

# Prichard Water Works and Sewer Board

## Ownership, Governance and Operations Alternatives Analysis

Prichard, Alabama



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## Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	3
<b>OVERVIEW</b> .....	4
<b>ALTERNATIVES ANALYSIS</b> .....	9
EVALUATION CRITERIA.....	9
ANALYSIS OF ALTERNATIVES.....	12
<b>CONCLUSION</b> .....	27
<b>APPENDIX: Completed Alternatives Comparison Chart</b> .....	28



## EXECUTIVE SUMMARY

The Prichard Water Works and Sewer Board (PWWSB) owns, governs, and operates the public drinking water and wastewater systems for the City of Prichard, Alabama. PWWSB also operates the drinking water distribution system that serves residents of the neighboring city of Chickasaw, Alabama (the System). The System serves approximately 19,300 residents in Prichard and 6,400 in Chickasaw for combined total of approximately 26,000.

Both the water and wastewater components of the System are under Consent Orders with the Alabama Department of Environmental Management (ADEM) because of significant infrastructure issues.<sup>1 2</sup> The water system loses 60-65% of its water to leaks and theft, and large portions of the infrastructure will require replacement within the next two decades. A detailed asset management evaluation completed in May 2024 indicated that the estimated cost to replace or repair the infrastructure is over \$400 million over 20 years, with costs rising if completed over a longer period of time.<sup>3</sup>

On November 10, 2023, the Circuit Court of Mobile County, Alabama, entered an order that appointed John S. Young, Jr., LLC (Young) as the receiver with complete authority to operate and administer the System due to the significant technical, managerial, and financial challenges it is currently facing.<sup>4</sup> The court order also created the Prichard Citizens Advisory Council (Advisory Council) to ensure engagement and transparent communication with the community. In response to the Consent Orders, the receiver will prepare a Draft Master Plan and Alternatives Analysis to “recommend the most cost-effective and feasible long-term ownership and/or operational structure solution that maintains reliable and efficient service for customers.”

Moonshot Missions, Inc. (Moonshot) is providing technical assistance to the receiver at no cost through a cooperative agreement with the U.S. EPA as part of the National Environmental Finance Center Program.<sup>5</sup> Moonshot has been working with receiver Young since January 2024.

The purpose of this document is to aid the receiver’s evaluation of potential ownership, governance, and operational models that may be available to remedy conditions noted by the court, with special consideration to the overall sustainability of the System. This Alternatives Analysis evaluates five potential ownership, governance, and operational models under consideration for management of the current PWWSB water and sewer infrastructure.

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<sup>1</sup> Alabama Department of Environmental Management (ADEM), “ADEM Consent Order No. 24-037-CDW.” January 25, 2024.

<sup>2</sup> Alabama Department of Environmental Management (ADEM). “ADEM Consent Order No. 22-121 CWP.” September 12, 2022.

<sup>3</sup> Hazen and Sawyer. PWW&SB Asset Evaluation Technical Memorandum. May 2024.

<sup>4</sup> See the order of the Circuit Court of Mobile County, Alabama in Synovus Corporate Trust v. Water Works and Sewer Board of City of Prichard, No. 02-CV-2023-901332.00, Order Granting Receivership (November 10, 2023).

<sup>5</sup> <https://www.epa.gov/waterfinancecenter/efcn>



## OVERVIEW

This report considers the available governance and operational models, with a focus on financial stability, regulatory compliance, and affordable, improved service delivery to the community.

- **Alternative 1. MAWSS Ownership:** The Mobile Area Water and Sewer Service (MAWSS) will own, govern, and operate the infrastructure currently served by the PWWSB in Prichard and Chickasaw.
- **Alternative 2. PWWSB with Concession:** PWWSB retains ownership of the infrastructure that serves Prichard and Chickasaw; governance and operations are included in the terms of a negotiated concession agreement.
- **Alternative 3. City of Prichard with Concession:** The City of Prichard gains ownership of the infrastructure that serves the customers in Prichard and Chickasaw and will negotiate a concession agreement similar to Alternative 2.
- **Alternative 4. City of Prichard with Concession; MAWSS Ownership of Drinking Water Infrastructure in City of Chickasaw:** The City of Prichard gains ownership of the infrastructure that serves the customers in Prichard and will negotiate a concession agreement similar to Alternative 2. MAWSS will gain ownership of the drinking water infrastructure in Chickasaw.
- **Alternative 5. New Independent State-Appointed Authority:** An independent authority is created that will own infrastructure and govern services delivered to both Prichard and Chickasaw with a negotiated short-term operations and maintenance agreement until it assumes this responsibility.

The water supply option for each alternative is surface water from the Mobile Area Water and Sewer Service utility. As part of his due diligence, receiver Young was required to perform a source of water supply study to determine the best source available. Hazen & Sawyer was contracted to explore all feasible sources.<sup>6</sup> The options evaluated included maintaining the current reliance on purchased water from MAWSS, installing a surface water treatment plant, or drilling wells for a groundwater supply. The report concluded that developing a surface water source was not feasible due to contamination and regulatory barriers. The report identified groundwater as a potential source, which would only be considered after the PWWSB demonstrates the required technical, managerial, and financial capacities to operate a groundwater treatment system. Therefore, purchasing surface water from MAWSS was concluded to be the only viable short-term option.

This analysis compares each alternative to criteria chosen as critical and necessary factors for a public utility to deliver safe drinking water and clean wastewater with the greatest positive

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<sup>6</sup> Hazen & Sawyer. "Water Supply and Treatment Alternatives Analysis." July 1, 2024



community impact. The criteria and the relative benefits and drawbacks of each alternative are summarized below.

### Evaluation Criteria

- **Protect Human Health and the Environment:** Relative capability to secure and ensure regulatory compliance, reliability of water supply and wastewater quality, and emergency preparedness on a sustainable basis.
- **Cost and Affordability:** Relative access to grants, low-interest loans, operational efficiencies, sustainable rates, and affordability programs.
- **Ownership, Governance and Operations:** Relative experience, transparency, and operational management capability.
- **Community Impacts:** Opportunities for local representation on governing bodies, available opportunities for community involvement or input on key decisions, chances for job retention, and improved customer satisfaction.

