

**ILLINOIS ALLUVIAL REGIONAL WATER COMPANY, INC.**  
**CORPORATE STRUCTURE AND PURPOSE**

Illinois Alluvial Regional Water Company, Inc. is an Illinois Not-for-Profit Corporation organized pursuant to The General Not-For-Profit Corporations Act of 1986, **805 ILCS 105/101.01 *et seq*** to provide potable water to its members on a mutual, cooperative basis.

Alluvial is comprised of municipalities, water districts and not-for-profit rural water companies located within a geographic service area of Southwestern Illinois. No for-profit corporation, may be a member. Rather, membership in Alluvial is restricted to not-for-profit water cooperatives, water districts, municipalities and other public bodies.

Alluvial currently consist of the following charter members: The City of Carlinville, the Village of Dorchester, the Village of Bunker Hill, The Village of Fieldon, Fosterburg Water District, Central Macoupin County Water District and Jersey County Rural Water Company. Other similar entities may seek to become members in the future.

Alluvial's Members distribute water directly to local residents and businesses. However, they also distribute water in bulk to large customers and other communities. For example, the City of Carlinville provides bulk water to Prairie Farms. Fosterburg Water District provides bulk water to the Village of Godfrey, Fosterburg, Dorsey, Prairietown, Midway and Woodburn. Jersey County Rural Water Company provides bulk water to Medora, Shipman and Royal Lakes.

Not-for-profit corporations may only be formed for certain limited quasi-public purposes. **805 ILCS 105/103.05, *The Illinois Not For Profit Business Corporations Act***, provides that Not for Profit Corporations may be organized, *inter-alia*, for the purpose of "owning and operating water supply facilities for drinking and general domestic use on a mutual cooperative basis."

A cooperative is a special kind of not-for-profit corporation. It is a mutual company. It is owned and operated by its members. Each member independently appoints a representative to the Alluvial Board of Directors. The Board oversees the financing, design, construction and future operation of the proposed regional water facilities. Alluvial's mission is to provide a clean and steady source of potable water to its members at the lowest possible cost.

The Members have joined forces in this one particular endeavor to split the costs of producing water evenly amongst them, according to each party's respective usage. All members pay the same rate. There are no stockholders. No "profits" are retained. No dividends are paid. Any surplus must be returned to the members. All of Alluvial's Directors are volunteers who serve without compensation.

Alluvial is intended to be a regional wholesaler of water to its members at cost. By integrating vertically, local distributor/members control their water rates indirectly, through representatives, who serve on the Board of Directors. By pooling their efforts, Members are able to achieve an economy of scale that allows them to build a larger facility which will meet their collective demands, and avoid dependence on unrelated third parties or for profit corporations as a source of potable water.

Initially the plant will treat enough water to meet members' existing demands, but additional capacity has been designed into the treatment plant and distribution system to accommodate a reasonable amount of future growth and expansion within the intended service area.

Availability of potable water is critical to attracting new industry to the region and to sustaining the agriculture and the other industries which are presently here. Perhaps the most important benefit is to improve the quality of life and health of the commercial and domestic, residential users.

### **FUNDING AND EASEMENTS**

Alluvial is funded through a combination of Governmental grants and low interest loans. This particular project is financed by a governmental agency known as Rural Development, which is a part of The United States Department of Agriculture. Rural Development will provide funding for the construction of the well field (*i.e.* source wells), raw water transmission line, the treatment facility and the finished water distribution lines.

Generally speaking, Rural Development regulations and the Grant Agreement do not allow or provide funding for the purchase or acquisition of right of way easements for finished water lines. Rather, Rural Development requires that the easements be donated by landowners. Most projects are not possible without this critical contribution. The Department's thoughts are that this helps keep costs down. It reduces the amount of taxpayer funds and loans required, which in turn results in lower water rates for the communities served. In that sense, the communities' donations of right of way are being repaid in kind, in the form of more reasonable water rates.

Unlike most other projects, Rural Development may allow compensation payments to be made to landowners for easements for the main transmission lines, since no water service is delivered to landowners from those lines. In addition, the water company will pay reasonable compensation for crop and other damages caused by the construction of those lines.

The facilities will be constructed through a combination of USDA/Rural Development grant money and low interest loans, which will be secured by the Company's assets including the Members' water purchase contracts.

Members are not required to guarantee the debt or incur debt to construct a line to Alluvial. Rather, Alluvial will deliver water to its Members at a designated location or delivery point chosen by the members and Alluvial. Members only obligation is to purchase water from the corporation, which they must do anyway. In exchange, they get to participate in management of the Corporation. The revenue generated from water sales will cover cost, including debt service and loan repayment.

