

Bayonne Water and Wastewater Concession: A Public-Private Partnership*



With investment capital from KKR, Bayonne Municipal Utilities Authority has made numerous system upgrades such as replacing deteriorated equipment in the North Arlington gatehouse (above) with modern water mains (below) that handle 8.5 million gallons of water daily.

There has been a great deal of focus on public-private partnerships as a part of the solution to infrastructure challenges in the U.S. Our investment in the municipal water system of Bayonne is a prime example of a public-private partnership that is working well. Using a new model to address water infrastructure needs, KKR launched a joint venture with United Water in 2012 to form a 40-year concession with the water and wastewater operations run by the Bayonne Municipal Utilities Authority (BMUA) in Bayonne, New Jersey.

As part of this concession, the BMUA maintains ownership of the water and wastewater system and provides oversight of the partnership and its adherence to high quality standards and customer service performance. The BMUA shares our Firm's commitment to stakeholders and responsible investing.

In addition, the BMUA maintains control of rates charged to users. United Water, which manages about 100 municipal and industrial water and wastewater systems, operates the Bayonne system.

As of 2014, the venture has already led to improved service reliability and water quality through efficiency upgrades that help reduce water loss from leaks and through pipe replacements. The BMUA has estimated that the city will save approximately \$35 million by working with United Water rather than continuing to manage its own water system. Moreover, new fall safety equipment has been installed, and employees have received thousands of hours of on-the-job safety training. This investment has provided a unique blend of private capital from KKR, operational expertise from United Water, and innovation from the BMUA.

* The above highlights a company that KKR believes most represents public-private partnership and is for illustrative purposes only. This is not representative of all investments made by KKR Funds, and it should not be assumed that any investment in the company identified was or will be profitable.