**Table 1. Benefits and Drawbacks of Proposed Alternatives**

Alternative	Benefits	Drawbacks
1: MAWSS Ownership	<ul style="list-style-type: none"> <li>• MAWSS already provides drinking water to PWWSB, so no physical configuration changes are needed.</li> <li>• MAWSS has proven technical capacity and a favorable track record of receiving grants, principal forgiveness, and low interest loans.</li> <li>• Offers a history of high accountability and transparency in operations.</li> <li>• Offers high administrative (back-office) efficiencies that could lower operations and maintenance (O&amp;M) costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires a constitutional change and referendum. This may take over a year to establish.</li> <li>• This option is only viable if MAWSS is interested in taking over ownership.</li> </ul>
2: PWWSB with Concession	<ul style="list-style-type: none"> <li>• Minimum timeline for negotiation could be 4-6 months.</li> <li>• Capital is immediately available; no need to wait for public funding sources to be approved.</li> </ul>	<ul style="list-style-type: none"> <li>• PWWSB financial standing may limit access to state and federal loans or grants.</li> <li>• The concessionaire will have more limited access to state and federal funding compared to a public governance alternative.</li> <li>• A minimum rate of return for the benefit of investors may be required in addition to accounting for the cost of private capital.</li> <li>• Less transparency in decision-making compared to public entities.</li> </ul>



Alternative	Benefits	Drawbacks
		<ul style="list-style-type: none"> <li>• Customer rates will increase based on the process defined in the concession agreement which could allow rates to be set without meaningful public participation.</li> <li>• Chickasaw is opposed to this alternative.</li> <li>• Negotiation of protective risk management strategies consistent with industry standards should be required.</li> </ul>
<p>3: City of Prichard with Concession</p>	<ul style="list-style-type: none"> <li>• Minimum timeline for establishment may be 6-12 months.</li> <li>• Capital may be immediately available, rather than needing to wait for public funding sources to be approved.</li> </ul>	<ul style="list-style-type: none"> <li>• City's financial standing may limit access to state and federal loans or grants.</li> <li>• Private capital may be the primary funding source with the same potential for a minimum rate of return as discussed in Alternative 2.</li> <li>• Significant governance challenges for Prichard; may require new governance capacity.</li> <li>• Customer rates will increase based on the concession agreement which could allow rates to be set without meaningful public participation.</li> <li>• Chickasaw is opposed to this alternative.</li> <li>• Negotiation of protective risk management strategies consistent with industry standards should be required.</li> </ul>
<p>4: City of Prichard with Concession and MAWSS Ownership of Drinking Water Infrastructure in Chickasaw</p>	<ul style="list-style-type: none"> <li>• For both, minimum timeline for legislative changes may be 6-12 months.</li> <li>• For both, offers high transparency in decision making because the utility will be publicly governed.</li> <li>• For Prichard, capital may be immediately available with concession, rather than needing to wait for public funding sources to be approved.</li> <li>• For Chickasaw, greater access to public funding and opportunities for low cost of capital.</li> </ul>	<ul style="list-style-type: none"> <li>• For both, alternative is only viable if the concessionaire agrees to a concession agreement without Chickasaw's system.</li> <li>• For both, negotiation of protective risk management strategies consistent with industry standards should be required.</li> <li>• For Prichard, City must agree that MAWSS can deliver water in Chickasaw.</li> <li>• For Prichard, may rely on private capital for funding because of limited access to public funds.</li> </ul>



Alternative	Benefits	Drawbacks
	<ul style="list-style-type: none"> <li>For Chickasaw, high economies of scale and administrative (back-office) efficiencies from incorporating with MAWSS that could lower O&amp;M costs.</li> </ul>	<ul style="list-style-type: none"> <li>For Prichard, a minimum rate of return for the benefit of investors may be required in addition to accounting for the cost of private capital.</li> <li>For Chickasaw, cost to physically isolate the two systems requires valves and additional infrastructure.</li> </ul>
5: New Independent State-Appointed Authority	<ul style="list-style-type: none"> <li>Access to public funding, and low cost of capital, similar to Alternative 1, with the caveat that a newly established independent authority would take more time to get established and the speed of acquiring capital could be slow at first.</li> <li>Likely will provide high transparency in decision making, with potential for administrative cost efficiencies because established state administrative processes may be applicable to operations.</li> <li>Has potential to have governance/leadership configured to offer some degree of local public control.</li> </ul>	<ul style="list-style-type: none"> <li>Creating a new independent authority appointed by the state may require a minimum timeline of 1-2 years.</li> <li>Complexity of setting up a new legal entity and governance structure.</li> <li>Negotiation of protective risk management strategies consistent with industry standards should be required.</li> <li>This alternative is only viable if the state agrees to form this authority.</li> </ul>

Each proposed governance model carries potential benefits and drawbacks, which the receiver will carefully consider when making his recommendation to the court and to ADEM. The most significant barriers include:

- At the time of writing this report, MAWSS has not confirmed or denied its interest in operating or managing the Prichard and/or Chickasaw systems, leaving any alternative that involves MAWSS still in question.
- The City of Chickasaw is opposed to the PWWSB concession agreement. While Chickasaw does not have formal representation on the PWWSB, its opposition to the concession could create or foster significant public sentiment against the agreement because customers in Chickasaw will be impacted.<sup>7</sup>

<sup>7</sup> This analysis assumes the PWWSB owns the drinking water infrastructure that serves customers in Chickasaw.



- There is no indication that ADEM will continue to provide grants and/or SRF principal forgiveness to the PWWSB if operating under a concession agreement.
- It is not known whether the state will agree to create an independent authority for governance of the system.





## ALTERNATIVES ANALYSIS

The analysis begins with a description of the criteria used to evaluate the various governance models. The evaluation of each alternative against these criteria follows. An appendix provides an overview table with a summary of the evaluation for each alternative against the chosen criteria.

### EVALUATION CRITERIA

To evaluate each ownership, governance, and operations alternative, criteria were chosen that encompass the critical aspects of delivering sustainable, safe, and affordable water and wastewater service. The criteria listed in the Overview are described in further detail below.

#### *Protection of Human Health and the Environment*

The mission of all public water utilities is to provide safe, reliable, and affordable water services to the community, thereby ensuring public health and environmental protection. Water utilities are required to supply drinking water that meets all public health standards, maintain reliable service, and properly treat wastewater. By adhering to water quality standards, preparing for emergencies, managing water resources sustainably, and controlling pollution, public water utilities play a critical role in protecting human health and the environment.

Determining whether a utility governance and ownership model possesses the leadership team and operational capability to deliver service that meets public health and environmental standards is a major component of this evaluation. This includes assessing each governance team's experience serving communities like those served currently by the PWWSB.

Considering the current PWWSB system is under a consent order for both water and wastewater, the timing to achieve compliance is another criterion that was evaluated. This timing relates to the utility's speed and capacity to access capital for major system improvements and to meet all other financial, technical, and managerial challenges.

#### *Cost and Affordability*

Access to grants and the cost of borrowing capital are important factors in evaluating utility ownership, governance, and operation models. Grants and loans, available through state revolving funds (SRFs), federal programs offered by FEMA and USDA, or by philanthropic foundations, can play a significant role by offering low interest funding or funding without the expectation of repayment (principal forgiveness). This type of funding can support a range of projects, from infrastructure improvements to maintaining environmental compliance. Access to such funding can significantly reduce the financial burden on the utility, making it possible to undertake projects that might otherwise be unaffordable.



However, grants are not always available, and no utility should completely rely on them for financial sustainability. The cost of borrowing capital is important because it directly impacts the long-term financial health of the utility. Borrowing costs, which include interest rates, need to be carefully evaluated to make sure they do not create a financial burden on the utility and its customers. High borrowing costs can lead to increased rates for customers and can also potentially limit the utility's ability to invest in needed infrastructure. Therefore, understanding and managing these costs is important for ensuring the utility remains financially viable while providing quality and affordable service to its customers.

