



**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:** November 22, 2011 (Special Meeting)

**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:** The City Council postponed a decision on staffing the surface water treatment facility and other City water facilities at its October 19, 2011 meeting. Instead, Council directed staff to meet with the two proposing firms to review their cost proposals and any amendments, to discuss outstanding questions, and resolve differences amongst the proposals, including the City staffing option.

At the request of the City Manager, Southwest Water Company, Veolia Water North America and Public Works staff submitted amended cost proposals. Details are provided below.

**City of Lodi Staffing Plan**

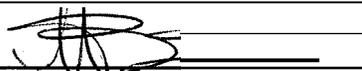
A reorganization of the Public Works Utilities management is proposed by assigning the management function for the Water Treatment Plant and the Wastewater Treatment Plant to the Deputy Public Works Director-Utilities position. This requires the recruitment of a properly-certified water and wastewater treatment operator with management skills. The currently vacant Wastewater Treatment Superintendent and the new Water Treatment Superintendent duties would be performed by the Deputy Public Works Director-Utilities. We expect to be able to recruit this person within a couple of months.

Management of the water, wastewater, and streets maintenance functions will remain with the existing Superintendent. Deputy Director Swimley will be reassigned to the vacant City Engineer/Deputy Public Works Director position, thereby returning badly needed project delivery capacity to the Public Works Capital Improvement Section. Typically, 60 percent to 70 percent of the cost of this position is directly charged to project budgets.

The City staffing plan is summarized by position in the organization chart presented in Exhibit A. Reliability of the four operators in the staffing plan is bolstered by the fact there are 17 existing water/wastewater staff with Grade 2 and 3 water treatment certifications available to support operations at the water treatment plant.

**City of Lodi Cost Proposal**

The details of the three amended cost proposals at the Optimized Operations Stage for the water plant are presented in Exhibit B. The details provided in Exhibit B do not include a \$56,000 saving to the wastewater utility resulting from reorganization of the division that includes the elimination of the

APPROVED:   
Konrad Bartlam, City Manager

Wastewater Treatment Superintendent position and assignment of those duties to the Deputy Public Works Director-Utilities.

There are four line items in Exhibit B that contain variability amongst the proposals that are described below.

Labor costs for the City include seven full-time equivalent positions compared to five for Southwest and 5.5 for Veolia. On average, the City's full compensation is \$76,000 per employee compared to around \$100,000 per employee for Southwest and Veolia.

Other costs for the City include miscellaneous supplies and materials (\$66,635), vehicles (\$15,377), laboratory services (\$10,252), and landscape maintenance (\$20,503). Southwest and Veolia incorporate these within the overhead numbers listed in their cost proposals.

Overhead and profit costs for the City are calculated as the sum of the cost of services payment from the water and wastewater utilities divided by the number of employees in the divisions. Roughly, the cost per employee is \$58,400 per year.

Finally, contract management costs are not assigned to the City proposal because they are included in the labor component of the proposal. Based on staff research, it is assumed that one-half of a full-time mid-management level staff person is required to manage a Southwest or Veolia contract. That cost is approximately \$47,500 per year.

### **Southwest Staffing Plan**

The details of the Southwest staffing plan are presented in Exhibit C. Southwest proposes employing five operators with the Plant Manager. The manager identified by Southwest has one year of experience at the Grade 4 Operator Level with no experience operating a membrane filtration treatment facility. The City desires the right to approve Southwest's choice of a Plant Manager if the company is chosen to operate the water system, but the company has objected.

Southwest presented a second staffing proposal that deleted operation and maintenance of the well facilities and reduced the overall staffing from five to four operators. This suggests Southwest is not comfortable with the operation and maintenance of the well facilities. Additionally, bifurcation of the responsibilities for operation of the ground and surface water production facilities will significantly complicate achieving the following City objectives.

1. Coordinating the individual well operations to optimize reimbursement of operations costs under the DBCP Settlement Agreement.
2. Operating the water treatment plant to achieve maximum utilization of the annual raw water supply (6,000 acre-feet) plus the banked raw water (42,000 acre-feet) within the temporal constraints of the Woodbridge Irrigation District water rights agreements.

