



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing Recruitments to Staff the City's Water Treatment Plant and Appropriating Funds (\$225,000)

MEETING DATE: October 19, 2011

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt resolution authorizing recruitments to staff the City's water treatment plant and appropriating funds in the amount of \$225,000.

BACKGROUND INFORMATION: At the March 15, 2011 Shirtsleeve Session, staff presented a proposed staffing plan for operation of the surface water treatment facilities currently under construction. The proposed plan was based upon the Technical Memorandum – Water Treatment Facility Staffing Assessment prepared by HDR, Inc., as part of the water treatment facilities project. At that meeting, City Council directed staff to investigate the option of entering into a public/private partnership as a means of operating the facilities.

On May 19, 2011, staff issued requests for proposals (RFP) to six firms. The scope of work for the proposal was described as operation and maintenance of the City's water treatment plant facilities and the 26 groundwater supply wells. In other words, the contractor would be responsible for all the City's water production facilities. Under this program, the City would be responsible for operation and maintenance of the distribution facilities. The six firms are listed below.

- American Water Company
- CH2M-Hill
- Severn Trent Services
- Southwest Water Company
- Veolia Water North America
- United Water

Two firms submitted proposals and they are Southwest Water Company (Southwest) and Veolia Water North America (Veolia). At the August 30, 2011 Shirtsleeve Session, a comparison of the two proposals and the City's staffing plan was presented to the City Council. Comments regarding the comparison included a claim that the information was biased toward the City's staffing plan and, conversely, biased toward the proposers' plan. This suggests staff was successful in its attempt to present an unbiased comparison. An overview of the comparison is provided below.

The request for proposals was specific as to the required contents, and a listing of the scope of work items is provided in Exhibit A. A six-week period was allowed for the proposers to inspect the facilities, review maintenance records, and present questions prior to the proposal submittal date of August 1, 2011. A total of 110 questions were submitted and were responded to on July 19, 2011.

APPROVED:

Konrad Bartlam, City Manager

The two proposals received, as discussed at the Shirtsleeve, were not in full compliance with the content requirements and, technically, should have been rejected. The primary areas of non-compliance are presented in Exhibit B. After deciding not to reject the proposals due to time constraints and staffs belief that acceptable terms and conditions could be reached through negotiations, the proposals were reviewed.

It is the opinion of staff the Veolia proposal is the better of the two. The Veolia proposal met all proposal requirements except there was no cost proposal for the required two-year contract term with two three-year renewal options. Otherwise, the Veolia proposal was detailed in all aspects of operating and maintaining the water treatment plant and well facilities. In addition, Veolia spent significant time reviewing City maintenance records and researching the distribution facilities; this effort was reflected in the completeness of their proposal.

The Southwest proposal was not informational inclusive to the point of making staff feel that a high level of contract management would be necessary to implement the operations and maintenance plan. The proposal was lacking detail in the following areas. A written scope of services was not submitted by virtue of Southwest's position the Scope of Work written by staff was complete and accurate. It is difficult to believe that Southwest would operate and maintain the facilities exactly as presented in the RFP. SouthWest's staffing plan indicates no more than three operators and no other personnel are required to operate the facilities in significant contrast to both the Veolia plan (seven total) and the City plan (seven plus total). Interviews with persons knowledgeable of operations at similar type and size facilities affirmed that three operators with no support staff are not sufficient to operate and maintain the water plant and well facilities. The Southwest proposal did not include any subcontractors that would supplement the operations and maintenance staff. The Southwest proposal did not include the required information regarding the full compensation value for each position in the staffing plan intended to facilitate the comparison of the proposals to the City's staffing plan. The compensation information was eventually provided in a highly-abbreviated form. Finally, Southwest did not request to review maintenance records to understand the utility's operations prior to submitting their proposal.

Exhibit C presents a comparison of the staffing levels and the proposed schedule to move the project through the Commissioning, Post Commissioning, Normalization and Optimization Phases. The exhibit presents the total time to reach the Optimization phase is eight months (Veolia), 15 months (Southwest) and 17 months (City). Veolia's proposal suggests they can successfully move the plant through the various startup phases but the staffing levels and costs do not substantially diminish within each operational phase, as with the Southwest and City plans. The City's staff numbers are greater in the Commissioning and Post Commissioning phases due to the inclusion of a full-time contract Grade 4 Treatment Operator with plant start-up experience. Both the Veolia and City plans include five full-time operators in the Optimization phase compared to three for Southwest. Based upon interviews with operators of similar type and size facilities, it might be possible for the City to drop one operator in addition to the contract operator after a year or two.

A comparison of costs for three consecutive years is provided in Exhibit D. Labor costs listed are inclusive of all salary, overtime and benefits. The total costs presented are within the operations maintenance budget estimated during the preliminary and final design phase of the project.

During discussion at the Shirtsleeve, the Veolia representative suggested the greatest value of a public/private partnership is derived from risk transfer, cost containment, resources, and experience. Risk associated with operation and maintenance of a membrane water treatment facility is relatively low by virtue of the physical nature of the water treatment process. The principal treatment mechanism is membrane filtration that physically filters contaminants from the water stream. In contrast, wastewater

treatment is principally a biological operation and, therefore, the majority of public/private partnerships can be found in wastewater treatment operations.

Cost containment is potentially over emphasized in the public/private partnership debate. As presented in Exhibit E, the total compensation by position does not significantly vary from plan to plan. As presented in Exhibit D, the Veolia and City plans are essentially the same cost.

Resources available to private sector contractors that operate public water and wastewater facilities are equally available to public sector operators through subcontracting and consulting arrangements. The internal resources of companies like Veolia and Southwest would be made available to the City as part of the contract price but would add cost to the City's plan. Additional resource assets of the private sector contractors include volume purchasing of chemicals, supplies, equipment and tools. Costs of such purchases are approximately 10 to 15 percent of the annual operating cost and, if the net savings was 10 percent, the annual savings would be in the range of 1 to 1.5 percent of the total annual cost.

