American Water - Elizabeth Water and Wastewater Partnership
Executive Summary

Elizabeth, N.J. (population 125,809) is the state’s fourth largest city. Since Mayor Bollwage took office in 1993, his administration has worked to jumpstart $1.5 billion in citywide economic development. They have aggressively worked to revitalize and attract people to the city, and in fact, since 1990, Elizabeth’s population has grown ten percent.

These successful revitalization efforts also required them to maintain and upgrade their water and wastewater systems. Decisions were made in the 1990s to enter into two long-term contracts with American Water to maintain and operate the city’s water and wastewater systems. Like many local governments across the nation, the administration faced numerous challenges in maintaining and upgrading the aging water and wastewater systems. In the late 1990s, they were faced with the decision to raise property taxes to help fund necessary infrastructure improvements and help pay off debts incurred from previous system upgrades. The 100 year-old water infrastructure consisted of many degrading cast iron mains that experienced numerous breaks throughout the year, as well as old wooden pipes that are maintained for their historical significance. The wastewater system was nearly 150 years old and was experiencing numerous collapses due to aging clay pipe and brick manholes eroded by roadway salt. Even the hydrants needed replacing to accommodate expanding public safety needs.

After considering many possible solutions in the realm of public-private partnerships and issuing an RFP, the administration decided on a unique 40-year concession contract with then-named E’Town Water (now part of American Water) to operate and maintain the water system, beginning in 1998. A few years later, they entered into a separate 20-year operation and maintenance (O&M) contract with American Water for the sewer system, beginning in 2002. Both contracts have provided multiple benefits to the city and its residents.

American Water, through its Liberty Water Company subsidiary, guaranteed at least $58 million in improvements to Elizabeth’s water infrastructure and initiated a maintenance program that included sophisticated technology, such as sonic leak detectors, to improve services. The company also assumed all billing and collection functions. The partnership guaranteed stable water rates for the city with a 1.4 percent average base rate increase annually over the life of the contract.

The 40-year contract with Liberty Water Co. includes approximately $50 million in concession payments to the city between 1998 and 2000, which helped stabilize property taxes and decrease the existing sewer debt.
Liberty will also pay the above-mentioned $58 million spread over 40 years into a City Payment Fund. This fund is dedicated to paying for capital improvements to the water system.

The company has made more than $2 million in infrastructure investments, including: system-wide meter replacements using automated meter reading (AMR) touch pad capability thus reducing estimated readings and providing public safety by eliminating the need for home entry to read meters; replacement of undersize water mains with new ductile iron pipe to increase volume capacity; and the replacement of old existing cast iron mains that had numerous water main breaks over the past years. The company also installed more than 700 new fire hydrants resulting in increased fire protection for residents. In addition, a sophisticated vandal-proof cap was implemented to prevent water theft and preserve the integrity of the fire protection system. The hydrant upgrades resulted in the city’s fire insurance rating being increased, and helped to reduce homeowner insurance costs.

The City and Liberty Water established a formal Operations Committee, which meets to discuss issues related to the operation, maintenance and management of the system. Liberty Water provides routine maintenance, including preventive maintenance checks, cleaning and lubrication of service equipment, equipment inspections, system calibrations and adjustments, testing and sampling. Liberty Water also developed an emergency management plan as well as operation and maintenance manuals, which it will periodically update.

The wastewater system is operated and maintained by E’town Services LLC, an American Water subsidiary, in conjunction with the Union County Improvement Authority (UCIA). Under this agreement, E’town Services will operate the City of Elizabeth Combined Sewer System for a 20-year period and receive a management fee under the terms of the contract. The project requires the company to invest $3 million to rehabilitate the brick sewer system, and to date has spent more than $600,000 toward this effort. Additional maintenance requirements of the contract include cleaning all sewer mains, netting facilities, and catch basins. American Water provides rapid response when sewer main and brick manholes collapse. Since 2002 E’town Services has responded to more than 400 such collapses.

Based on performance in operating and maintaining the systems and the capital improvements made, this partnership has measured up very well. Beyond the financial benefits to the city, this public-private partnership has allowed the administration to focus their attention on other priorities in their ongoing commitment to Elizabeth’s future.