CONSIDER THE RESULTS:

These three public/private partnerships resulted in major savings. The municipalities met their environmental needs faster and more cost effectively. Many other cities are also benefitting from similar partnership arrangements that:

- **Shorten construction time and lower construction costs;**
- **Meet compliance ahead of schedule and resume community growth;**
- **Reduce user fees by 10 to 20 percent compared to traditional financing;**
- **Improve access to engineering and operations expertise resulting in more efficient operations;**
- **Achieve savings through bulk purchases of chemicals and supplies;**
- **Avoid additional municipal debt.**

Stephen P. Allbee, Director
Planning and Analysis Division
Office of Municipal Pollution Control
Office of Water, EPA

"The Nation's commitment to clean water requires constant investment. Without question public/private arrangements will play an increasing role in meeting wastewater treatment needs."

Call Don Rugh at EPA on (202) 245-4153.

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EPA

Public/Private Partnerships Save Cities Millions

An Environmental Management Option

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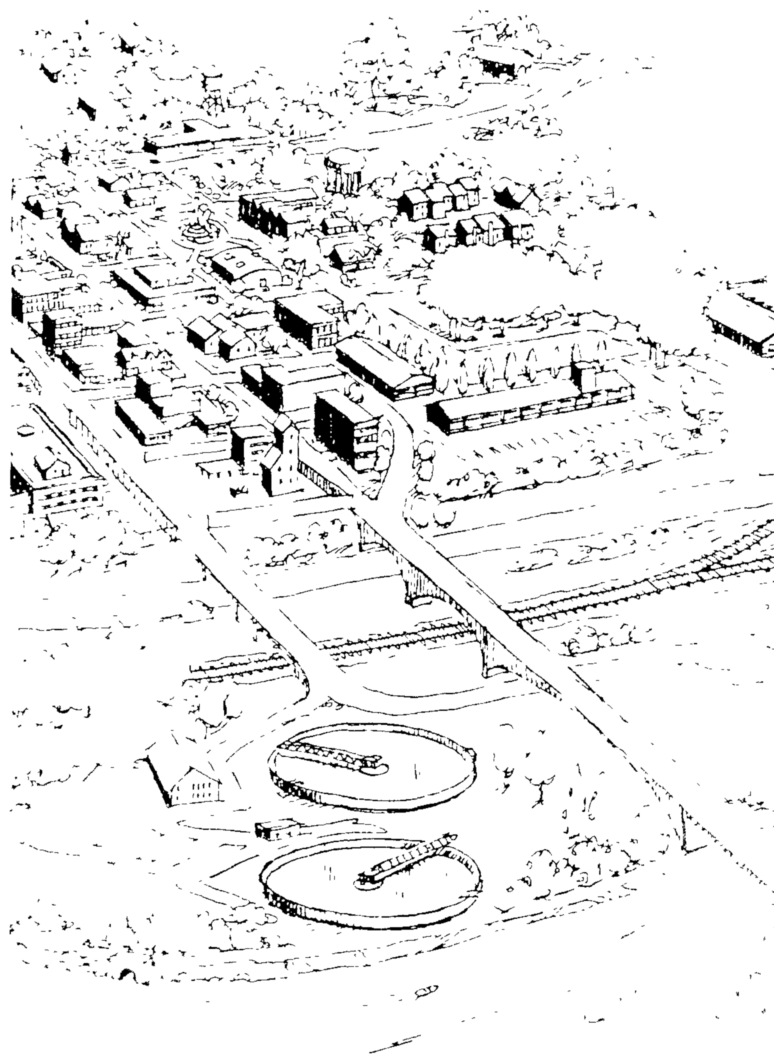


PUBLIC/PRIVATE PARTNERSHIPS

This brochure defines how public/private partnerships can become workable solutions to meet shortfalls in environmental infrastructure. The brochure profiles the cities of Auburn, Alabama, Downingtown, Pennsylvania, and Mt. Vernon, Illinois which have found partnerships an answer to their water needs. Savings of as much as 30% of life cycle costs are accomplished by partnership arrangements ranging from full privatization, through contract operations, to contracting for selected support services.

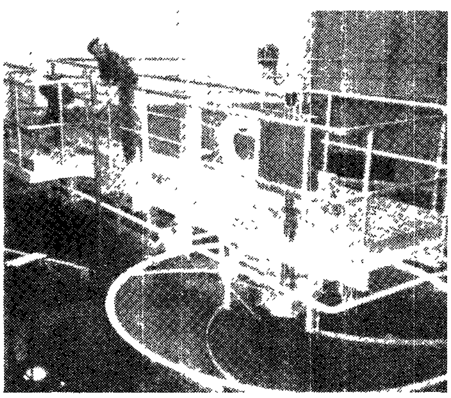
AUBURN, ALABAMA
(Full Privatization)

Douglas J. Watson
Auburn City Manager

"Auburn has been extremely pleased with the service and savings provided by our privatization contract for wastewater treatment services."

In 1983, Auburn needed a wastewater project with a capital cost of $32.6 million. Federal funding would have covered only 33% of this cost. After extensive options analysis -- full privatization proved to be the answer. Privatizaton is the broadest and most encompassing of the public/private partnerships providing private sector planning, design, construction, and ownership of the wastewater treatment facilities.