O&M costs are the other major part of a utility's budget in addition to the cost of capital. The cost of O&M includes all expenses required to keep the water utility functioning, which could include costs of water treatment and distribution, wastewater treatment and collection, power, chemicals, routine maintenance, equipment repairs, administrative or back-office operations, employee benefits, and overhead expenses. Higher operational costs can lead to increased rates for customers.

Affordability programs can offer customers in low-income communities a way to better afford rising water bills while also ensuring the utility can bring in the required revenue to properly operate and maintain the system. Effective affordability programs provide financial assistance or reduced rates to vulnerable communities, thereby helping to ensure that everyone has access to essential water services regardless of their economic status. The availability of these types of programs is another important criterion that was used to compare different ownership and governance models.

### *Ownership, Governance and Operations*

Evaluating each alternative involved an analysis of the experience and transparency of each ownership, governance, and operations model. Understanding the legal framework under which the utility operates is important because this influences its capacity to deliver reliable services and adhere to regulatory requirements. The history and track record of each governance model in managing a water utility provides insight into its capability to handle the complexities of water utility governance. Transparency in the entity's operations, decision-making processes, and reporting practices is essential for building trust with the community and ensuring accountability.

The effectiveness of water utility operations largely depends on the skills and experience of the ownership, O&M, and governance teams. This criterion assesses the qualifications, expertise, and past performance of the key personnel responsible for day-to-day operations and long-term maintenance of the utility's infrastructure. Experienced O&M teams are better equipped to handle routine maintenance, address emergencies, and implement improvements efficiently. This evaluation assessed the O&M team's credentials, previous projects, and ability to adapt to evolving industry standards and technological advancements.



### *Community and Workforce Impacts*

Evaluating the community impacts across different governance models involves analyzing the degree of local representation, community involvement, and public control. This framework assesses each model's mechanisms for engaging with the community, gathering feedback, and incorporating that feedback into service improvement plans. Effective community involvement in decision-making and responsiveness to concerns are essential for building trust and meeting community needs.

Job retention and opportunities compare the governing entity's plans to retain members of the current PWWSB workforce. This criterion evaluates strategies for job security, professional development, and the potential for job creation, stable employment conditions, and continuity of operations.

Community impacts also assess customer satisfaction monitoring. This includes methods and metrics for gauging satisfaction, such as surveys, feedback mechanisms, and complaint resolution processes. The utility's ability to meet customer expectations, respond promptly to issues, and improve based on feedback is important for long-term satisfaction and trust.



## ANALYSIS OF ALTERNATIVES

The analysis of each alternative uses information publicly available on regulatory compliance databases, state SRF websites, financial reports, budgets, and content found on the fixprichard.com website. The evaluation criteria described in the previous section were then applied to each ownership, governance, and operations model to provide insight about which model could lead to the best public health and environmental outcomes at the most affordable cost with the most positive impact on the community served.

***Alternative 1. MAWSS Ownership: The Mobile Area Water and Sewer Service (MAWSS) will own, govern, and operate the infrastructure in the City of Prichard and Chickasaw currently served by the PWWSB.***

Alternative 1 is the scenario in which the current PWWSB is incorporated into the neighboring utility, MAWSS. In this alternative all ownership, governance, and operations would be ceded to MAWSS for the existing PWWSB customers.

### Protection of Public Health and the Environment

The regulatory compliance history of the MAWSS water and wastewater systems are an indicator of the public health and environmental outcomes it may be able to deliver to the customers of PWWSB. MAWSS operates two water treatment plants, the H.E. Myers WTP and the E.M. Stickney WTP, that treat and distribute surface water to MAWSS customers. On a monthly basis, the Myers plant has the capacity to treat 30 million gallons of water per day. The Stickney plant has the capacity to treat up to 60 million gallons of water per day.<sup>8</sup> A review of MAWSS's compliance history and Consumer Confidence Reports (CCRs) revealed that the drinking water system has reported just one violation in the past 20 years.<sup>9</sup>

The MAWSS board also owns and operates two wastewater treatment facilities, the C.C. Williams WWTP and the Wright-Smith WWTP, with a combined total capacity to treat up to 40 million gallons daily. A review of the EPA's Enforcement and Compliance History Online (ECHO) database from the last five years (July 2019 – 2024) shows the C.C. Williams WWTP has reported 21 NPDES permit discharge monitoring report (DMR) exceedances and has received two informal enforcement actions for non-compliance.<sup>10</sup> The compliance history of the Wright-Smith WWTP from the last five years shows the plant has reported zero DMR exceedances and has not received any informal enforcement actions. EPA ECHO also shows MAWSS entered a

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<sup>8</sup> Mobile Area Water and Sewer System. "2024 Operating and Capital Budget." Accessed July 19, 2024.

<sup>9</sup> Alabama Department of Environmental Management. "Violations for Drinking Water System PWS ID Number AL0001005." ADEM Drinking Water Watch. Accessed July 19, 2024.

<sup>10</sup> U.S. Environmental Protection Agency. "Detailed Facility Report: Prichard Water Works and Sewer Board." ECHO. Accessed July 19, 2024.



judicial consent order with the Alabama DEM in 2021 related to past sewage spills in its collection system.

The drinking water provided by MAWSS to PWWSB has historically met all public health standards. However, there are components within the PWWSB water distribution system that could impact water quality. The receiver has provided information that the PWWSB water storage tanks have sanitary deficiencies, and the utility lacks an approved cross connection control program that can help protect against contaminants entering the water system from industrial or commercial sources. These are improvements that PWWSB is currently addressing using the initial grant from ADEM.

Leakage and water loss because of poor and failing pipes and possible water theft is the major issue facing PWWSB. Reducing this water loss will require the greatest amount of capital to improve. Frequent main breaks and inoperable valves can lead to pressure loss and boil water advisories that impact customers negatively and threaten quality service delivery and human health. An immediate influx of capital to repair some of the leaking pipes will be a big benefit to the system from a financial, environmental and public health perspective.

The wastewater treatment plants in Prichard have regularly failed to meet standards and have reported numerous SSOs that led to the wastewater consent order from ADEM that requires a robust compliance action plan. Improvements to the system are needed to achieve full compliance with all public health standards.

If MAWSS gains control over the infrastructure that serves Prichard and Chickasaw and completes necessary capital improvements, it is reasonable to assume that the System will meet all applicable regulatory and public health standards, and thereby advance the delivery of safe drinking water and clean wastewater. The time to achieve regulatory compliance will be impacted by the time needed to establish the updated governance structure, which would require a constitutional change and a referendum. The anticipated timeline for this process is at least one year, although unforeseen factors may lengthen the time of implementation.

### **Cost and Affordability**

This analysis assumes that MAWSS will seek to keep its services delivered to PWWSB, and the corresponding costs, separate from those of its current customer base. Nonetheless, it is still anticipated that because MAWSS already has the operations, maintenance, management staffing and resources in place for its current services, there will still be significant economies of scale that could lead to cost savings (due to the efficiency of the current large utility). Moreover, since the combined population of Prichard and Chickasaw is estimated at 26,000 compared to Mobile's at 185,000, it can be anticipated the marginal cost for providing operations, maintenance and management services to PWWSB would be minimal for MAWSS.