Finally, experience has a value. That value only applies to the water treatment plant operations and is greatest during the initial two-year start-up period after which time the staff operating the plant will have obtained that same experience and value that a private contractor would bring at the beginning. The City has successfully operated the wells for over 100 years. To compensate for the experience factor of the private contractor, the City's plan includes the hiring for a two-year period a specialist Grade 4 Treatment Operator to assist in the plant start up. This added cost is referred to in the resources discussion above.

As a result of the information provided above, it is staffs recommendation the City Council authorize the recruitment of staff to populate the positions identified in the City's staffing plan and that funds be appropriated in the amount of \$225,000 for Fiscal Year 2011/12. The initial position to be recruited will be the Plant Manager, with a budgeted annual total compensation of approximately \$140,000. The Plant Manager (Grade 4 Treatment Operator) will be full-time and will be an active part of the plant assembly team. A contracted Transition Manager (Grade 4 Treatment Operator), with a budgeted annual compensation of approximately \$150,000, will be part-time until the plant begins full operations.

Alternatively, the City Council may direct staff to negotiate a contract with the staff-recommended proposer, Veolia Water North America, or the other proposer, Southwest Water Company.

FISCAL IMPACT: There will be an increased cost for operating and maintaining water treatment plant facilities.

FUNDING AVAILABLE: Requested Appropriation: Water Fund (180) - \$225,000


Jordan Ayers
Deputy City Manager/Internal Services Director

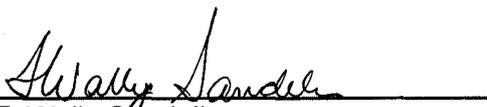

F. Wally Sandelin
Public Works Director

Exhibit A
Scope of Work

1. Operations 24 Hours/Day and 7 Days/Week
2. Water Treatment Plant and All Wells
3. All Aspects of Facility Operation and Management
4. Vehicles and Trucks
5. Maintenance up to \$50,000/Year
6. Chemicals up to \$250,000/Year
7. Monitoring, Sampling, Testing, Analyses, and Reporting
8. Staffing and Organization Plan
9. Recommended Capital Maintenance Plan
10. Statements of Qualifications and Experience
11. Proposal Guarantee of \$50,000
12. Eight-Year Schedule of Firm Cost (2 years/3 years/3 years)
13. Cost Proposal for RFP Plan and Alternative Plan (if desired)

Exhibit B

Comparison of Proposal Requirements

	<u>Veolia</u>	<u>SouthWest</u>
Written Scope of Services	Yes	No
Provide Adequate Staffing	Yes	No
List of Subcontractors	Yes	No
Cost Proposal for Specified Plan	No	Yes
Cost Proposal for Alternative Plan	Yes	Yes
Annual Full Compensation Value by Position	Yes	No

Exhibit C

Month	Veolia	SouthWest	City of Lodi	
1	8	6	9.5	
2				
3	7	6	9.5	
4				
5	7	6	9.5	
6				
7				
8	7	6	9.5	
9				
10				
11		5	7.5	
12				
13		3	7.5	
14				
15				
16		7	3	7.5
17				
18				
19				
20				
21				
22				
23				
24				

Legend

#	Employees
	Commissioning
	Post Commissioning
	Normalization
	Optimization

EXHIBIT D
Comparison of Proposal Costs

	Veolia	Southwest	City of Lodi	
Year One	Labor	\$703,491	\$540,568	\$800,396
	Chemicals	250,000	250,000	250,000
	Maintenance	50,000	50,000	50,000
	Utilities	903,000	903,000	903,000
	Other	40,000	40,000	260,000
	O/H & Profit	588,201	292,201	496,477
	Total Price	\$2,534,692	\$2,075,769	\$2,759,873
	Lodi Center Credit	-\$155,000	-\$155,000	-\$155,000
	Adjusted Total Price	\$2,379,692	\$1,920,769	\$2,604,873
	Percentage Difference	-8.6%	-26.3%	
Year Two		Veolia	Southwest	City of Lodi
	Labor	\$712,285	\$362,121	\$750,629
	Chemicals	275,000	275,000	275,000
	Maintenance	55,000	55,000	55,000
	Utilities	914,288	914,288	914,288
	Other	40,500	40,500	263,250
	O/H & Profit	555,995	433,713	443,543
	Total Price	2,553,068	2,080,622	2,701,710
	Lodi Center Credit	-156,938	-156,938	-156,938
	Adjusted Total Price	2,396,130	1,923,684	2,544,772
Percentage Difference	-5.8%	-24.4%		
Year Three		Veolia	Southwest	City of Lodi
	Labor	\$721,188	\$343,903	\$763,942
	Chemicals	302,500	302,500	302,500
	Maintenance	60,500	60,500	60,500
	Utilities	925,716	925,716	925,716
	Other	41,006	41,006	112,767
	O/H & Profit	534,070	321,860	449,088
	Total Price	\$2,584,981	\$1,995,486	\$2,614,512
	Lodi Center Credit	-\$158,899	-\$158,899	-\$158,899
	Adjusted Total Price	\$2,426,082	\$1,836,586	\$2,455,613
Percentage Difference	1.2%	-25.2%		

Exhibit E

Comparison of Staff Compensation

<u>Title</u>	<u>Veolia</u>	<u>SouthWest</u>	<u>City</u>
Plant Manager	\$136,815	\$120,744	\$129,117
Lead Operator	\$106,692	\$109,055	\$90,399
Shift Operator	\$90,424	\$76,914	\$88,317
Instrumentation Technician	\$123,948	N/A	\$137,393
Plant & Equip. Mechanic	N/A	N/A	\$93,336
Maintenance Worker	\$88,414	N/A	\$83,909
Administrative Assistant	\$45,302	N/A	\$38,000