The city entered into a contract with a private provider to fully privatize its wastewater treatment plants. According to Doug Watson, **"Auburn selected the privatization option for primarily economic reasons. Even though Federal grant money was available, Auburn would have incurred $25 million in costs over the life of the project because of the need to cover the local share, the high issuance costs, and future capacity not eligible for grant funding."**



The city didn't have to spend $25 million of its funds to cover this project because the privatizer provided the capital. The privatizer and the city have a contract that specifies the roles, responsibilities, and economic interest of both parties. The long term service contract provides a reasonable return on the privatizer's investment.

facility. A new facility (consisting of upgrades and expansion) was built around the existing facility. DARA owns the Federally funded facility and the privatizer owns a separately identified new portion of the plant. The construction cost for the expansion was $10.4 million. The contract provided for expert operations of the entire treatment facility, support which would have been very difficult to obtain if it were not for private sector involvement.

DARA demonstrates that a small previously grant funded municipality can use public/private arrangements to expand and improve wastewater treatment operations.

MT. VERNON, ILLINOIS
(Municipal Ownership)

R. Jerrad King
Privatizer

"We feel that as Federal money for wastewater projects disappears, privatization is going to make all the sense in the world."

Mt. Vernon, Illinois, like the two preceding cities, needed to increase capacity of its treatment facility. Despite upgrading wastewater treatment and improving effluent standards, the capacity limitations of the Mt. Vernon facility restricted growth and blocked the opportunity to attract an industry considering locating in the area. With 18% unemployment, funding options to upgrade and expand were limited. The city options for funds were: the Federal Government ($2.3 million available), self financing-pay as you build (a cost of $9.5 million), or privatization

According to Mayor Rolland Lewis, "**Through 'turnkey construction' of the facility, the private partner provided a facility at a cost of about $5 million saving $4.5 million over other financing proposals."** There are two contracts. A "turnkey" contract provides for the total planning, design, and construction of the facility. Mt. Vernon through this contract was able to meet the additional service requirements five years ahead of the original projected schedule. The second contract is a 20 year full-life service agreement.

Mayor Lewis said, **"The private firm has been outstanding in its contractual and non-contractual performance. The trust placed in the private sector by our City has paid off with tremendous dividends for our citizens, the State of Illinois and Federal EPA."**

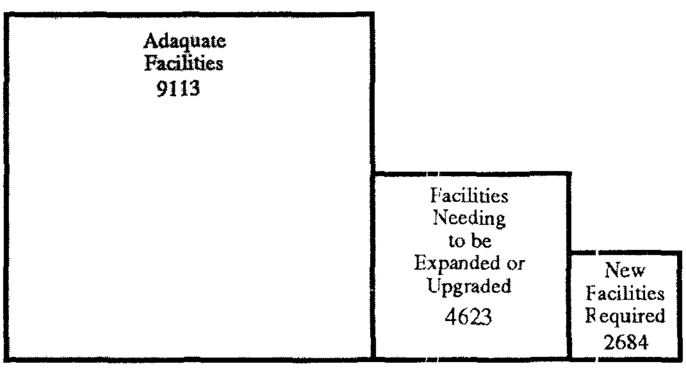
Mt. Vernon shows that partnership projects can proceed under current tax policy.

The exact economic conditions for the Auburn project cannot be replicated under current Federal tax policy. However, Auburn believes non-tax related benefits continue to justify this approach. These benefits include:

- The municipality and the privatizer are still enthusiastic about their "win-win" service contract;
- "Turnkey Construction" enabled a 5.4 mgd facility to go on line in 12 months, a time savings of approximately 3 years when compared to similar projects;
- Through the contract, the municipality shares responsibility and risk, as well as, benefits from cost saving incentives tied to operations.

Prior to the change in tax incentives, an economic analysis was unnecessary because the tax incentives alone supported the economic feasibility. The privatizer believes that privatization arrangements are still economically feasible. The basic difference in the post tax reform period is that projects need to be considered on a case-by-case basis.

Current Wastewater Needs

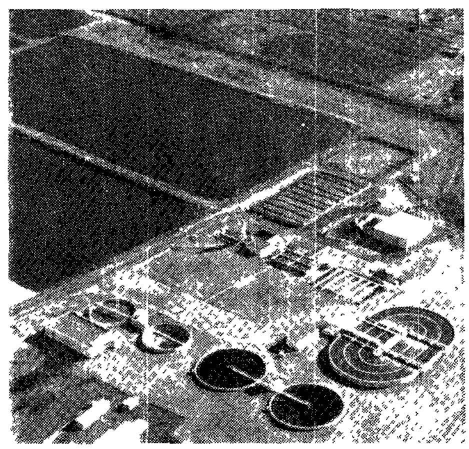


DOWNINGTOWN, PENNSYLVANIA

(Partial Ownership)

Representative Dick Schulze
5th Congressional District, PA

"The success of privatization in the Downingtown Area Regional Authority (DARA) expansion has shown me that the participation of the private sector is going to be a key ingredient in the modernization of our infrastructure."



DARAwas developed by five small cities to solve their treatment needs. The facility includes a prior EPA construction grant. It is an example of regionalization as a solution to a small communities' wastewater treatment problems. DARA serves Downingtown and four surrounding communities. The wastewater treatment facilities were near capacity and Federal funds were not available. A moratorium on new connections was being considered. Tax-exempt bonds were not an economic source of funding because of the small size of the municipalities. DARA concluded there was a definite advantage to partially privatizing the wastewater treatment