Staff recommends against considering Southwest's second proposal.

### **Southwest Cost Proposal**

Details of the first amended cost proposal are presented in Exhibit B. Again, the comparison is provided only for the Optimized Operations Stage. The Southwest cost proposal has the lowest labor, overhead, and profit numbers of the three and, as a result, the adjusted total price is approximately \$90,000 or 4 percent below that of the City.

### **Veolia Staffing Plan**

The details of the Veolia staffing plan are presented in Exhibit C. Its proposal includes a Plant Manager, three operators and a full-time electrician and instrumentation technician. Veolia does not object to City approval of a Plant Manager.

### **Veolia Cost Proposal**

Details of the amended Veolia cost proposal are presented in Exhibit B. The proposal also included an alternate contract term of five years with an option to extend for an additional four years. The alternate term proposal is acceptable to City staff. The labor costs are the highest of the three proposals and the overhead and profit numbers fall between those of Southwest and the City. The adjusted total price is approximately \$8,000, or 0.4 percent higher than the City.

### **Questions and Resolutions**

Individual meetings were conducted with each proposing firm, providing the opportunity to resolve unanswered questions and issues for the Council's benefit. A few discussion topics are summarized below.

1. The agencies and districts served by Southwest tend to be smaller and located in relatively remote locations. These agencies and districts do not currently operate well established utilities, and therefore need the services of firms like Southwest, while Lodi already has large, well-established utility operations.
2. For the most part, Veolia clients are satisfied with the services provided and generally offer positive reviews of those services. However, Veolia's contract was not renewed at Diablo Grande and it is operating under fiscally-challenging conditions at the City of Richmond.
3. Southwest has been involved in a number of canceled or non-renewed contracts with California agencies in recent years, both water and wastewater. These include Discovery Bay, Rio Vista, San Simeon Community Services District and several others.
4. Regulatory compliance statistics for the City are highly positive. The City has not had a penalty related to wastewater operations in more than two years and has not a penalty related to water facilities operations in over ten years.
5. Earlier this year, the State Water Resources Control Board reached a \$1.25 million settlement in a case involving Southwest subsidiary ECO Resources for alleged misconduct related to the operation of multiple wastewater treatment facilities in California over several years. These facilities are located in Corning, Willows, Winters, Discovery Bay, Rio Vista, Cypress Ridge, Tejon Industrial Complex, Lamont Public Utility District, Taft Federal Prison, City of Taft, San Simeon Community Services District and City of Santa Paula. The order lists 56 violations and thousands of days of violations. ECO Resources now operates under the Southwest name.
6. The issue of capital maintenance labor costs was addressed with both Southwest and Veolia. The proposed operations contract obligates the City to reimburse up to \$50,000 in capital maintenance costs and specifically excludes costs of labor for individuals assigned to working at the plant.

Veolia confirmed its personnel costs are excluded from reimbursement by the City, thereby limiting the City costs to those for materials, replacement equipment, replacement parts and the like. On the contrary, Southwest's position is that labor and material costs are covered by the capital maintenance on the premise they will not have skilled maintenance personnel regularly onsite as will Veolia and the City.

We do not disagree with Southwest's position, but the issue highlights a significant difference between the City/veolia and Southwest staffing approach. By not having skilled maintenance workers regularly assigned to the water plant, the City is obligated through the contract to pay the labor costs associated with bringing maintenance staff into the plant site to perform maintenance, which increases the costs.

As a result of the information provided above, it is staffs recommendation the City Council authorize the recruitments 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 positions to be recruited will be the Deputy Public Works Director-Utilities and Lead Operator.

