how these revenues might affect the City budget.

**Option #2** – What if the City was not bound by Public Service Commission regulations and could raise water rates significantly, and the dividend capacity of the Water Works

was redefined so dividends to the City could be increased without restriction so long as reasonable financial integrity of the utility was maintained? This option will require some judgment on the part of the Office of the Comptroller to generate reasonable scenarios, but should yield a snapshot of what the Water Works might look like if the City of Milwaukee was the “private” entity privatizing the utility under a long-term lease. Based on significant water rate increases, liberalized dividend guidelines and increased water sales to additional communities in the region, we ask your office to analyze and project what additional revenues might be available to the City in the future and how these revenues might affect the City budget.

We believe the analyses of these 2 additional options will help the Common Council better frame the issues of privatizing the Milwaukee Water Works and we thank you in advance for your office’s prompt and thorough attention to this request.

Sincerely,



Alderman Michael Murphy  
10<sup>th</sup> Aldermanic District



Alderman Nik Kovac  
3<sup>rd</sup> Aldermanic District



Alderman Robert Bauman  
4<sup>th</sup> Aldermanic District



Alderman Willie Hines, Jr.  
15<sup>th</sup> Aldermanic District

cc: City Attorney Grant Langley