Members become part "owners/managers" of the company, without incurring liability for the cost of the improvements. Repayment is insured by Members entering into long term water purchase contracts with Alluvial that are commensurate with the period of any outstanding loans from Rural Development. These contracts are approved by Rural Development and include a Water Rate Formula which establishes the cost of the water to the members. Rates are the actual cost incurred

to produce the water and service the debt, plus approximately 10% to cover administrative expenses and overhead.

Given the substantial amount of grant (\$22 Million), being the largest water grant in the history of the State, and the low interest rate loan (\$44 Million), the debt service should be relatively low compared to any other option. The Members are essentially betting on themselves, that they can produce water for less than they can buy it from someone else. Water rates are dependent on their collective ability to successfully manage the company and control cost. Alluvial's Members are financially sound and have a great deal of experience managing water systems.

### **BENEFITS OF MEMBERSHIP**

The Alluvial Board reviews the proposed annual budget, compares it with the actual expenses incurred and sets the rates to be charged accordingly. Members review the operating cost and set their own rates, indirectly through the Board of Directors. The Members manage the Company and have access to its books and records. Each Member has one vote and all members pay the same rate. Alluvial is a corporate democracy. Administrative oversight and the ability to participate in not only rate setting, but also in the operational decisions of your "supplier", is one of the unique attributes of Alluvial.

Access to a clean, stable source of potable water is the primary benefit to the Members and the region. It maximizes our potential future economic growth. Rural areas have seen a dramatic increase in the amount of surface and ground water contamination in recent years. The availability of a steady source of clean water affects everyone's quality of life. It increases the value of the real estate and fosters continued commercial and residential use of rural areas.

Good water also promotes the growth of the local economy. It is important to the health of our families and livestock. It will provide immeasurable health benefits to those businesses, families and customers ultimately utilizing the water. Human and animal life is simply not sustainable without access to clean water and this unified approach prevents profiteers from obtaining a monopoly on an essential element of modern life. In short, it will position Members for the future.

Alluvial will be a wholesaler or regional supplier of water to its members. It will not compete with its members for customers, nor will it attempt to wrest local control away from them. Rather the intent is to create a mutually cooperative venture, where each member's own interest aligns with that of the company. This spirit of cooperation is perhaps best summed up in the familiar motto "One for all and all for one". This opportunity to participate in corporate governance, policy making and rate setting, while maintaining autonomy, is what distinguishes Alluvial from the other options currently available. Each member maintains control over its system and revenues.

A not-for-profit corporation such as Alluvial is the **ONLY** entity which allows municipalities, public water districts and not-for-profit rural water companies to partner together to serve the potable water needs of an entire region. Everyone may be included. No one is left behind. No Member must go it alone. The burden and benefits are shared.

## **THE WELL FIELD, TREATMENT PLANT AND WATER LINES**

The Alluvial Aquifer, underlying the well field, near the Illinois River bottoms, is known to be a plentiful source of ground water that does not contain the pesticides, atrazine, and other contaminants which often times found in surface waters. The Illinois River replenishes the aquifer and the earth's crust filters it. It is essentially inexhaustible and it is free. Ground water is easier to treat and has less problems with manganese, etc. that seasonably affects lakes and reservoirs. There is no cost to maintain a dam or impoundment.

A 20" - 24" raw water transmission line will run from the well field located in the western portion of Jersey County to a treatment plant, located west of Fieldon, Illinois on the North side of highway 16. The plant will be designed to produce approximately 8 million gallons of water per day.

A distribution system consisting of approximately 40 miles of large diameter water mains or trunk lines will be constructed eastward, from the treatment plant, to specific delivery points along the way for each member. The transmission line will terminate just southwest of Carlinville. Members will continue to utilize their own respective distribution systems to provide water to their customers and all users will remain customers of their current provider. The revenue streams from those customers will likewise remain local.

### **CONCLUSION**

Membership in Alluvial affords local municipalities and rural water companies an opportunity to control their future water supply through cooperation with others. This collective effort to work together allows members to build their own supplier, rather than become a captive customer of a third party. This allows projects to be undertaken on a scale of economy and achieve an efficiency of operations that no one individual community acting alone could otherwise obtain. Moreover, it prevents for profit corporations from creating a water monopoly in this region and dictating price and conditions to local communities and water co-ops. If you have any questions, please do not hesitate to contact us. Thank you for your interest in the project.