1. AA# _____
 2. JV# _____

**CITY OF LODI
 APPROPRIATION ADJUSTMENT REQUEST**

TO: Internal Services Dept. - Budget Division
 3. FROM: [Rebecca Areida-Yadav] 5. DATE: 10/05/2011
 4. DEPARTMENT/DIVISION: Public Works

6. REQUEST ADJUSTMENT OF APPROPRIATION AS LISTED BELOW

	JIND #	BUS. UNIT #	ACCOUNT #	ACCOUNT TITLE	AMOUNT
A. SOURCE OF FII J	180		3205	Fund Balance	\$ 225,00000
B. USE OF FINANCING	180	180461	7100	Surface Water Treatment Plant	\$ 108,000.00
	180	180461	7323	Surface Water Treatment Plant	\$ 117,000.00

7. REQUEST IS MADE TO FUND THE FOLLOWING PROJECT NOT INCLUDED IN THE CURRENT BUDGET

Please provide a description of the project, the total cost of the project, as well as justification for the requested adjustment. If you need more space, use an additional sheet and attach to this form.

Appropriation to staff the Surface Water Treatment Plant with a Plant Manager and a contract Transition Manager.

Council has authorized the appropriation adjustment, complete the following:
 Meeting Date 10/19/2011 Res No _____ Attach copy of resolution to this form
 Department Head Signature *J. Volby Sanchez*

8. APPROVAL SIGNATURES

Deputy City Manager/Internal Services Manager _____ Date _____

Submit completed form to the Budget Division with any required documentation.
 Final approval will be provided in electronic copy format.

The City of Lodi
**Public Works
Engineering**



Water Treatment Plant Staffing Plan

Agenda Item I - 01

October 19, 2011



Operation Phases

- Commissioning
 - Startup by Contractor and Design Engineer
 - 24/7 Operations
- Post Commissioning
 - Fully Certified Staff on Site
 - 24/7 Operations
 - Producing Quality Drinking Water
- Normalization
 - Unattended Operations/Reduced Staffing
 - Operating Procedures Documented
- Optimization
 - Unattended Operations/Reduced Staffing
 - Improve Treatment Efficiency, Chemical and Power Usage



Comparison of Staffing

Month	Veolia	SouthWest	City of Lodi
1	8	6	9.5
2			
3	7	6	9.5
4			
5	7		
6			
7			
8	7	5	7.5
9			
10		7	3
11			
12			
13			7.5
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			



Comparison of Staff Compensation

Title	Salary	Veolia	SouthWest	City of Lodi
Plant Manager	+34%	\$136,815	\$120,744	\$129,117
Lead Operator	+25%	\$106,692	\$109,055	\$90,399
Shift Operator	+25%	\$90,424	\$76,914	\$88,317
Instrumentation Technician	-5%	\$123,948	n/a	\$137,393
Maintenance Worker	+6%	\$88,414	n/a	\$83,909



Cost Comparison

	Veolia	SouthWest	City of Lodi
Year 1	\$2,379,692	\$1,920,769	\$2,604,873
Year 2	\$2,396,130	\$1,923,684	\$2,544,772
Year 3	\$2,426,082	\$1,836,586	\$2,455,772
Total – 3 Years	\$7,201,904	\$5,681,039	\$7,605,417
Savings	(\$403,513)	(\$1,924,378)	\$0
Percent	(5.3%)	(25.3%)	0%



Public/Private Partnership Issues

1. City responsible for safety of drinking water
2. 24/7 operation of water plant and 28 wells
3. Well operation by City staff for 100 years
4. Performance Standards set by the State
5. Resources of private contractors track/implement ever-changing regulations
6. Experience of private contractor can be matched for a cost (\$150,000 for a couple years)
7. Private contractors strive for cost savings and profit that may affect the City's relationship with State regulator (CPHD)



Public/Private Partnership Issues

8. Contractors' economy of scale benefit is relatively small
9. Optimization of plant operations can be complex and continual
10. City's management effort of public/private partnership is unknown
11. Risk of running new equipment to failure
12. Preserving Pall Membrane warranty has high value - \$4,000,000
13. Majority of the new staff could be the same – regardless
14. Potential cost savings under public/private partnership



Minimum Staffing - Attended

- Operator Shift: 10 hour/day
- Labor Needed M – F: 2 Operators per shift = 100 hours
- Labor Needed Sa – Su: 1 Operator per shift = 20 hours
- Labor Availability: 86% or 34 hours/week/ staff member
- Staff Positions: $120/34 = 3.5$ operators
- Confirmation: California Public Health Department, Yucaipa Valley Water District, HDR, City of Kennewick, City of Bakersfield



Community of Mountain House

- Water and Wastewater Operations
- Water Plant – Conventional Pretreatment, Filtration and Disinfection
- No Groundwater Wells
- No Raw Water Pump Station
- 8 Hours Weekdays and 2 Hours Weekends
- Monitored Full Time
- Shared Resources with Wastewater



Recommendation

- Authorize Recruitment of Staff
 - Plant Manager (full time)
 - Transition Manager (part time)
- Appropriate \$225,000 for FY 2011/12
- Others Possible at Mid Year Budget



Questions

I-1



MEMORANDUM, City of Lodi, Public Works Department

To: City Manager
From: Public Works Director
Date: October 18, 2011
Subject: Interview Notes

In the course of evaluating the water plant staffing proposals provided by Veolia and Southwest, and in the context that staff has little experience in staffing a membrane water treatment plant, we contacted various individuals to increase our understanding of the issues related to a public/private partnership for staffing the Lodi plant.

The attached notes from those conversations, an email, and a statement from Southwest are provided as requested.