The component of the service bill for the PWWSB residents that would correspond to annual operations, maintenance and management cost should be similar to the costs paid by Mobile residents today. In 2023, the cost per MAWSS account was approximately \$719 per year, based on an O&M expense budget of \$65 million and a total of 90,455 accounts. The bills charged to PWWSB customers, as compared to customers of Mobile, would be higher based on the annual debt service component due to the cost of capital upgrades to the PWWSB system and the impact of ongoing non-revenue water while these upgrades are being completed. Non-revenue water costs, and overall capital improvement costs, should decrease significantly over time as the PWWSB system is repaired to address leakage problems. In the future, after the capital investments are mostly complete and have been funded through SRF, WIFIA, BIL, or other public sources, the rates should merge and become similar to those currently billed by MAWSS.

The rates charged by MAWSS would be subject, as with any municipal utility, to the normal rate review and public participation process. The average Prichard customer's water and sewer bill is currently higher than the average MAWSS customer, and both are higher than the Alabama average.<sup>11</sup> Although Prichard rates may remain elevated while capital improvements are being made, affordability assistance programs could be used to offset these costs. MAWSS has an assistance program called Neighbors in Need, which is administered by Mobile Community Action, Inc. and provides utility bill assistance to low-income households. The program is primarily funded through donations from existing ratepayers but could be expanded using federal or state funding if Prichard customers were incorporated by MAWSS. The current MAWSS Strategic Plan ("Vision 2026" – Published 2021) includes the goal of expanding customer assistance programs and the intention to "expand public awareness of and participation in programs."<sup>12</sup>

To finance the necessary capital upgrades to the Prichard water and sewer systems, MAWSS, as a public entity, would qualify for State Revolving Fund (SRF) and Water Infrastructure Finance and Innovation Act (WIFIA) funding. Other potential sources of funding include the Federal Emergency Management Administration (FEMA) and the United States Department of Agriculture (USDA). These state and federally administered funding sources have the lowest possible borrowing cost of any other financing alternative.

Since 2022, MAWSS has received \$85,118,770 in Clean Water (CW) and Drinking Water (DW) SRF loans, with 2.5% of these loans forgiven under the principal forgiveness allocation<sup>13</sup>. The

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<sup>11</sup> University of North Carolina. Environmental Finance Center Water and Wastewater Rates Dashboard for Alabama. Accessed June 10, 2024. (As of July 2023, the median combined water and sewer bill for 4,500 gallons of water use was \$64.07 across the state of Alabama. The average MAWSS combined bill was \$71.82 and the average Prichard combined bill was \$99.56.)

<sup>12</sup> Mobile Area Water & Sewer System. "Vision 2026: Our Strategic Plan."

<sup>13</sup> Alabama Department of Environmental Management. Clean Water and Drinking Water State Revolving Fund Intended Use Plans, Fiscal Years 2022 and 2023. Accessed June 15, 2024.



MAWSS credit rating is high<sup>14</sup>, indicating their good standing with credit bureaus and ability to timely pay off debt. If MAWSS incorporates the PWWSB system, the utility would have a high likelihood of obtaining additional SRF funding (or other loans) to fund the necessary capital improvements. Additionally, because Prichard and Chickasaw are disadvantaged communities (by state and federal definitions)<sup>15 16</sup>, MAWSS would have a higher probability of receiving principal forgiveness for loans received for capital improvements to the System.

In summary, under a MAWSS ownership and governance model, the PWWSB customer base would be separate from Mobile and incur the cost of improvements to Prichard and Chickasaw in the form of increased rates and customer bills (which is the likely outcome of every model under consideration). However, this governance model would allow for an overall reduction of costs passed to the consumer because of the following factors: the economies of scale for O&M needs, the lower cost of borrowing money combined with a higher likelihood of principal forgiveness for a disadvantaged community, the prospect of lower operating costs over time as infrastructure needs are addresses, and the potential for external funding to augment the existing assistance program.

### **Ownership, Governance and Operations**

Under this model, MAWSS would own, operate and maintain the PWWSB system, including managing finances, setting rates, managing the capital program, and seeking funding for necessary system improvements. Other than MAWSS stated intention that PWWSB customers would keep the debt service associated with upgrades to the PWWSB system, the residents of Prichard and Chickasaw would enjoy the same rights and privileges as the Mobile customers of MAWSS. This includes belonging to a large and successful utility system that would benefit from the increased resources and capacity, access to federal and state funding, due to a higher bond rating, and reduced O&M costs due to economies of scale.

The MAWSS governance structure is a public authority that operates as a not-for-profit entity which is held publicly accountable by a local board of commissioners. The MAWSS Board of Water and Sewer Commissioners is operated under a deed of trust from the City of Mobile issued in 1951 and is appointed by the Mobile City Council. Its governance is transparent to the public, inherently because it is a public entity. The utility features a strong customer connection base, as evidenced by the information in its Strategic Plan, budget and expenditures, contact information, water report, newsletter, and more, all of which are located on the MAWSS website.

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<sup>14</sup> The Board of Water and Sewer Commissioners of the City of Mobile. 2024 Annual Operating Budget and Capital Improvement Budget. December 4, 2023.

<sup>15</sup> United States Council on Environmental Quality. Climate and Economic Justice Screening Tool. November 22, 2022.

<sup>16</sup> Alabama Department of Economic and Community Affairs. "What is a 'disadvantaged community'?" Accessed Jul. 19, 2024.





The governance and operations staff are both considered competent due to the utility's financial standing and reputation. MAWSS typically receives positive press, including receipt of many awards (for example, the Williams Plant has received at least 16 consecutive years of "Platinum Peak Performance Awards" for perfect regulatory compliance from the National Association for Clean Water Agencies). The Strategic Plan clearly outlines both the goals and performance indicators used to gauge success. The plan includes indicators of utility transparency to its growing customer base, including the increase of "customer awareness of fiscal and operational service benefits and needs," implementation of "customer Service improvements based on feedback from current and prospective customers," and the engagement and education of "all community stakeholders and customers."<sup>17</sup>

### **Customer Impacts**

Under the MAWSS model, PWWSB customers would have the same access to MAWSS as existing customers. The Board holds public meetings and receives input from ratepayers. The representatives within the governance team will be local to the Mobile area but may not necessarily be local to Prichard and/or Chickasaw. The communities would therefore have very limited sway in the overall governance of the system in comparison to the PWWSB existing structure, which is all local.

The retention of existing utility jobs is to be determined. Any jobs that are kept will remain local to the Mobile area, and it is likely that new jobs may be available to the Prichard and Chickasaw communities. Employees of the utility could be granted additional career growth opportunities within the larger utility, as compared to the opportunities within the existing system. The MAWSS Strategic Plan highlights employee engagement and development as one of its main "pillars" for the future.

Under the MAWSS ownership and governance model, the risk apportionment to the community is assumed to be lower than under any scenario under a concession model. This is because MAWSS's actions would be supported by insurance and the financial resources of the MAWSS authority, which would assume most financial risk associated with any legal or regulatory challenges.

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<sup>17</sup> Mobile Area Water & Sewer System, "Strategic Plan" <https://www.mawss.com/about/strategic-plan/>.