**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

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Jordan Ayers  
Deputy City Manager/Internal Services Director



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F. Wally Sandelin  
Public Works Director

FWS/pmf  
Attachments

# Public Works Utilities

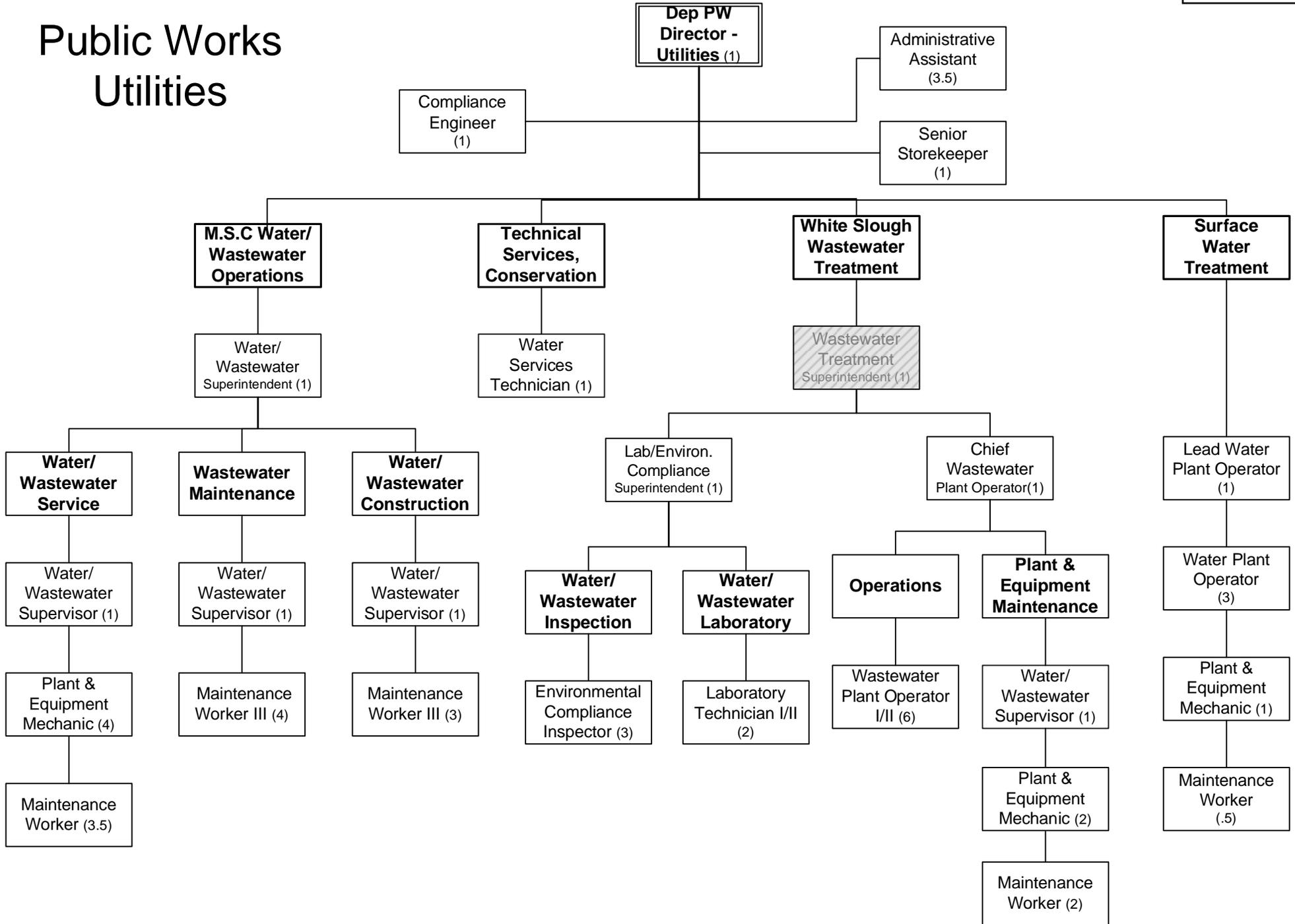


EXHIBIT B  
COST PROPOSAL COMPARISON

	Veolia	Southwest	City of Lodi
Labor	\$595,176	\$501,601	\$535,171
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	391,568	388,064	419,148
Total Price	\$2,316,466	\$2,219,387	\$2,355,803
Lodi Control Credit	-\$158,899	-\$158,899	-\$158,899
Contract Management	\$47,502	\$47,502	\$0
Adjusted Total Price	\$2,205,069	\$2,107,990	\$2,196,903
Percentage Difference	0.4%	-4.0%	