Please let me know if you have any questions.

A handwritten signature in cursive script that reads "F. Wally Sandelin".

F. Wally Sandelin
Public Works Director

FWS/fws\

CC: City Clerk

Attachments

A small handwritten mark, possibly the number "2", enclosed within a circle.

Confidential Telecon with Bhupinder Sahota (California Public Health Department)

Subject: Private Public Partnership – Water Treatment Plant

Bhupinder does not support the idea of using a Public Private Partnership to operate the City's new water treatment plant. He cannot go on record supporting either option for operating the new facility. Some of the points made during our conversation include:

1. Any public private partnership will require the oversight of a staff member that is knowledgeable of the operations of the water plant.
2. A public private partnership operations contract basically requires the contractor to produce the water at acceptable quality levels, perform or cause to have performed laboratory testing, perform maintenance according to manufacturers' recommendations and produce reports for submittal to the State.
3. The City of Lodi will be the official permit holder and any new State regulations, requirements, enforcement actions, or fines will be sent directly to the City. The City will have the option to prepare responses in-house or direct the contractor to prepare any response to the State.
4. With a new water treatment plant, it cannot always be determined in advance the operating requirements, performance standards, testing requirements and all operations criteria of the water plant.
5. It does not seem reasonable to expect to operate the water treatment plant with only three operators.
6. Optimization of plant operations looks at a number of operating parameters including treated water quality, chemical usage, power usage, utilization of WID banked water, regular well exercising balanced with treated surface water production, frequency of backwash, and frequency of membrane cleaning cycles. These can be labor intensive exercises that can yield significant operations saving or not. The contractor is not likely to engage expensive exercises with no return on their investment because their fee is governed by the contract. Although, they would be a normal part of the City-operated plant it is almost impossible to write a scoping requirement for optimization studies into a contract. You learn as you go.
7. There is inherent risk of the contractor not maintaining the facilities to the level demanded/expected by the City. A lack of proper maintenance might not become apparent for several years, especially with a new facility.
8. Checking in on the operation of the water plant by a Treatment Plant Operator that could be assigned to multiple facilities is different from an Operator that take on ownership of the plant. By design PPP efficiencies rely upon the sharing of resources amongst multiple operations.

Telecon with Chris Sheridan (Water Treatment Plant Operator HDR)

Subject: Private Public Partnership – Water Treatment Plant

1. We reviewed the Staffing Assessment he prepared and highlighted the following:
 - a. The staffing assessment is not fair due to Chris' experience with them being highly scrutinized for a variety of reasons.
 - b. The methodology was to prepare the assessment for the Lodi facility and then compare it to other operating facilities.
 - c. He assumed the City would share existing electricians and maintenance staff already employed by the City.
2. We discussed the public private partnership proposal prepared by SWWC and their proposed staffing levels. His comments are summarized below:
 - a. Chris is not opposed to private operations of publicly owned facilities.
 - b. He cautioned about the difficulty of having enforceable performance standards properly structured within the agreement. The performance standard to meet operating permit standards is generally considered to be a minimum.
 - c. Condition assessments and advance maintenance efforts are pro-active operations procedures that are above the minimum performance standards.
 - d. There are risks of running new equipment to failure with a private contractor and a new facility. In the first years of operations, the contractor looks good because everything is running great. In the out years, equipment has to be replaced as a capital expenditure (paid by City) instead of maintained in the early years (paid by contractor).
 - e. It is difficult to understand how three operators can operate the plant with two operators on site for 10 hours/ day and 7 days per week for a total of 140 hours per week. There are only 120 hours ($3 \times 40 = 120$) available between the three operators and that does not account for any vacation, sick leave, holidays, or training. It might be they are assuming an 8 hour day operation but the Staffing Assessment clearly designates a 10 hour work day in the Optimization Period.

Telecon with Richard Stratton (9/14/11)

Subject: Private Public Partnership – Water Treatment Plant

Optimized cleaning process is important to protection the Pall Membrane warranty. Coordination with the manufacturer, Pall, is important with regard to scheduling of the EFM cleaning. The minimum manufacturer's recommendation is once every three days. The membranes might require more frequent cleaning depending upon conditions. The contractor would have a bias toward less frequent cleaning to control costs. A risk to damaging the warranty could result.

Rich reviewed his conversation with Chris Sheridan, Water Treatment Plant Operator (HDR), regarding the staffing levels at Yucaipa, CA (8 mgd) that has four operators and one chief operator. The calculated theoretical FTE requirement was 2.9 while the actual on site was five. At the Kennewick plant (10 mgd), there are three operators and one chief. The calculated theoretical FTE requirement was 2.9 and there are actually four on site. The theoretical FTE requirement for Lodi is 3.9 FTE

Telecon with Patrick Garvey, District Engineer of Diablo Grande Water District(9/13/11)

Subject: Private Public Partnership – Water Treatment Plant

1. Veolia is the contract operator for this small system near Patterson.
2. Problems with chlorinated byproducts in the treated water was suspected to be related to the chlorine dosage. Attempts to get Veolia to change their operations protocol were not accepted and the plant continued to operate in violation of the the permit. Finally, the Veolia operators took direction from the District Engineer and the problems were corrected.
3. The contract has not conditions requiring the Veolia operators to take direction and the DE could not go into the facility and make the changes.
4. The contract with Veolia is ending without renewal.

Telecon with Joe Zoba (General Manager Yucaipa Valley Water District)

Subject: Private Public Partnership – Water Treatment Plant

Joe Zoba was contacted to discuss the start up and transition to the optimizing phase of operation of the Yucaipa Pall Membrane plant that is 8 mgd or about the same size as the Lodi water plant. His comments are summarized below.