**Alternative 2. PWWSB with Concession:** *PWWSB retains ownership of the infrastructure that serves Prichard and Chickasaw; governance and operations are included in the terms of a negotiated concession agreement.*

Under Alternative 2, the system would continue to be owned by the PWWSB, but all operations, maintenance and management services would be contracted out to Prichard Capital Partners, LLC (the concessionaire). An LLC is to be established under a public/private concession agreement for the operation, maintenance and management services for the water and wastewater systems currently managed by PWWSB.

The concession agreement would be negotiated by PWWSB and the concessionaire. Since Chickasaw has no membership on the PWWSB, nor any ownership of the drinking water assets served by the PWWSB, they would not be part of the negotiation.<sup>18</sup> The agreement would outline the specific responsibilities of PWWSB and the concessionaire. These responsibilities would create contractual obligations for both parties that, in large measure, will drive service rates. It is important to note that the overall viability of this option is still in question because Chickasaw's Mayor Broadhead has stated the city is not interested in the concession.<sup>19</sup> While Chickasaw does not have formal representation on the PWWSB, its opposition to the concession could create or foster significant public sentiment against the agreement because Chickasaw customers will be impacted.

### **Protection of Public Health and the Environment**

As with the first governance model (and all alternatives considered herein), it is expected that the protection of public and environmental health will be achieved with the implementation of the necessary capital improvements. Following compliance, ongoing maintenance will ensure this protection continues indefinitely.

The time to achieve regulatory compliance will be impacted by the time needed to negotiate and establish the updated governance structure. In this model, the anticipated timeline for establishment of the concession is a minimum of four to six months. This period may be longer depending on the duration of contract negotiations and the time needed for the concessionaire to complete its due diligence. This timeline has the potential to be the fastest of all the alternatives considered.

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<sup>18</sup> See footnote 7 above regarding ownership of infrastructure in Chickasaw.

<sup>19</sup> Broadhead, Barry. Letter to John Young re: Future Ownership and Operation of the PWWSB System. May 17, 2024.



## Cost and Affordability

The concessionaire is advised by Oppenheimer & Co., Inc., a financial advisor, and Water Capital Partners as a co-developer.<sup>20</sup> Additionally, the concessionaire is supported by JLC Infrastructure, a national investment firm with a focus on infrastructure development and asset management. Other lenders or capital contributors may be brought on as needed.

The source of funding under this scenario would likely be primarily private capital and potentially philanthropic support. Public funding may be utilized but could be more difficult to access initially because of PWWSB's recent history of poorly managing funds. For this reason, it is anticipated that initial funding will be strictly privately sourced for the first years of the concession agreement and could transition to some public funding over time, as financial capacity and reputation of the PWWSB board is proven to be strengthened. It is unclear whether the concessionaire model will disqualify the utility from receiving principal forgiveness, but there could still be an opportunity to obtain grant funding because of Prichard and Chickasaw's disadvantaged community status.

A guaranteed rate of return to investors may be a feature of the concession agreement. This rate of return could be negotiated to secure constant or set rates of return to investors over time. For example, a similar past concession agreement made in 2012 in Bayonne, NJ has a rate of return in the low double digits (11% according to one article).<sup>21</sup> In this option, the rates paid by PWWSB ratepayers will be established by protocols included in the concession agreement and will not be subject to typical public participation processes employed by public water utilities when setting rates.

Typically, operating expenses in a concession agreement are driven by the concessionaire's "Operating and Technical Standards," which can substitute formulas for a board's discretion. These formulas can identify routine annual adjustments as well as specific triggering events. First, annual rate increases may be imposed if the total cost of water, operations and maintenance, or applicable taxes exceed anticipated costs for that year. Another class of rate adjustments can be triggered by unforeseen events that reduce a projected return below stated minimums. These events may include higher than expected capital improvement or operations and maintenance costs, unusual emergency response costs, or failures on the part of the board to pay obligations, such as for source water or taxes. Additional adjustments may be triggered if material changes are made to the utility's capital improvement plan (likely to be updated annually under the concession agreement). While the total allowable annual rate increase may be capped, the maximum possible increase could present financial burdens to ratepayers. To ease affordability burdens, the parties to the concession may negotiate an affordability fund or program.

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<sup>20</sup> [https://prichardwater.com/documents/1299/PWP\\_-\\_Prichard\\_Bid\\_Summary\\_081423\\_Final.pdf](https://prichardwater.com/documents/1299/PWP_-_Prichard_Bid_Summary_081423_Final.pdf)

<sup>21</sup> Sullivan, Al. "Decade Old Bayonne Water Deal Still Making Waves." TAPinto Bayonne. February 2, 2022.



## **Ownership, Governance and Operations**

Under this model, ownership and governance would be maintained by the PWWSB, but all management and operations would be performed under the oversight of the concessionaire. The PWWSB could reserve certain rights to inspect the system to ensure compliance and insist on completion of actions to achieve compliance if reasonable prior notice is provided to the concessionaire. The only exception to this requirement would be in the case of an emergency, threat, or other event that has caused injury or damage to property. Although this arrangement technically limits the extent of oversight of the utility owner, this is the only logical arrangement that would provide continued ownership by the PWWSB and provide them with the ability to rebuild its system.

Because this arrangement is established by a negotiated agreement, procedures to assure accountability of the concessionaire's performance should be written into the agreement. This analysis assumes that adequate accountability assurance language will be included in the agreement. If this is not accomplished, it is possible that only publicly available information (compliance databases, for example) will be available to monitor the concessionaire's performance.

All managerial responsibilities would be ceded to the concessionaire. This includes purchasing, billing, and other administrative responsibilities associated with utility functioning. The concessionaire team's experience is considered adequate for the successful implementation of these essential utility functions.

The PWWSB website discloses that the concessionaire intends to hire Inframark for contracted operation services. Inframark is a reputable service provider with the expertise and breadth needed to adequately operate the system, especially in conjunction with the planned upgrades to the System.

## **Customer Impacts**

From a technical perspective, under this arrangement, the PWWSB will still be the entity in charge of the water/wastewater system, appointed by the Prichard City Council. This arrangement allows for local representation. The Board will conduct business in public meetings and is subject to influence through city council decisions and the election of council members. In this arrangement, the extent of representation by Chickasaw would be determined by the Prichard City council.

Local control may be more nuanced. While the PWWSB and city council remain in place and the PWWSB is a signatory to the concession, major decisions will be governed by contractual terms. Deviations from these agreements are subject to a negotiated dispute resolution process and



potential court action. Each can limit direct local control. By their nature concession agreements cede significant degrees of control to the concessionaire.

Existing jobs may be retained within this agreement if Inframark is willing to bring on the local staff. It is possible staff members may become employees of a large, national company. However, this is not a guaranty. Some local jobs may be lost in this transition.

Also, an owner's protections can be minimized under this arrangement if there is an absence of a parent guaranty, letter of credit, performance bond, or other security. Depending on the composition of and resources available to the members of an LLC, the financial capability of the limited liability company could change at any time, leaving financial liabilities entirely with the PWWSB/City of Prichard. Although the concessionaire will be contractually obligated to improve the system and ensure environmental compliance, the concessionaire's non-performance could leave the PWWSB and its customers with limited legal or financial recourse against the limited liability company, unless a protective risk apportionment strategy consistent with industry standards is negotiated into the concession agreement.