Staffing Comparison  
Optimized Operations Stage

	Veolia	Southwest	City of Lodi
PW Deputy Director/Operator Grade 4			0.5
Plant Manager/Operator Grade 4	1	1	0
Assistant Facility Manager/Lead Operator III	1	1	1
Lead Operator III	1	1	1
Shift Operator 1/11	1	1	1
Shift Operator 1/11		1	1
Electrician/Instrumentation Technician	1	0	0.5
Well Operator D1/Plant & Equipment Mechanic			1
Maintenance Worker 1/11			0.5
Administrative Assistant	<u>0.5</u>	<u>0</u>	<u>0.5</u>
Total	5.5	5	7

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**

	FUND#	BUS. UNIT#	ACCOUNT #	ACCOUNT TITLE	AMOUNT
A SOURCE OF FINANCING	180		3205	Fund Balance	\$ 225,000.00
USE OF FINANCING	180	180461	7100	Surface Water Treatment Plant	\$ 108,000.00
	180	B046	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.

If Council has authorized the appropriation adjustment, complete the following:  
 Meeting Date: 11/22/2011 Res No: \_\_\_\_\_ Attach copy of resolution to this form.  
 Department Head Signature: Wally Sander

**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.

RESOLUTION NO. 2011-185

A RESOLUTION OF THE LODI CITY COUNCIL  
AUTHORIZING RECRUITMENTS TO STAFF THE  
CITY'S WATER TREATMENT PLANT STAFFING PLAN  
AND FURTHER APPROPRIATING FUNDS

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WHEREAS, staff was directed at the March 15, 2011, Shirtsleeve Session to investigate the option of entering into a public/private partnership for the operation of the surface water treatment facilities currently under construction; and

WHEREAS, requests for proposals were issued on May 19, 2011, to six firms and proposals were received on August 1, 2011, from Southwest Water Company and Veolia Water North America; and

WHEREAS, at the August 30, 2011, Shirtsleeve Session and at the October 19, 2011, City Council meeting, comparisons of the two proposals and the City's staffing plan were presented to City Council; and

WHEREAS, staff recommends choosing the City's staffing plan, including the reorganization of the Public Works Utilities management. The management function for the Water Treatment Plant and the Wastewater Treatment Plant will be assigned to the Deputy Public Works Director-Utilities position, requiring the recruitment of a properly-certified water and wastewater treatment operator, and the current Deputy Public Works Director-Utilities will be reassigned to the vacant City Engineer/Deputy Public Works Director position.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize recruitments to staff the City's water treatment plant staffing plan; and

BE IT FURTHER RESOLVED that funds in the amount of \$225,000 be appropriated from the Water Fund.

Dated: November 22, 2011

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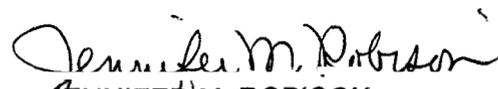
I hereby certify that Resolution No. 2011-185 was passed and adopted by the City Council of the City of Lodi in a special meeting held November 22, 2011, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Mounce, and Nakanishi

NOES: COUNCIL MEMBERS – Katzakian and Mayor Johnson

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
JENNIFER M. ROBISON  
Assistant City Clerk

The City of Lodi  
**Public Works  
Engineering**



# Water Treatment Plant Staffing Plan

Agenda Item B - 01  
November 22, 2011



# Comparison of Staffing

Month	Veolia	SouthWest	City of Lodi	
1	6.5	6	8	
2	6.5	6		
3	5.5	6	8	
4	5.5			
5	5.5			
6				
7	5.5			
8	5.5			
9	5.5	6	8	
10				5
11				
12		7		
13				
14				
15		5		
16			7	
17				
18		7		
19				
20				
21				
22				
23				
24				



# Cost Comparison

	Veolia	SouthWest	City of Lodi
Optimized	\$2,205,069	\$2,107,990	\$2,196,903
Difference	\$11,166	-\$88,913	0
Percent	0.4%	-4.0%	0
Average Labor	\$108,214	\$100,320	\$76,453
Other	\$41,006	\$41,006	\$112,767
Overhead & Profit	\$391,568	\$388,064	\$419,148
Contract Mgmt	\$47,502	\$47,502	0





