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## How Milwaukee won the Waukesha water deal away from Oak Creek

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Waukesha Mayor Shawn Reilly said it was a difficult phone call last week when he told his counterpart in Oak Creek that, after five years of negotiating a water sale, he was going to instead buy from Milwaukee.

“I called the mayor of Oak Creek to say we’re going to have this press conference, we’re going to Milwaukee,” Reilly recalled, speaking just after that Monday press conference. “Oak Creek has been a community that has been wonderful to work with, and I wish I could have made it work, but I’ve got to look out for our ratepayers.”



SCOTT PAULUS

Waukesha Mayor Shawn Reilly

Oak Creek Dan Bukiewicz was on the other side of that phone call. He said Oak Creek is “a little disappointed,” but life will go on for his community’s water utility without the Waukesha deal.

“Shawn called me, a very difficult phone call for him to make, I would imagine, but he handled it very professionally,” Bukiewicz said.

Milwaukee and Waukesha on Monday announced a 40-year water sale agreement. That deal is cheaper for Waukesha residents, and has lower construction costs for the Waukesha Water Utility.

Monday's announcement ends a summer where Waukesha negotiated with both Oak Creek and Milwaukee over a long-term and lucrative water sale agreement. Milwaukee or Oak Creek would both see big benefits from selling water to Waukesha, making it a deal worth fighting for.

The deal means city of Milwaukee residents will see their combined water bills drop by about \$40 million over the next two decades, said Jennifer Gonda, superintendent of Milwaukee Water Works. Oak Creek earlier this year estimated that its current customers would see a 20 percent drop in water rates if it landed the contract with Waukesha.

Milwaukee had been at the negotiating table only since the start of June, when Waukesha’s agreement to talk exclusively with Oak Creek expired. Waukesha and Oak Creek had first entered into an exclusivity agreement in 2012.

The agreement lapsed temporarily in December and January, and during that window Reilly met with Milwaukee Mayor Tom Barrett. But Waukesha renewed its exclusivity deal with Oak Creek again in February

of this year.

Barrett sent a letter to Reilly in May in the hope of opening negotiations. When the commitment to Oak Creek expired again at the end of that month, Waukesha didn't renew it a second time.

Through the summer, both Oak Creek and Milwaukee knew there was a competitor at the table, Reilly said.

"Anything we felt could lower the cost differential, we looked into that," Reilly said.

Some major points cannot be negotiated in a water deal. The water rates will be set by the state Public Service Commission. The geography isn't flexible. Both of those favored Milwaukee from the outset.

"Their rates are lower than Oak Creek's, and the construction costs are less," Reilly said. "But everything needed to be looked at. There was a lot of time spent on this and we've been looking at it all summer long."

Oak Creek, for example, negotiated over potentially giving Waukesha a seat on its water utility board, Bukiewicz said.

"They would have had a voice on our water board," he said. "It was never fully negotiated out."

Another flex point is where the connection point would be between the two communities, Reilly said.

"Where it starts, that's a big item to take into consideration," he said. "That then factors into the distance. What pressure they provide it to us at?"

Waukesha expects construction costs will be about \$40 million lower under Milwaukee's offer, partially because of a closer connection. Oak Creek had proposed a connection around Ryan Road and 60th Street. Milwaukee's will be closer, around South 84th Street and West Cold Spring Road.

Gonda said her team wanted to connect Waukesha within an area that Milwaukee already was serving. Milwaukee agreed to cover \$15 million to \$18 million in projects, including a new pumping station and a segment of water transmission main, to provide the closer connection with Waukesha, Gonda said. The city would pay that off through the rate payments received on water sold to Waukesha, she said.

"It was a give and take, back and forth, to get to the right combination of factors," she said.

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