An important consideration for customers is whether they want the council and PWWSB to remain in control of the water/wastewater system. Decades of financial and operational mismanagement have led to the utility being in receivership. Prichard and Chickasaw's water rates, reportedly higher than Mobile's, highlight these challenges and emphasize the need for an effective governance structure to ensure future sustainability and affordability.

In summary, while the concession arrangement allows for local representation and control, it may also introduce constraints that may limit direct local oversight and customer protection. The historical context of the PWWSB board management underscores the importance of evaluating this governance model to ensure it meets the community's needs and addresses longstanding issues and future risks effectively.



**Alternative 3: City of Prichard with Concession:** *The City of Prichard will retain ownership of the infrastructure that serves the residents and businesses in Prichard and the City of Chickasaw and will negotiate a concession agreement similar to Alternative 2.*

Alternative 2 and 3 differ only in their respective ownership and governance structures. For context, in a letter addressed to the receiver, dated May 30, 2024, Prichard Mayor Gardner stated the City of Prichard fully supports the Prichard Water Works and Sewer Board's ownership, operation, and management of the water and sewer system, as provided by Alabama Code Section 11-50-237 (c). In lieu of Board management, the City would own, operate, and manage the water system assets as a city department, under a management contract with an experienced water system operator, or under a concession or similar agreement as was proposed with, Oppenheimer Concession.<sup>22</sup>

In this alternative, the City of Prichard would seek to obtain ownership of the System through legislative changes. After the city gained ownership and governance, it would negotiate a concession agreement. In this scenario, the City of Prichard would own the infrastructure that was served by the PWWSB, including the drinking water infrastructure in Chickasaw. Similar to Alternative 2, Mayor Broadhead of Chickasaw has stated that Chickasaw is not interested in this ownership alternative.

If circumstances were to arise that make this alternative become viable, the comparison of this model to Alternative 3 will be nearly the same as Alternative 2 across all major criteria. The bigger unknown would be the governance capacities of a new City of Prichard water utility. Prichard would have to build a governance structure and capacity to govern the concessionaire and build the procurement capacities necessary to implement a \$20M per year capital improvement plan. Building this capacity would take significant time and could either delay negotiations with the concessionaire or produce a long term that was not well-vetted unless care is taken to reduce negative impacts to the community.

Regarding the cost of capital, funding sources for this alternative are similar to those in Alternative 2 and will include private investment, WIFIA, and foundations. The City of Prichard would need to improve its financial standing and complete financial audits to be eligible for state or federal loans or grants from ADEM, but this alternative could still be possible. As referenced in Alternative 2, the cost of capital will primarily be private equity (at least at the outset), and as noted in the Bayonne, NJ example, this rate of return could be in the low double digits. These returns will impact rates paid by customers.

Local impacts are very similar to Alternative 2, except that negotiations would be necessary to determine how to move employees from PWWSB into the City's staff. For customer impacts,

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<sup>22</sup> City of Prichard, Office of the Mayor. Letter to Mr. John Young, Court Appointed Receiver, Prichard Water Works and Sewer Board. May 30, 2024.



much as in Alternative 2, it is important that a protective risk apportionment strategy consistent with industry standards is negotiated into the agreement if this model is selected.

Overall, Alternative 3 involves significant changes in ownership and governance, with potential impacts on funding sources and customer rates. The City of Prichard would face challenges in building governance capacity and negotiating effective agreements while balancing the need for accountability, transparency, and public control. In addition, significant changes could be required. Negotiations about how to handle employees who shift to the City from the utility will be an important consideration.



***Alternative 4. City of Prichard with Concession; MAWSS Ownership and Governance of Drinking Water Infrastructure in Chickasaw:*** *The City of Prichard gains ownership of the infrastructure that serves the customers in Prichard and will negotiate a concession agreement similar to Alternatives 2&3. MAWSS will gain ownership of the drinking water infrastructure in Chickasaw.*

This alternative differs in that MAWSS would obtain ownership, governance and operations of the water system infrastructure that serves Chickasaw. Mayor Broadhead of Chickasaw stated the city is not interested in the concession agreement model that was the subject of the resolution the PWWSB approved in August 2023.<sup>23</sup> In a letter to the receiver when referring to City of Prichard ownership Mayor Broadhead has also made it clear that, “Chickasaw will not endorse and strongly opposes this as a viable option.”<sup>24</sup>

MAWSS gaining ownership and governance of the Chickasaw system would require the same constitutional change and referendum as described in Alternative 1, which could take at least a year. MAWSS, as a public entity, will have greater access to low-interest capital from state and federal sources, with good potential to receive grants or principal forgiveness. There may be costs associated with reconstructing portions of the line to separate the system from Prichard. However, this scenario would benefit from the economies of scale and built-in administrative efficiencies associated with being absorbed by a larger utility.

The customers of Chickasaw would have reduced representation, but the utility would be accountable to local governance, customer input, and public control (although Chickasaw community influence is likely to be small). Existing local jobs may be retained, and employees could have career growth opportunities within the utility. Community risk apportionment is assumed to be lower within this scenario, because MAWSS would assume financial risk associated with legal, operational, and regulatory issues.

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<sup>23</sup> PWWSB. Resolution re: Concession Agreement. August 4, 2023.

<sup>24</sup> Broadhead, Barry. Letter to John Young re: Future Ownership and Operation of the PWWSB System. May 17, 2024.



**Alternative 5. New Independent State-Appointed Authority:** *An independent authority is created that will own infrastructure and govern services delivered to both Prichard and Chickasaw with a negotiated short-term operations and maintenance agreement until it assumes this responsibility.*

Alternative 5 considers establishing a new independent authority that will govern and operate the infrastructure that serves customers in Prichard and Chickasaw. This state-appointed authority would be responsible for running a state entity that would own and govern the utility. This entity would be authorized to contract water and wastewater operations for a limited number of years. It is important that these contracted operations are competitively procured and governed under a contract that is protective of the City of Prichard and PWWSB.

There is precedent for the creation of a new public authority to own and govern public water systems. For example, the Passaic Valley Sewerage Commission (PVSC) was established in 1902 by a special act of the New Jersey State Legislature to address severe pollution in the Passaic River. This state-appointed commission operates under state oversight, managing wastewater treatment and pollution abatement activities across northern New Jersey. By statute, the PVSC is directed by a Board of Commissioners appointed by the Governor and confirmed by the State Senate.<sup>25</sup>

While not a state-appointed authority, another example of an independent authority being formed in response to a community in need is the Great Lakes Water Authority (GLWA), which was established in 2016 to address the financial and operational challenges faced by the Detroit Water and Sewerage Department (DWSD) during the City of Detroit's bankruptcy. The GLWA Board is appointed by the Mayor of Detroit, the executives of Macomb, Oakland, and Wayne Counties, and the Governor of Michigan, ensuring the long-term sustainability and reliability of water and wastewater services in Detroit and greater southeast Michigan.<sup>26</sup>

Further research into these examples demonstrates the potential benefits and improved outcomes of establishing new, independent water and sewer authorities, which could be considered a viable alternative for customers in Prichard and Chickasaw.