1. They had not operated a membrane plant before and found the start up to be relatively straight forward for his staff. He was complimentary of the support provided by Pall Membranes and SPI, a consultant that assists in the start of new water treatment plants. He stated several times that his staff had little difficulty in learning to operate the plant.
2. Yucaipa also uses Pall Membranes in the tertiary phase of their wastewater treatment plant. They have cross trained 12 operators that are able to work at both the water plant and wastewater plant. Before the cross training, their staffing levels were 8 – 9 persons on both the water and wastewater facilities. This allowed them to use fewer operators as they deal with the operators time away from the facilities for vacation, holidays, sick leave, and training.
3. When asked if he thought we could run our plant with only three operators, he was quick to state that he runs his equal-sized plant with six operators. He does not see how it would be possible to provide the operation of the plant and the well maintenance with so few operators.
4. He commented that they shut down their plant the month of February and rely upon their wells for supply. During this time they clean strainers, maintain the chemical feed pumps, paint equipment and do other work that is complicated by the plant being in operation mode. (This will be similar for the Lodi plant.)

Wally Sandelin

From: Stratton, Rich [Rich.Stratton@hdrinc.com]
Sent: Friday, September 16, 2011 6:48 AM
To: Wally Sandelin
Subject: RE: Telecon with Bhupinder Sahota.doc

Wally,

I received some information from Gary Witcher with Cal Water who is in charge of operating two Pall membrane plants (22 mgd and 8 mgd) in the Bakersfield area. His contact information is:

Gary Witcher, Cal Water (661) 872-6400

He shared the following information:

Northeast Plant (22 mgd): This plant uses Pall membranes and has a plate settler for pretreatment and solids handling system. The plant is staffed 12 hours per day. They use 1 maintenance person and 5 operators.

Northwest Plant (8 mgd): This is a Pall membrane direct filtration plant with no pretreatment system or solids handling (very similar to Lodi). They use 1 maintenance person and 3 to 4 operators.

I spoke with Chris Sheridan about the calculated FTEs versus actual FTEs for Yucaipa. He explained that the calculated number was based on his theoretical calculation methodology (best case) and the actual is the number of operators they actually use.

Hope this helps,

RICHARD STRATTON
P.E.

HDR Engineering
Senior Project Manager

2365 Iron Point Road, Ste 300 | Folsom, CA 95630
916.817.4819 | c: 916.215.6722
rich.stratton@hdrinc.com | hdrinc.com

Follow Us— [Facebook](#) | [Twitter](#) | [YouTube](#) | [LinkedIn](#)

From: Wally Sandelin [mailto:wsandelin@lodi.gov]
Sent: Wednesday, September 14, 2011 8:20 AM
To: Stratton, Rich
Subject: RE: Telecon with Bhupinder Sahota.doc

That would be great.

SWWC Cost Proposal

Following is a table summarizing annual cost per staff member for staffing proposed for the new City of Lodi Surface Water Treatment Facility.

Table 4: Annualized Salary for Facility Staff

Staff Member	Annualized Salary"
Facility Manager	\$ 120,744
Assistant Facility Manager	\$ 109,005
Grade III Operator	\$ 105,665
Grade II Operator	\$ 76,914

* Annualized salary is the one-year equivalent cost of salary, wages, overtime pay, pay differential, longevity, unemployment compensation, medical coverage (including hospital, medical, dental and vision), workers compensation insurance, holiday pay, vacation leave, sick leave, meal allowance, education assistance, life insurance, Contractor contributions toward self-funded retirement and all other costs provided for each and every proposed staff of the Contractor and subcontractors (note: no subcontractor use is proposed for Lodi). The cost is also inclusive of overheads and profit.

I-1

Jennifer Robison

From: Bob Johnson - External
Sent: Thursday, October 20, 2011 10:03 AM
To: Randi Johl
Subject: Fw: Southwest Water Company position paper.
Attachments: SWWC letter to Lodi 10-18-2011 (2).doc

----- Original Message -----

From: William Schwarz
To: phil katzakian ; Alan4ssen@aol.com ; Bob Johnson ; lhansen@lodi.gov ; jmounce@lodi.gov
Cc: Rad Bartlam ; Wally Sandelin ; Chris Malinowski ; Kathy Stone ; Frank Mora ; Mike Buckley ; Roaer Miachelbrink ; Kelly VanderHeyden
Sent: Tuesday, October 18, 2011 3:13 PM
Subject: Southwest Water Company position paper.

Mr. Mayor and Honorable Council Members,

Attached please find a "position paper" which addresses a number of issues that are relevant to your item 1-01, adopting resolution authorizing recruitments to staff the City's water treatment plant and appropriating funds, listed on the agenda for tomorrow nights' meeting. This is a rather in depth document which is meant to clarify our position on many issues that are raised in the staff report, part of your agenda packet. Reading this tomorrow night at the meeting would not allow you to fully grasp the seriousness of these issues, so I believe sending this out ahead of time will allow you to review the material and better understand our position. Myself along with other Southwest Water Company employees will be attending the meeting and will be happy to address your concerns and issues.

Thank you for taking time to review the attached document, and we look forward to seeing you tomorrow night. Thank you again for your consideration of our services.

Respectfully,

William

William P. Schwarz
Business Development Manager, CA
Southwest Water Company
212 Hill View Lane, Coalinga, CA. 93210
Office/Mobile (559) 903-1597
Fax (559) 934-0185
E mail: wschwarz@swwc.com

10/20/2011

October 18, 2011

To: Lodi Mayor and City Council Members
From: William Schwarz, SWWC Business Development Manager

**Re: Staff report for water operations prepared by Public Works Director.
Request to be considered as water plant operators**

Dear Mr. Mayor and Council Members,

Southwest Water Company (SWWC) is pleased to be considered to be the operator of your new water treatment plant currently under construction. **Our proposal offers the services requested by the City using a proven operations plan that will save the citizens of Lodi over \$1.9 million.** SWWC management and I have reviewed staff's report that is included in the City Council agenda packet. I would like to take this opportunity to address a number of issues that have been raised in the staff report to Council regarding SWWC's proposal. I believe it is in the best interest of all parties to circulate this information prior to the meeting tomorrow night in order to have an opportunity to review this information and be informed. Several SWWC employees, including myself, will be in attendance tomorrow night to answer any questions and address any other issues you may have.

