

City of Neosho Press Release

Subject: Agreement with Missouri-American Water Company for Water and Wastewater Systems

The City Council and Missouri-American Water Company have negotiated an Agreement for Sale of the water and wastewater systems. The Agreement includes a purchase price of \$34.5 million for acquisition of both systems, including necessary facilities, easements and infrastructure.

During deliberations and negotiations for this agreement councilmembers heard from representatives of Missouri American Water. The Council was informed the company is a publicly regulated utility company operating water and wastewater systems throughout Missouri for over 130 years. Some of the water and/or wastewater systems Missouri American Water currently operates are St. Louis County, St. Joseph, Jefferson City, Warrensburg, Parkville, Garden City, St. Charles, Mexico, Branson Metro, Arnold, Eureka and locally the cities of Joplin and Purcell. As a professional utility company, Missouri American Water uses specialized expertise in maintaining and operating water and wastewater systems including making system upgrades, maintaining regulatory compliance and providing a number of customer service options. As a regulated utility company, oversight of operations falls under the Missouri Public Service Commission ("MoPSC"), including setting or changing rates.

The valuation for the systems was completed by using the statutory appraisal method, which required three separate appraisers. The funds from the sale can be used by the City to relieve existing debts owed on the systems (\$5,263,000), strengthen financial reserves and to invest in other critical infrastructure and public purpose priorities without needing to increase taxes of citizens and the public.

The existing City systems originated over 80 years ago and will require substantial upgrades and improvements if the City continues to own and operate the systems. These upgrades and improvements will cost tens of millions of dollars, require dramatic rate increases and/or the approval of bond measures with additional taxes and take decades to make the necessary improvements.

As a professional regulated utility, Missouri American Water can be better suited to implement efficient strategic improvements and provide the necessary upgrades quicker. In making improvements and upgrades, the company must comply with federal and state quality standards. This will include professional technology for better water conservation, leak detection and wastewater treatment.

It is anticipated that City employees impacted by the sale will have the opportunity to join Missouri American Water, which is the standard practice following an acquisition. Multiple meetings will be held to discuss these opportunities with impacted City staff. Following completion of the acquisition, the City will be able to focus on core municipal services like public safety, streets, parks and planning.

If the Agreement is approved by the Council, it will be sent to MoPSC for their review. As part of the application to the MoPSC, Missouri American Water will request that Neosho customers remain on their existing rates at the time of closing. The MoPSC must approve the transaction for the purchase of either or both systems, and if approved MoPSC will determine the water and wastewater rates. The standard review period by MoPSC could be anytime between 6 to 12 months. During the review period by MoPSC, the City and Missouri American Water intend to hold multiple townhall meetings to discuss the sale of the systems and provide information to the public. If approved, Missouri American Water will commit to spending approximately \$35 million in water and wastewater system improvements over the next 5 years. These include investments in facilities and the replacement of water and wastewater mainline.

If you would like to provide feedback on the possible sale of the Neosho Utility, you can do so by emailing utilityfeedback@neoshomo.gov or by calling 417-451-8004 and leaving a voicemail. Please include your name, phone number, and address. You may also go to our city website and fill out the Utility Feedback form at <https://www.neoshomo.gov/467/Utility-Services>.