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## **Baltimore Voters Test Resistance to Privatization.**

- **It may become biggest U.S. city to ban sale of water utility**
- **'All sides are watching what's going to happen in Baltimore'**

Baltimore may push back against privatization.

Maryland's largest city on Tuesday will vote on a ballot measure that would bar it from selling off the government-owned water and sewer system, a step other financially struggling cities have explored to raise cash. If approved, Baltimore would be the biggest American municipality to ensure that its system remain in public hands, bucking a movement by companies including America Water Works Co. to run such utilities.

"This would be the first major city to basically say were not in the market for this," said Michael Klein, attorney at Cozen O'Connor who specializes in water transactions. "It's fair to say that a lot of different groups on all sides are watching what's going to happen in Baltimore."

The election in the 612,000-resident city comes after President Donald Trump unsuccessfully pushed for a broad expansion of private investment in America's infrastructure, seeing it as a way to reduce the federal cost of improving roads, bridges and other public works. Some cities, including Allentown, Pennsylvania, have relinquished control of utilities in order to raise needed cash, and Jacksonville, Florida, has weighed whether to privatize its electric and water system.

But privatization plans have proven politically contentious and drawn push back from residents. Stockton, California, which collapsed into bankruptcy after the recession, cancelled after just four years a \$600 million, 20-year deal struck in 2003 for its water and sewage systems. In Bayonne, New Jersey, water rates have risen about 28 percent since a private equity firm and water company took control in 2012.

### **Aging Utilities**

The private capital can be a boon for cities struggling to find money to invest in aging utilities. Nationwide, the U.S. needs about \$470 billion over the next 20 years for its water infrastructure alone, according to the Environmental Protection Agency. In Baltimore, where nearly a quarter of the residents live below the poverty line, the century-old system has entered into a consent degree with the EPA that will require it to spend an estimated \$1.6 billion in a little over a decade to stem pollution caused by its wastewater system.

Should the measure pass, Baltimore would need to find the money on its own, potentially through higher rates. Still, supporters of the privatization ban say it will protect residents because a corporation would need to charge even more to turn a profit on its investment. That argument has proven successful. Northampton, Massachusetts, in 2016 approved a measure that made it illegal for the city council to sell the water system. In 2010, Trenton, New Jersey, struck down such a sale at the polls by a nearly four-to-one margin.

"When you talk about a private company running a utility the only way it is going to turn a profit,

which is what they're concerned with, is reducing services or to jack up prices," said Lester Davis, deputy chief of staff for Baltimore city council president Jack Young. "This is a public utility that deals with an essential element of life. There's no amount of cost savings or consideration that will lead to elected leaders to gamble with that."

He said the ballot measure was proposed after a spate of discussion about privatizing Baltimore's water system.

"There was chatter around it that needed to be tamped down," he said. "It was never going to be acceptable to privatize. By making it illegal, we could save a lot of time and just shut the door completely."

## **Bloomberg Politics**

By Danielle Moran

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