

**Kuntz, Robert**

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**From:** Brad.Brown [REDACTED]  
**Sent:** Tuesday, August 5, 2014 8:53 AM  
**To:** Pogue, Tim  
**Cc:** Kuntz, Robert  
**Subject:** Fw: Tax Policy Supporting Infrastructure Investment.  
**Attachments:** City of Maryland Heights Treasury.pdf; Mayor Draft 7 2014.docx; Mayor Draft 7 2014.docx; City of Florissant MO Treasury letter.pdf; City of Overland MO Treasury.pdf

Mayor,

Any news on getting a letter from Ballwin supporting more financial options for muni's? Got one from your neighbor to the north.

Our goal through both the NAWC letter to Treasury and the individual mayor letters we are collecting is to help persuade the IRS to change its interpretation to allow municipalities with better options to solve financial challenges now and in the future. It is the lack of options (i.e., muni's being able to spend proceeds as they see fit) that can result in a detriment or penalty to an asset sale or concession agreement.

Just email it to me and I will send it on for you.....

Regards,  
Brad

(See attached file: City of Maryland Heights Treasury.pdf)

(See attached file: Mayor Draft 7 2014.docx)

Bradley T. Brown  
Manager, Government Affairs  
Missouri-American Water Company

[REDACTED]  
[REDACTED]  
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----- Forwarded by Brad Brown/MOAWC/AWSC on 08/05/2014 08:48 AM -----

**From:** Brad Brown [REDACTED]  
**To:** "Pogue, Tim" <tpogue@ballwin.mo.us>,  
**Cc:** "Bob Kuntz" <bkuntz@ballwin.mo.us>  
**Date:** 07/29/2014 02:44 PM  
**Subject:** Tax Policy Supporting Infrastructure Investment.

Mayor Pogue,

As you know aging infrastructure and the replacement of such underground facilities is so vitally important to a municipality from a health, safety and economic standpoint. To keep the system in compliance is an expensive endeavor and will require a focused and dedicated effort on behalf of the public and private sectors. The financial scope of the water and wastewater infrastructure deficit in this country is simply too great for any one sector of service providers to take on alone. Therefore, we are working closely with local sectors all across the country to promote greater investment in water and waste water infrastructure through public private partnerships (P3).

Municipalities like yourself deserve to have as many viable options as possible to solve your financial challenges. Many municipalities consider partnering with private entities to operate their "business like" activities under several different public private partnership models. Some P3 models include acquisitions and concessions also known as leases. You may even and probably already use P3's for stormwater system improvements, parking garages, golf courses, community centers and any number of outside services and expertise. Current interpretations by the IRS make P3's less attractive to municipalities by not allowing the municipalities to retain and use all of the cash generated by the P3 transaction in cases where tax-exempt debt exists. As mentioned we are seeking to have the IRS change their interpretation.

American Water has been working with the National Association of Water Companies and the U.S. Conference of Mayors Water Council to obtain clarification from the U.S. Department of Treasury that regulations requiring remediation should not be applicable to water and wastewater public private partnership projects (concessions and sales). On May 6, the USCM and MWC raised this issue with the White House Intergovernmental Affairs, the National Economic Council, and the Domestic Policy Council.

Together with the National Association of Water Companies, we will be meeting with Treasury in coming weeks providing the technical language necessary to obtain the clarification. Alternative use of municipal proceeds, applies to cash sales of the asset and may not apply to proceeds received in leases, concessions or other such arrangements. The precise application of this rule to long term concession agreements is unclear in the regulation. We and the National Association of Water Companies are seeking guidance from the Treasury to clarify that an issuer's expenditure of lease payments, does apply to concession/lease agreements.

To that end, I would ask that you consider sending the enclosed letter to the Treasury with the hope that we can move the needle forward together in addressing water and wastewater challenges and at the same time giving municipalities such as yourselves better options to solve your financial challenges now and in the future.

Call me if you have any questions....

Kindest Regards,  
Brad.....

(See attached file: Mayor Draft 7 2014.docx)

Tim, if you email me a copy of your signed letter for my record I will also mail it for you. To reiterate, a goal of ours through both the NAWC letter to Treasury and the individual mayor letters we are collecting is to help persuade the IRS to change its interpretation to allow municipalities with better options to solve financial challenges now and in the future. It is the lack of options (i.e., muni's being able to spend proceeds as they see fit) that can result in a detriment or penalty to an asset sale or concession agreement. I have also attached a couple of letters I received here in St. Louis with others on the way.. Appreciate your quick turnaround. (BB)

(See attached file: City of Florissant MO Treasury letter.pdf)(See attached file: City of Overland MO Treasury.pdf)

Bradley T. Brown