

SOLUTIONS THAT WORK

The sale of the Arnold, Missouri wastewater system to Missouri American Water made good sense for customers and the community.



PARTNERING WITH ARNOLD

CITY OF ARNOLD WASTEWATER ACQUISITION

The City of Arnold, Missouri is home to approximately 21,000 people in Jefferson County, Missouri – just south of St. Louis County.

Like many cities, Arnold faced the challenges of managing an aging sewer collection system in an environment of increasing environmental regulations, needed system upgrades and pressure on local sewer rates. The U.S. Environmental Protection Agency (EPA) estimates that nationally, more than \$280 billion of sewer system investment is required over the next 20 years to maintain reliable sewer service and protect U.S. rivers and streams.

CHALLENGES

Arnold's sewer collection system consists of about 113 miles of pipe and six pump stations. The sewage is piped to a wastewater plant operated by the Metropolitan St. Louis Sewer District, which treats the waste under a contract with the City of Arnold.

As the city looked forward, they identified several challenges.

- **System performance** - The City contracted with two local engineering firms to study the sources and quantity of storm water infiltration and inflow (I & I) entering the sewer system. Both studies found high levels of I & I from broken manholes and cracked sewer mains. As a result, the Arnold system was sending an excessive volume of storm water to MSD's regional treatment plant – unnecessarily adding to the city's sewage treatment costs.
- **Financial challenges** - Arnold sewer revenues only covered operating costs and debt service – not the funds needed to cover critical system investments. Cash reserves were declining, as the City struggled to cover limited sewer system improvements and operating shortfalls.
- **Future sewer rate increases** - At approximately \$26 per month for the average residential user, Arnold's sewer rates were below many neighboring cities. An independent rate study estimated that City sewer rates would need to increase by approximately 33 percent in 2012, followed by annual three percent increases, to cover operating costs, debt service and system upgrades.

"We believe that this partnership will be an important part of Arnold's future as a great place to live, work and play,"

**Arnold Mayor
Ron Counts**



ABOUT MISSOURI AMERICAN WATER

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 1.5 million people.

FACTS AT A GLANCE

Communities Served:

160 across the state

Customers Served:

About 1.5 million

Employees: Nearly 700

System Delivery:

230 million gallons per day (on average). We also operate 63 sewer systems.

Miles of Pipeline:

More than 6,200

Fire Hydrants:

More than 42,000

Water Supply Sources:

Surface water from the Missouri River, Meramec River and Shoal Creek. Groundwater sources include the Ozark Aquifer.

QUESTIONS?

Visit us online at missouriamwater.com or contact our Customer Service Center at 1-866-430-0820.

Hours: 7 a.m.–7 p.m.

For emergencies, we're available 24/7.

SOLUTIONS

A Focus On Priorities

In May of 2014, Arnold's leadership began conversations with Missouri American Water about the city's interest in selling their sewer collection system. City leadership and staff evaluated the potential of a public-private partnership in the context of benefits to local residents. They set priorities – including improving the performance of the sewer system, limiting future rate increases and improving the city's overall financial picture. The city also wanted to ensure that residents would receive quality customer service, city sewer staff would keep their jobs and the sale proceeds would support the city's goals.

Missouri American Water conducted market research and learned that local residents shared many of the city leaderships' goals –including the need for street and sidewalk improvements and a financially strong city. As in many communities, residents were not familiar with their sewer system or the regulatory and financial challenges ahead.

As the largest water and wastewater utility in the state, Missouri American Water works in collaboration with about 150 local communities – delivering water and wastewater service across the state. As the conversations continued, Arnold leaders and the company created a plan for public-private partnership that would deliver the city's priorities.

Public-private partnership

The partnership called for Missouri American Water to purchase and operate the City of Arnold's sewer collection system. The company agreed to conduct an educational campaign before the local referendum that focused on the shared priorities of the community, its leadership and Missouri American Water. "The Yes on S" proposition for safe sewers, streets and sidewalks was highlighted in local media, yard signs, advertising and more than a dozen community meetings. The campaign outlined the partnership's commitments.

- **Sewer system improvements** – Missouri American Water would invest \$5 million over four years in needed sewer system upgrades.
- **Limited rate increases** – The company pledged to limit the average residential rate increase to less than the increases planned by the city over the next four years.
- **Improved financial performance for the city** – With a public/private partnership, the city would eliminate its contractual obligations to MSD, retire its sewer system debt, gain proceeds from the sale and add Missouri American Water as a local taxpayer.
- **Security for employees** – Missouri American Water agreed to hire all Arnold sewer employees.

BENEFITS

In November 2014, Arnold residents approved the sale of the sewer system with a 70 percent favorable vote. When the sale closed in May, 2015, the benefits to the city were clear.

- **Financial benefits** - By eliminating sewer debt and MSD obligations and gaining funds from the system sale, property taxes and Missouri American Water's \$5 million capital investment – the total value of the sale to the City of Arnold adds up to about \$42 million.
- **Customer focus** - Former City of Arnold employees are now operating the sewer system as Missouri American Water employees. With computers in their trucks, they can address service requests quickly. Arnold customers now have more bill payment options – including paperless billing. The company's H2O Help financial assistance program supports customers who may need help paying their bills.
- **Quality, reliable sewer service** - Missouri American Water brings the expertise and buying power of a large company to the community – creating immediate benefits like a significantly lower cost of pipe and longer term-benefits, such as the ability to anticipate and address upcoming regulatory changes. A local office and team maintains a strong local focus. Improvements made to the system, including upsizing a primary trunk line, have significantly decreased the number of back-ups and improved system performance.



SOLUTIONS. ONE MORE WAY WE KEEP LIFE FLOWING.