UTILITY VALUATION REFORMS DELIVER BENEFITS FOR MISSOURI COMMUNITIES

Facing failing infrastructure, an aging workforce, and increasingly stringent water quality and environmental mandates, a growing number of local governments across Missouri are looking to turn operations of their water and wastewater utilities over to infrastructure professionals. The voluntary sale of water and wastewater systems to dedicated water professionals is a proven way for local governments to access the resources and expertise needed to address their growing utility challenges.

Passed and signed into law with bipartisan support in 2010, Missouri's utility valuation reforms updated the state's antiquated accounting rules that previously forced local governments wanting to sell water and sewer systems to do so at rock bottom prices.

Modernizing utility valuation rules in Missouri has allowed local governments and taxpayers to get a fair deal for the water and wastewater systems they choose to transfer to regulated, private sector water professionals.

What are the benefits of utility valuation reforms?

- SAFE AND RELIABLE INFRASTRUCTURE: Missouri's professional water companies have an unmatched record of providing superior water quality to customers. Multiple studies of EPA data show that systems owned and operated by water companies are significantly less likely to violate federal water quality standards compared to systems owned and operated by local governments.
- HELP FOR TROUBLED SYSTEMS: Utility valuation reforms have provided lifelines to troubled systems facing enforcement orders from state and federal regulators, allowing them to regain system compliance and retire utility debt. Without these reforms, these systems would likely be valued at next to nothing, severely limiting the benefits of a sale and harming taxpayers and customers.
- PROFESSIONAL OPERATORS WITH A SINGULAR FOCUS: While local governments have numerous competing priorities on top of providing water and wastewater services, water companies can singularly focus their professional expertise squarely on providing high-quality, safe and reliable service to communities.
- STRONG CONSUMER PROTECTIONS: Missouri's utility valuation rules require all system transactions to be reviewed and approved by state government experts at the Missouri Public Service Commission in a transparent, open process. The Commission can reject an unreasonable purchase price or any sale that is not in the best interest of the public.
- ACCESS TO CAPITAL FOR LOCAL PRIORITIES: Under the reforms, Missouri municipalities get a better deal for their assets and can put the resulting proceeds toward local priorities. Even municipalities that do not face urgent utility challenges have found voluntarily selling water and wastewater systems to be an effective way to offload utility risk, monetize assets and focus resources on other local needs. This may include paying down debt, funding pension obligations, making other infrastructure improvements, investing in economic development initiatives, or expanding local government services.

How have Missouri communities benefitted from utility valuation reforms?

GARDEN CITY: Acquisition provides path to compliance and funds for local priorities.

In the wake of serious water quality and environmental compliance challenges following years of deferred investments, nearly 90% of Garden City residents supported a sale of their water and sewer systems to a private, regulated water company in 2020. At the time, Mayor Marc Walton expressed confidence that the town had made the right decision, as the acquiring company pledged to make $7.4 million in infrastructure investments over five years to bring the systems back into compliance. In addition, the $3 million in proceeds from the sale enabled Garden City to retire debt and fund other community priorities.

EUREKA: Consolidation delivers access to high-quality drinking water.

After years of residents complaining about water quality, newly elected Mayor Sean Flower set out to find a solution for his city in 2019. After analyzing several options, Flower recommended selling Eureka's water and sewer systems to a private, regulated water company. Voters agreed, with over two-thirds authorizing the sale the following year. Under the agreement, the water company pledged to invest over $37 million in the Eureka water and sewer systems. Key investments included upgrading sewer infrastructure to maintain regulatory compliance and constructing a pipeline to connect the Eureka drinking water system with the company's larger St. Louis County footprint, providing access to Missouri River source water and ending the city's reliance on groundwater wells. In addition to the infrastructure investments and expertise provided by private sector water professionals, Eureka also received $28 million in sale proceeds, which city leaders said would be reinvested locally to support economic growth.

STEWARTSVILLE: Sale gives small community lower rates over the long term.

With just 350 households served, the Stewartsville water and sewer systems were well suited to gain significant efficiencies through an acquisition by a larger, professional water company serving hundreds of thousands of households each day in the region. In 2021, 90% of Stewartsville voters approved a sale of the systems under a deal that the mayor said would provide high quality water and wastewater services while keeping rates lower over the long term than they would be under continued government ownership. Under the acquisition, Stewartsville will receive $3.2 million in infrastructure upgrades alongside $1.9 million in sale proceeds that can be directed toward local priorities.

IRONTON: Voters overwhelmingly approve sale; millions in upgrades needed to regain compliance.

According to Ironton Mayor Bob Lourwood, the rationale for selling the local water and wastewater systems to a private, regulated water company was simple: "What we've been doing isn't working. We need to make changes to protect our way of life." With a sale – supported by 70% of voters in November 2022 – Ironton will receive $8.4 million in infrastructure upgrades over 10 years to achieve regulatory compliance and improve water quality. The acquisition will also provide the community with $3.7 million in sale proceeds.

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