### **Public Health and the Environment**

The time required to establish this new ownership and governance structure is likely the longest among all alternatives. Using the GLWA formation as an example, the creation of this authority involved several steps, including drafting and passing legislation to provide the necessary legal framework. City, county, and state stakeholders then collaborated to create governance structures that addressed the asset ownership transfer that led to the formation of a new water authority.

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<sup>25</sup> State of New Jersey, Passaic Valley Sewerage Commission – History. Accessed July 19, 2024.

<sup>26</sup> Great Lakes Water Authority. By-Laws for the Board of Directors. Approved July 29, 2015.





As this alternative relates to the PWWSB under the receiver’s leadership, the current \$20 million grant-funded capital improvement program would be expected to continue while any constitutional changes and legislative processes unfold. This dual approach would then ensure that progress is made on critical infrastructure improvements, thus enhancing the protection of public health and the environment, even as the new governance framework is being established.

### **Cost and Affordability**

A state-appointed authority could gain access to capital markets and funding for the much-needed capital investments. While this authority’s access to capital would initially be slower than MAWWS, it is anticipated that after the authority is fully established, it would have high access to state and federal funding and grants, with low-interest capital sources including municipal bonds, SRF (BIL), WIFIA, FEMA, and USDA loans. As with all the alternatives, customer rates are expected to increase to implement the extensive capital improvement program. However, back-office administrative efficiencies may be greater assuming the public authority utilizes already established state administrative processes.

### **Ownership, Governance and Operations**

A state-appointed water authority could also bring accountability, transparency, and the benefit of having specialized expertise to oversee the development of the new utility. As a public entity, this authority would be accountable through state oversight and have local governance. Transparency would be maintained with existing accessibility to utility information and public disclosure rules. The governance experience is expected to be high, with a state-appointed board comprised of members meeting established certification criteria that could provide focused oversight of operations.

Operational experience is also anticipated to be high, because an experienced operations and maintenance contractor would be chosen to manage the utility's day-to-day functions, at least at the outset. Initially, having a contract operator would allow the board time to establish operational essentials (e.g., human resources, procurement, safety, finance, engineering, insurance, information technology, etc.). After the board has been fully established, it could evaluate the option of recruiting an in-house operations team to take over the utility operations. This phased approach could facilitate direct control over operations, ensuring sustainability and operational efficiency.

The structure should ensure that the authority has control over rates and is dedicated to securing funding, which would be essential for the authority's success. Additionally, the board should have the independence needed to make necessary decisions without undue influence



from local political entities in the communities served, hopefully ensuring that the utility operates in the best interest of each community.

This combination of governance, public accountability, and operational expertise could be a viable approach to addressing the system's challenges.

### **Customer Impacts**

This alternative would provide local representation and a degree of public control. The new board would have members accountable to both state and local governance, with mechanisms established to ensure public participation, thus involving the community in decision-making processes. Public control would be maintained, as the authority would remain accountable to state and local governance structures, thereby ensuring the transparency of public governance and oversight.

Existing local jobs would be expected to be retained, and the shift to a state entity could potentially provide additional career growth and personal development opportunities for current employees.

The authority's responsibility for operational performance would be high. The board would assume full accountability for any failed performance and all regulatory and legal challenges. Overall, this alternative would provide the necessary local representation, public control, job stability, and high accountability, making it a viable option for managing the infrastructure that currently serves customers in Prichard and Chickasaw.

In conclusion, while establishing a new independent authority will require significant time and effort, potential benefits in terms of governance, funding, and operational efficiency make this alternative worthy of consideration.



## CONCLUSION

It is important to consider the barriers to each of these alternatives, as no proposed model is currently viable unless these factors are overcome. These include the indecision of MAWSS to undertake ownership, operations or management of system currently serving Prichard and Chickasaw, that Chickasaw is not interested in a concession agreement, the uncertainty of ADEM's grant and loan funding availability under a concession agreement, and the uncertainty of the state's willingness to appoint an independent authority for system governance. The ease with which these barriers can be overcome may indicate how sustainable a selected solution will be.

Every option evaluated in this report will also require significant collaboration and negotiation between and among governmental and, in some cases, private entities to be viable.

Based on this understanding, Moonshot ranks Alternative 1 as the most preferred option. MAWSS is a public entity with a longstanding history of successfully operating, maintaining, and managing water and sewer systems in the region. It would be the entity best suited to continue to deliver safe drinking water and clean wastewater services to Prichard and Chickasaw, provided adequate funds are available. This alternative depends on new legal arrangements and service level agreements being negotiated among MAWSS, PWWSB, and possibly Prichard and Chickasaw. This alternative is preferable to continued operations by the PWWSB, based on its past record, with or without the proposed concession agreement.

If Alternative 1 cannot be realized among the involved parties Alternative 5 is the next preferred. This alternative is the establishment, of a new State-appointed board that would own, manage and operate the systems serving Prichard and Chickasaw.

In our ranking Alternative 2 is also a viable alternative. As with all alternatives, we recommend that focused effort be devoted to negotiating and securing terms that protect the long-term interests of PWWSB customers.

Our judgement is that the remaining alternatives are not reasonably viable for the reasons noted in the body of this analysis.

A chart detailing the comparison of each of the alternatives is located in the Appendix below.



**APPENDIX: Completed Alternatives Comparison Chart**

Criteria		<i>Alt 1</i>	<i>Alt 2</i>	<i>Alt 3</i>	<i>Alt 4</i>		<i>Alt 5</i>
		<i>MAWSS Ownership</i>	<i>PWWSB with Concession</i>	<i>City of Prichard with Concession</i>	<i>City of Prichard with Concession</i>	<i>MAWSS Ownership of Drinking Water Infrastructure in Chickasaw</i>	<i>New Independent State-Appointed Authority</i>
Public Health & Environment	<i>Timeline to Establish New Ownership and Governance Structure</i>	1+ Year for Constitution Change and Referendum	4-6 Months to Negotiate / Establish Concession	6 Months for Legislative Change and 4-6 Months to Establish Concession	6 Months for Legislative Change and 4-6 Months to Establish Concession	1+ Year for Constitution Change and Referendum	1-2 Years for Constitution Change, Legislation Approval, Appoint New Board, Establish Governance and O&M agreements
	<i>Technical Capacity Established</i>	Yes; managerial and financial capacities must be put in place after governance option has been selected	Yes; managerial and financial capacities must be put in place after governance option has been selected	Yes; managerial and financial capacities must be put in place after governance option has been selected	Yes; managerial and financial capacities must be put in place after governance option has been selected	Yes; managerial and financial capacities must be put in place after governance option has been selected	Yes; managerial and financial capacities must be put in place after governance option has been selected
Cost & Affordability	<i>Access to State/Federal Funding and Grants</i>	Higher access; proven track record of obtaining state/federal funding	Limited access	Limited access	Limited access	Higher access; proven track record of obtaining state/federal funding	Higher access; approach could help with access to capital markets and state funding
	<i>Capital Sources</i>	Municipal bonds, SRF (BIL) Loans, WIFIA, FEMA, USDA, US Army Corp, foundations	Private investment, WIFIA, foundations	Private investment, WIFIA, foundations	Private investment, WIFIA, foundations	Municipal bonds, SRF (BIL) Loans, WIFIA, FEMA, USDA, US Army Corp, foundations	Municipal bonds, SRF (BIL) Loans, WIFIA, FEMA, USDA, US Army Corp, foundations
	<i>Rate of Return to Investors</i>	Not applicable	Required via contract	Required via contract	Required via contract	Not applicable	Not applicable
	<i>Cost of Capital</i>	Majority public funds with as low as 2% interest (SRF) and potential	Potential for some public funds (WIFIA, SRF). Majority private equity – ex.	Potential for some public funds (WIFIA, SRF). Majority private equity – ex.	Potential for some public funds (WIFIA, SRF). Majority private equity – ex.	Majority public funds with as low as 2% interest (SRF) and potential	Majority public funds with as low as 2% interest (SRF) and potential