City staff made a determination that the SWWC proposal was "not in **full** compliance with the content requirements" and should have been rejected. (For your information, staff also recommended that the other bidding firm's proposal should have been rejected as well). These primary areas of non-compliance for Southwest Water Company were presented in the shirtsleeve meeting August 30th, exhibit "B", and are detailed below.

SWWC will perform the Scope of Services requested in the RFP document.

1). City staff claims that SWWC did not respond to the Written Scope of Services Section in the Request For Proposals. The question posed in the RFP was:

"Describe the proposed scope of work and your firm's approach to completing the work with the **intent** being to describe how your scope and approach **differs** from Section III"

Our response was:

SWWC proposes to perform and **fully meet all** of the City of Lodi's needs as outlined by the RFP Scope of Work. We will also bring the added value of our experience in working with area surface water to produce the most appealing, in terms of taste and odor, treated water possible. We also have considerable expertise in tailoring treatment to minimize the potential problems of blending surface and well water.

We stated that we would "perform and fully meet all of the City of Lodi's needs as outlined by the RFP Scope of Work", instead of simply re-copying the 35 items that are listed in the RFP (pages 31 - 36) which provide specific detail on what services will be required for the operation of the water plant and water producing facilities. SWWC will perform the Scope of Services listed in the RFP.

On this same issue, in the staff report to Council, page two, paragraph three, the following is written; "[I]t is difficult to believe that Southwest would operate and maintain the facilities exactly as presented in the RFP". This statement has no basis and is without merit or fact, and even makes an accusation that we are dishonest. We strongly object to any inference that we don't do what we say we will do. On the contrary, we expect to fully comply with the requirements of the RFP. As a check and balance to the City, any failure to comply with the obligations of the contract would serve as a breach to the agreement and the City would have the right to terminate the agreement in the event the breach cannot be rectified or corrected.

2). In exhibit B, staff indicates we do not comply with the information regarding vehicles and truck inventory. Again, I reference page 31 of the RFP, number 3, which states "[F]urnish and maintain vehicles and light-duty service trucks to carry on daily operations". The RFP does not ask for the number of trucks, types, colors, year, size, or specific information. This information was eventually provided to City staff however, the rating of "no" in this area was not changed to 'yes'.

3). City staff claims that SWWC did not provide a capital improvement program and again received a rating of "no" in exhibit B. I reference page 35 of the RFP, item number 29 which states the operator "[P]rovide the City, at least annually, a capital improvement program recommendation, identifying needed facility repairs and other expenditures in excess of \$5,000 each (excluding the cost of labor of individuals assigned by the contractor to work at the City site an average of 30 or more hours per week in each six month period and the cost of Contractor supervision of these or any other individuals or contractors hired or assigned to undertake such repairs) that will be necessary for the water facilities in order to restore, maintain, replace, or upgrade the equipment and other aspects of the water facilities for efficiency, safety, function, and/or compliance with current and anticipated regulatory or customer growth requirements". That is exactly what we intend to do, again, comply with the requirements of the RFP. If we had intended to recommend something different, we would have indicated that in our response, but we do not intend to do anything differently than what is stipulated in the RFP. Much, if not all of the capital improvement program, will evolve from close communication and coordination between the City and SWWC as the project unfolds to include well facilities.

A Staffing Plan of 3 Operators Can Reliably Perform the Work Required.

In the staff report to Council, it states that SWWC's staffing plan "indicates no more than three operators and no other personnel are required to operate the facilities in significant contrast to both the Veolia plan (seven total) and the City plan (seven plus total)". The report also references "interviews with persons knowledgeable of operations at similar type and size facilities affirmed that three operators with no support staff are not sufficient to operate and maintain the water plant and well facilities". I would like to take this opportunity to defend our staffing proposal.

First of all, the City's own technical memorandum from HDR, "Water Treatment facility Staffing Assessment", dated August 5, 2010, provides the following information. On page 8, two benchmark comparisons to similar facilities are shown. One in Keenewick WA with a capacity of 10mgd, and one in Yucaipa, CA with a capacity of 8mgd, very similar to the Lodi facility. They are staffed with 3 and 4 operators respectively. The report goes on to recommend that the Lodi facility, once optimization of the facility is achieved, can be operated with a calculated FTE equivalent of 3.9 operators, or a staff of 5 (alternative 3, optimized operations). Our proposal mirrors the one recommended by HDR.

A key fact supporting our proposal is that **we are currently operating a surface water treatment plant in Mountain House that is twice the size of Lodi's with a staff of three**, with one operator being out in the field most of the day conducting meter reads, turn on and turn offs, and other field duty requirements. It is one thing to say we can operate a facility with limited staff, it is another to actually show that we already do it. At the shirtsleeve meeting on August 30, 2011 those in attendance were given a letter of reference from Mountain House Operations and Maintenance Director Harpal Singh verifying our capabilities and exemplary service. We invited staff and Council members to visit the Mountain House treatment plant. Three Lodi Council members were able to see our operations and tour the facilities. Two of water plant operators, including our proposed Chief Operator, recently attended a Pall membrane training seminar in Sacramento. The proposed Chief Operator will be traveling to Texas soon to be a part of a start up and commissioning process for a similar facility to the one being built here in Lodi (pall membrane facility).

