

**WATER PRIVATIZATION DEAL:**

**\$600M water deal runs dry; Stockton gives up court appeal in privatization pact**

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**By David Siders, staff writer**

STOCKTON - The City Council abandoned the city's landmark, \$600 million water privatization deal late Tuesday, dropping its appeal of a court's ruling that the deal was illegal and promising to retake control of water and sewer facilities by March 1.

The decision, reached 5-0 in a private meeting, cheered the Concerned Citizens Coalition of Stockton, which has sought to dismantle the 20-year deal with water giant OMI-Thames Water since the council approved it in 2003.

"Tonight, it was a victory for democracy, for citizens in action," said Jeanne D'Angeli, whose husband, Mario, belongs to the coalition.

City Attorney Ren Nosky said the decision to abandon the water deal was "the right thing to do."

Mayor Ed Chavez said, "It was time to move on."

In an agreement with the coalition, Sierra Club and League of Women Voters of San Joaquin County - the groups that sued the city - the council agreed to dismiss its appeal and to pay almost \$2 million in legal fees, officials said.

In a separate agreement with OMI-Thames, the two sides struck a partial settlement in which the company will finish upgrading the city's sewer plant and will pay the city about \$2.1 million to settle outstanding issues before leaving Stockton next year, officials said.

The council's action Tuesday reversed its vote in January to appeal a San Joaquin County Superior Court judge's ruling that the city failed to perform a required environmental review of the contract.

The city had maintained it was sufficient to review the environmental impact of each construction project done by OMI-Thames, not the impact of the contract itself. San Joaquin County Superior Court Judge Elizabeth Humphreys ruled the city was wrong.

Labor negotiations could begin as soon as today in an effort to return employees at the plant to city payroll, officials said.

Stockton and OMI-Thames officials maintained Tuesday, as they have since 2003, that the waterworks deal saved the city millions of dollars and helped it to meet state water pollution standards.

"Our performance here by our team is to be admired," OMI's Robert Kuta said. He called "unfortunate" the deal's end.

Environmentalists have said OMI-Thames had a record of mismanagement, that sewer spills hurt the environment and that the city failed in its duty to oversee the performance of OMI-Thames.

"We had to step in and do it," Concerned Citizens Coalition Chairwoman Sylvia Kothe said. "We were ignored by both the City Council and the media."

Former Mayor Gary Podesto, under whose administration the water deal was approved, said Tuesday that the council was right to end the deal. He said the city's partnership with OMI-Thames was damaged by the constant cloud of a legal challenge.

"From the standpoint of animosity and this constant battle, it's good to have it behind them," he said. "If I were there, I would do the same thing."

Critics have said it was the way in which the contract was approved in 2003 that, as much as anything, caused animosity. The deal was signed 13 days before voters approved a measure that would have required a public vote on the deal.

Council members Rebecca Nabors and Dan Chapman were absent Tuesday. #

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