

# The Price of Privatization Stockton, CA

What may be the most notorious water privatization deal in the United States came to a close July 17, 2007 when the Stockton city council decided against appealing a judge's ruling that its contract with OMI-Thames Water had violated California environmental law. For four years, the Concerned Citizens Coalition of Stockton waged a grassroots campaign that culminated in a legal victory to defeat the privatization of their municipal water utility. The company must now return control of the utility to Stockton, effective March 2008.<sup>1</sup>

In 2002, Mayor Gary Podesto triggered widespread public protest when he proposed awarding a \$600 million, 20-year contract, to OMI-Thames, Inc. to manage and operate its municipal wastewater utility.<sup>2</sup> The mayor claimed that the privatization deal would save the city millions of dollars and that it was time "to think of Stockton's citizens as customers."<sup>3</sup> Shortly after, an independent analysis of the contract prepared by the Pacific Institute concluded that the mayor's figures were grossly overstated.<sup>4</sup>

The citizens of Stockton passed an initiative that required any privatization contract to be approved (or not) by voters. Yet before the initiative passed, Mayor Podesto succeeded in ramming the privatization contract through the City Council, which voted 4-3 to ratify the contract.

The CCCoS responded by organizing a referendum campaign to cancel the contract. After weeks of walking their neighborhoods, they fell just shy of collecting the required number of signatures to nullify the contract. Their efforts were complicated by a ruthless and expensive campaign launched by OMI/Thames with Mayor Podesto aimed at defeating the citizens' campaign.

Left with no other alternative, the CCCoS sued the City of Stockton for not conducting an environmental review of the contract as required by California law. In a case that garnered international attention because it was featured in the documentary film "Thirst," the CCCoS emerged victorious before and after an appeal by the city.<sup>5</sup> Nevertheless, while the case was argued in court, the citizens of Stockton experienced three years of privatization they will not soon forget.

The Concerned Citizens Coalition of Stockton produced a series of detailed reports that documented various problems caused by the privatization, including rate increases higher than promised, increased sewer overflows, and poor maintenance of the infrastructure. To the detriment of Stockton's ratepayers, the city government was unable or unwilling to bring OMI/Thames into compliance with the contract. CCCoS also found that the city revised the contract when the company could not meet a contractual requirement.<sup>6</sup> For example, the third CCCoS report found that the city allowed the company to run equipment to failure rather than carry out preventative maintenance.<sup>7</sup>

For Sylvia Kothe of CCCoS, the issue takes her back to 1954 when a League of Women Voters study found that



Citizens rally in Stockton.

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– Alan Snitow

municipal water should remain under public control. That is why, more than 40 years later, she got involved in the fight. She said the process was flawed from the beginning and the public was not involved in the discussion about who would control the water and how. The big issue was the contract never being in compliance with the California Environmental Quality Act. Beyond this, the city ignored the failed privatization efforts in Atlanta and New Orleans. City leaders overlooked the record of bad management that OMI-Thames had piled up.<sup>8</sup>

According to the *San Francisco Chronicle*: “Among critics of the deal, there were other disappointments that went beyond the legal fight - including a sewage spill into the San Joaquin River and the contamination of irrigation water with chlorinated water.”<sup>9</sup>

Perhaps now that the Stockton nightmare is nearly over, cities thinking about putting their water and sewer utilities into private hands will reconsider.

Alan Snitow, who along with Deborah Kaufman authored “Thirst,” a recent book profiling citizen opposition to privatization, told the *Chronicle*: “Water is a public trust, and should be overseen by public representatives...Like fire, police and schools, water is a public responsibility.”<sup>10</sup>



#### Endnotes

- <sup>1</sup> “Stockton, CA.” Factsheet. Food & Water Watch. Available at: [www.foodandwaterwatch.org/water/waterprivatization/usa/stockton-ca](http://www.foodandwaterwatch.org/water/waterprivatization/usa/stockton-ca)
- <sup>2</sup> Ibid.
- <sup>3</sup> Kaufman, Deborah. and Snitow, Alan. “*Thirst: Fighting the Corporate Theft of Water.*” (2007).
- <sup>4</sup> Wolff, Gary, P.E., Ph.D. “Letter to the Stockton City Council Regarding Privatization.” Pacific Institute for Studies in Development, Environment, and Security, Oct. 18, 2002. Available at: [www.pacinst.org/topics/water\\_and\\_sustainability/water\\_privatization/stockton/stockton\\_privatization\\_letter.htm](http://www.pacinst.org/topics/water_and_sustainability/water_privatization/stockton/stockton_privatization_letter.htm)
- <sup>5</sup> “Thirst.” Snitow-Kaufman Productions, Bullfrog Films, 2007.
- <sup>6</sup> “Annual Service Contract Compliance Review: Period February 19, 2003 through July 31, 2004.” Concerned Citizens Coalition of Stockton, Dec. 7, 2004. Available at: [www.cccos.org](http://www.cccos.org)
- <sup>7</sup> “Third Annual Service Contract Review.” Concerned Citizens Coalition of Stockton March 2007. Available at: [www.cccos.org](http://www.cccos.org)
- <sup>8</sup> Kothe, Sylvia. Personal Interview. Chairperson, Concerned Citizens Coalition of Stockton, August 2007.
- <sup>9</sup> “Stockton’s thirst gets quenched.” *San Francisco Chronicle*, July 30, 2007.
- <sup>10</sup> Ibid.

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