Operating and maintaining membrane treatment plants with 3 operators is not limited to SWWC. In San Antonio Texas, United Water operates an 11 million gallon per day surface water treatment plant with only three operators. It has been in service for 11 years and has been operated and maintained impeccably since start up.

Our proposal is the only one that identifies the name of the Chief Operator at the time of the RFP submission. He is not someone who comes to the area for a year to get the plant running and then leaves, as indicated by our competitor at the shirtsleeve meeting. He is also a Lodi resident. He is solely dedicated to the Lodi facility.

For clarification, our proposal (page 12 of the RFP) indicates only a 12 month period between commissioning and optimization, not 15 as reported by staff.

If it would make the City feel more comfortable, in regards to the number of operators working at the plant, SWWC would be pleased to provide an additional operator for \$100,000 per year above our previously submitted bid. This added expense would still provide a savings to the City of over 1.6 million dollars. This is something that can be addressed in the contract negotiations phase. As optimization is achieved and if this operator is not required, the savings would be passed back to the City.

Keeping Costs Down By Using Subcontractors As Needed.

SWWC utilizes subcontractors on an "as needed basis". One of the ways we keep our costs down is to draw from a pool of subcontractors and operators we use across Northern California. Because we have numerous contracts in the area, there is no need to have a full time instrumentation technician, electrician, plumber, administrative clerk, if there is not a demand for that service 40 hours per week. This eliminates thousands of dollars in expenses to clients which are passed along to our clients in savings. If selected, all efforts will be made to provide a list of subcontractors from start up through commissioning, post commissioning, normalization, and optimization periods.

Annual Full Compensation Values by Position.

Conversations were had with City staff to explain why this information was limited. This is protected confidential information and is not divulged to perspective clients in order to protect Southwest Water Company in its' efforts to remain competitive in the business.

SWWC Understands the Maintenance Needs.

Staff reports SWWC did not review maintenance records and did not research the distribution facilities. During the City tour, staff indicated that the well sites that were visited reflected the City's facilities as a whole, and that nothing varied from those sites visited to any significant degree. Specific well facility maintenance did not impact the proposal submitted by SWWC to warrant any substantial increase in labor not already covered in the proposal.

Hiring SWWC Brings Additional Benefits.

Included in our price are several additional items that the City of Lodi can benefit from that will ensure dependability, reliability, safety, oversight, and compliance.

- **Safety and Compliance—SWWC** initiated the EHS department in 2007 to ensure compliance and improve our company safety and environmental compliance. SWWC has 3 safety officers with extensive CalOSHA training and interface experience. Nationally, we have four members of our **EHS** team that are Certified Safety Officers.

Currently, their duties include reviewing communications with governmental agencies and operator reports, internal **QA/QC** for safety and compliance, running the safety program, set up specific trainings such as confined space, defensive driving, etc., perform third party internal audits (were safety, compliance and operations excellence, as well as appearance are rated) and provide operational experience and problem solving. In California particularly, SWWC has set up more aggressive programs to watch compliance of all state and federal laws, as California has a more monetarily punitive approach to enforcement than many other states.

- **SOPs (Standard Operating Procedures)** –The **EHS** Department has written a basic network of **SOPs** for treatment facilities, as well as distribution

and collection systems. In California, the region has produced a network of SOPs that are tailored for each facility and routinely trains operators on these SOPs.

- **SAP—SAP** is an all-inclusive management system that has modules for accounting, maintenance, labor tracking, etc. that is unified and speaks to itself. It can send out invoices and also track routine maintenance as a CMMS (Computerized Maintenance Management System). It produces work orders and service orders so that maintenance will proactively can be tracked and ordered.
- **Audit Program—SWWC** currently has an internal QA/QC program that runs audits of our facilities. They have developed modules for safety, maintenance, operations (water and wastewater), contract compliance, collections systems, lift stations and distribution systems. We are currently developing modules for reuse water, wastewater nutrient removal and cross-connection control. It is our firm's goal to internally audit all the facilities we operate and own within the next five years. There currently is a group of fifteen auditors who perform these functions nationwide, An Antero Maintenance Program will be implemented from start up and commissioning to ensure proper work orders are generated, completed, sent to the City and a extremely high level of maintenance is expected to be completed with close coordination with the City staff.

Summary.

So what is the bottom line here? The bottom line here is about reliability, dependability, transparency, trust, **and the savings of millions of dollars to the tax payers of this community**, It is also about efficiency and delivering safe good quality water to the residents of Lodi. In a public private partnership there has to be an element of oversight and trust from both parties in order for it to be successful. It is more than a partnership, it is a relationship. This has been a new process for the City of Lodi and SWWC wants the Council to feel comfortable in moving forward with any agreement. Part of the contract negotiation phase allows both parties to address concerns and issues that each may have. This may include staffing level assessment, well facilities operations, more information regarding maintenance and operations to ensure extended life for treatment process and equipment, and a variety of other items. SWWC has been more than willing to assist the city in this process providing initial savings estimates, meeting with staff to discuss the project, submitting what we felt was a quality RFP document, and reaching out to both staff and elected officials in order for them to make an informed decision about this project. Our proof is in what we say, and more importantly, what we do. This is what we do, it is all we do. Our Company has an excellent safety record, outstanding references from surrounding communities, and we have received many awards for our service.

Our proposal will save the City over 1.9 million dollars over the first three years of the project alone. Our ability to provide excellent service and deliver superb water quality to the citizens of Lodi will be realized with the awarding of this project to Southwest Water Company. We are a reliable and dependable water

treatment Company. We would appreciate being considered as the operator of your new water treatment facility.

Thank you for the opportunity to address these issues and I look forward to seeing you all Wednesday evening.