	<i>Alt 1</i>	<i>Alt 2</i>	<i>Alt 3</i>	<i>Alt 4</i>		<i>Alt 5</i>
Criteria	<i>MAWSS Ownership</i>	<i>PWWSB with Concession</i>	<i>City of Prichard with Concession</i>	<i>City of Prichard with Concession</i>	<i>MAWSS Ownership of Drinking Water Infrastructure in Chickasaw</i>	<i>New Independent State-Appointed Authority</i>
	for principal forgiveness	Bayonne, NJ example - 11% rate of return	Bayonne, NJ example - 11% rate of return	Bayonne, NJ example - 11% rate of return	for principal forgiveness	for principal forgiveness
<i>Speed to Acquire Capital</i>	Initially faster, assumed slower over time	Assumed faster	Assumed faster	Assumed faster	Initially faster, assumed slower over time	Initially faster, assumed slower over time
<i>Customer Rates</i>	Increase; potential benefits of economy of scale with MAWSS. Public participation.	Increase; based on contract agreement. Potential public participation negotiated in contract.	Increase; based on contract agreement. Potential public participation negotiated in contract.	Increase; based on contract agreement. Lower economy of scale without Chickasaw customers.	Increase; potential benefits of economy of scale with MAWSS. Public participation.	Increase; Lower economy of scale with Prichard and Chickasaw customers only. Public participation.
<i>Administrative Efficiencies (Back-Office)</i>	Greatest due to greater economy of scale. MAWSS could absorb back-office within existing utility.	Less; PWWSB would have oversight of concession team. PWWSB has poor O&M record.	Less; PWWSB would have oversight of concession team. PWWSB has poor O&M record.	Unknown; dependent on management of new board.	Greater; lower economy of scale. Chickasaw would absorb back-office O&M within existing utility.	Greater; assuming public authority will utilize state administrative processes.
<i>Affordability Programs</i>	None intrinsic; would need to be externally funded through foundations. Authority to implement may be written into new legislation. Implementation needs may be	TBD; negotiated under contract.	TBD; negotiated under contract	TBD; negotiated under contract	None intrinsic; would need to be externally funded through foundations. Authority to implement may be written into new legislation. Implementation needs may be	None intrinsic; would need to be externally funded through foundations. Authority to implement may be written into new legislation.

		<i>Alt 1</i>	<i>Alt 2</i>	<i>Alt 3</i>	<i>Alt 4</i>		<i>Alt 5</i>
	Criteria	<i>MAWSS Ownership</i>	<i>PWWSB with Concession</i>	<i>City of Prichard with Concession</i>	<i>City of Prichard with Concession</i>	<i>MAWSS Ownership of Drinking Water Infrastructure in Chickasaw</i>	<i>New Independent State-Appointed Authority</i>
		lower due to existing affordability program in place for Mobile customers.				lower due to existing affordability program in place for Mobile customers.	
Ownership & Governance	<i>Accountability</i>	Public entity; accountable through local governance	Private entity; accountable to contract terms	Private entity; accountable to contract terms	Private entity; accountable to contract terms	Public entity; accountable through local governance	Public entity; accountable through state oversight and local governance
	<i>Transparency</i>	High; existing accessibility of utility information and public disclosure rules	Less; fewer public disclosure requirements for a private entity	Less; fewer public disclosure requirements for a private entity	Less; fewer public disclosure requirements for a private entity	High; existing accessibility of utility information and public disclosure rules	High; existing accessibility of utility information and public disclosure rules
	<i>Governance Experience</i>	High; proven experience and professional reputation	Less; PWWSB with poor track record still maintains governance over concessionaire (with limited control)	Less; PWWSB with poor track record still maintains governance over concessionaire	Less; PWWSB with poor track record still maintains governance over concessionaire	High; proven experience and professional reputation	Assume high; State-appointed board with member certification criteria established
	<i>Operations Experience</i>	High	High; assuming experienced O&M contractor will be chosen.	High; assuming experienced O&M contractor will be chosen.	High; assuming experienced O&M contractor will be chosen.	High	High; assuming experienced O&M contractor will be chosen.
Customer Impacts	<i>Local Representation</i>	Limited; appointed and remains subject to MAWSS board	Yes; appointed and remains subject to Prichard City Council	Yes; appointed and remains subject to Prichard City Council	Yes; appointed and remains subject to Prichard City Council	Limited; appointed and remains subject to MAWSS board	Yes; accountable through state/local governance and



	<i>Alt 1</i>	<i>Alt 2</i>	<i>Alt 3</i>	<i>Alt 4</i>		<i>Alt 5</i>
<i>Criteria</i>	<i>MAWSS Ownership</i>	<i>PWWSB with Concession</i>	<i>City of Prichard with Concession</i>	<i>City of Prichard with Concession</i>	<i>MAWSS Ownership of Drinking Water Infrastructure in Chickasaw</i>	<i>New Independent State-Appointed Authority</i>
						public participation.
<i>Public Control</i>	None; control ceded to MAWSS	Limited; control ceded to PWWSB via concession agreement	Limited; control ceded to PWWSB via concession agreement	Limited; control ceded to PWWSB via concession agreement	None; control ceded to MAWSS	Yes; accountable through state/local governance.
<i>Job Retention and Opportunities</i>	Existing jobs retention TBD. Potentially more career growth opportunities within a bigger utility.	Existing jobs typically retained.	Existing jobs typically retained.	Existing jobs typically retained.	Existing jobs retention TBD. Potentially more career growth opportunities within a bigger utility.	Assume existing jobs retained. Potentially more career growth opportunities within a state entity.
<i>Customer Satisfaction</i>	Transparent; customer KPIs listed on website.	TBD	TBD	TBD	Transparent; customer KPIs listed on website.	TBD
<i>Security for Failed Performance</i>	Higher; Utility will assume performance responsibility	Performance security would need to be negotiated. The concessionaire is typically a limited liability corporation.	Performance security would need to be negotiated. The concessionaire is typically a limited liability corporation.	Performance security would need to be negotiated. The concessionaire is typically a limited liability corporation.	Higher; Utility will assume performance responsibility	Higher; State governed independent authority will assume performance responsibility