Respectfully Submitted,

William Schwarz

I-1



October 14, 2011

Mayor Bob Johnson
City of Lodi
221 West Pine Street
Lodi, California 95240

Subject: **Partnership for the Operation and Maintenance of the Lodi Water Treatment Plant and Municipal Well Facilities**

Dear Mayor Johnson:

We understand City staff will recommend Veolia Water as the City's preferred private partner for operating the City's new surface water treatment facility and related wells. This letter summarizes the benefits Lodi residents and businesses will receive through a partnership with Veolia Water.

As staff outlined in their report, Veolia Water has a track record of success in California and developed a comprehensive proposal that saves you money with minimum risk. Our cost proposal includes several major factors that you should consider in making your decision. These include:

- **Responsible staffing.** We built a responsible staffing plan that is led by Mike Greene, P.E., a water expert with over 33 years of water treatment experience. Our project team will be supported by Marvin Gnagy, a water membrane treatment/process expert with over 30 years of experience. Our plan ensures adequate staffing for 24/7 operations and coverage during emergencies when outside assistance could be days or weeks away if the City relies on consultants. More importantly, our overall compensation for critical staff members is very competitive in the Lodi region, which will assist in the recruitment and retention of qualified personnel.
- **The largest network of partnership projects and water experts at your doorstep.** Veolia Water is the only proposer that has five municipal operations and its regional headquarters within 1.5 hours of the City of Lodi. Our partnership will provide the City access to more than 50 local technical experts to ensure your facility's objectives are met at no additional costs.

- Cost Control. With Veolia Water you know what the cost to run your operations will be for the term of our partnership. There are no surprises. If we need assistance we will engage our vast network of experts and resources, wherever in the world they may reside, at no cost to the City. This saves the City from hiring consultants, temporary help, and other unforeseen costs associated with a highly technical facility. More importantly, foreseeable increases in health and retirement costs are already included in our price. Additionally, we committed in our proposal to an energy usage cap and chemical procurement program designed to further lower your facility **costs**, savings you can pass on to residents and businesses.
- No change orders. Veolia Water's proposal is a firm-fixed price. We do not underbid projects to win. We will commit to our price and the City's contract language prohibiting change orders.
- Proactive maintenance. We will implement an industry leading asset management program. Essentially we work with your staff to catalog all your assets and develop a maintenance program that is proactive, minimizing emergency situations and eliminating deferred maintenance. Our program protects your investment and saves money.
- No subcontractors. We do not subcontract our core functions to third parties. We believe in hiring high quality operators, maintenance workers, and support staff to work at your project site.
- Risk transfer, A partnership with Veolia Water will transfer risks associated with maintenance, operations, environmental compliance and other items to **us**. This service is provided at no extra cost and is extremely valuable in the face of ever increasing regulatory requirements. When the City is responsible for operations, any equipment or maintenance problems are the City's costs and any related expenses are borne by ratepayers.
- Track record of success in California. Since 1972, the longest of any private water operator, we have built our California operations on trust and meeting our client's expectations. For almost 40 years, we have grown our business with local agencies, the State of California, and the Federal Government/Department of Defense. We will work everyday to make sure the water you drink is clean and safe.
- No confusion in responsibilities. In all the agreements we enter into, Veolia Water acts as an extension of the public **works/utility** department. We take direction and work with City staff to ensure projects are completed on-time and in budget, and facility

information is transparent. We attend City Council meetings and neighborhood meetings as requested and help out beyond our scope when needed.

In addition to the value added services outlined above, we would agree to **two** additional commitments if the City Council moves forward with a partnership with Veolia Water:

- **Direct Investment in Lodi:** Veolia Water holds an annual safety conference for 120 senior managers and their guests in the Western United States. We would commit to hosting the next safety conference in Lodi if the City entered into a partnership with Veolia Water. Our conference consists of over 400 room night reservations, transportation, catering, rentals, meeting space, supplies and evening activities for attendees and guests or more than \$200,000 in direct local investment.
- **Hiring locally:** Veolia Water knows the best employees are ones who work and play in the communities we serve. We will commit to hiring qualified Lodi residents first to fill positions at your facility.

We look forward to the opportunity to work with Lodi residents and businesses as your O&M services partner. Please contact me if you have any questions or need any additional information.

Sincerely,



Shilen Patel

Business Development Manager

Veolia Water West Operating Services, Inc.

Cc: Lodi Mayor Pro Tempore Joanne Mounce
Lodi City Councilmember Larry D. Hansen
Lodi City Councilmember Phil Katzakian
Lodi City Councilmember Alan Nakanishi
Lodi City Manager Rad Bartlam
Public Works Director Wally Sandelin

I-1

Jennifer Robison

From: Bob Johnson - External
Sent: Thursday, October 20, 2011 10:03 AM
To: Randi Johl
Subject: Fw: 10/19/2011 Lodi City Council Agenda Item: Res. I-1

----- Original Message -----

From: Ed Miller
To: anakanishi@lodi.gov ; Bob Johnson ; JoAnne Mounce ; Ihansen@lodi.gov Phil Katzakian ; rbartlam@lodi.gov ; sschwabauer@lodi.gov
Cc: Kim Parigiis- Lodi Citizens In Action ; Maggie Creamer
Sent: Monday, October 17, 2011 4:23 PM
Subject: 10/19/2011 Lodi City Council Agenda Item: Res. I-1

	Southwest	Veolia	City
cost:	1	3	2
Delivery	2	1	3
Quality	1	1	3
Score	4	5	8

	Southwest	Veolia	City
Labor, years 1-3	\$1,246,592	\$2,136,964	\$2,314,967
O/H & Profit, years 1-3	\$1,047,774	\$1,678,266	\$1,389,108
Total:	\$2,294,366	\$3,815,230	\$3,704,075
Delta:	---	\$1,520,864	\$1,409,709

Delivery Analysis:

	Southwest	Veolia	City
--	-----------	--------	------

Time to "Normalization" in months	15	8	17
-----------------------------------	----	---	----