# Justification

- Protection of City Assets
- Complex Management of Water Resources
- Run To Failure Expensive Risk
- Potential Savings Not Significant
- Reduced Staffing Option Common to All
- Critical Infrastructure Likened to Public Safety
- Unquestioned Regulatory and Operational Track Record



# Recommendation

- Authorize Recruitment of Staff
  - Deputy Public Works Director
  - Lead Operator
- Appropriate \$225,000 for FY 2011/12
- Costs are below Budget Projections



# Questions



# 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

B-1

MEMORANDUM

Date: November 18, 2011

To: Lodi City Council Members

From: William Schwarz, Southwest Water Company

Re: Staff report for Shirt sleeve meeting November 22 regarding operations of the Lodi Water Treatment Plant, Agenda item B-01.

Honorable Council Members,

Yesterday I received the City staff report which pertains to the operation of your new water treatment plant. We take issue with a number of items which are in this report. I would like to take this opportunity to point these out and provide some insight that we hope will enable you to make an informed and educated decision about this matter on Tuesday. At a previous shirt sleeve meeting discussing this topic, time constraints did not allow time for Southwest Water Company (SWWC) to address the many concerns we had. Please allow me to identify the issues we have with the recent staff report in this memorandum.

**The City of Lodi Cost Comparison Does Not Include Savings Prior to Optimization Stage.**

Over \$500,000 of SWWC Savings is not captured. The November 22 staff report only addresses the optimized phase. It does not address the commissioning, post commissioning, or normalization phases. Using Exhibit D of the staff's October 19 report, a very conservative estimate is that SWWC could save the City over \$500,000.

**City of Lodi Cost Estimates Do Not Capture All Costs**

The City's cost does not include purchase of over \$100,000 of capital items. These include vehicles, equipment, tools and a variety of other items that must be purchased at the beginning of the project. These costs could easily exceed \$100,000. Our proposal includes these costs.

The City's lab costs are underestimated by at least \$20,000 per year. The lab costs in the City proposal are \$10,252 per year. In our proposal, SWWC estimated the costs associated with water and well testing to vary each year, but with a minimum of \$30,000 to \$50,000 per year. Our estimates were developed from information given to us by the City.

The City's cost does not include \$50,000 to \$60,000 for the other half of the Deputy Public Works Director. The staff report states that they are recruiting a new Deputy Public Works Director, who will be assigned 50% to this project. The other 50% of this cost increase is not accounted for.

\$47,502 of Contract Management is not necessary. The staff report infers that the City's 7 employees for this project will report to the Deputy Public Works Director – Utilities. SWWC could report to the same person, and actually make his job easier by him not having to deal with all of the day to day issues of the facilities and supervising 7 employees.

**The City proposed staffing plan raises doubts about the project timeline.**

One of the most important aspects in the building of a new water plant is in the initial construction phase. This allows the construction company, the design engineers, and the operator to analyze the workings of the plant and make changes based upon input from the three parties. It was the intent of the Lodi RFP to have an on-site project manager on board by November 2011. Under the City staffing plan, this project manager will not be on site until the recruitment and hiring of a Deputy Public Works Director-Utilities is completed, which staff forecasts will be "in a couple of months". This puts the project up to four to five months behind schedule and can lead to significant issues down the road with the operation of the facility.

**Future City Pension Obligations Are Not Taken into Account.**

It is extremely difficult to quantify the future pension obligations that the City will incur by hiring seven new employees. It is obvious that the cost will be significant, and will add to the City's existing issues with funding pension obligations.

This sizeable cost obligation and long term unsustainable debt can be avoided by deciding to contract with SWWC.

**Southwest Water Desires to Operate the Wells in Addition to the Plant.**

In the staff report, it is suggested that SWWC is not comfortable with the operations of the well facilities. This could not be further from the truth. In fact, the only reason we submitted a proposal to operate the water facility only, was based the Public Works Director's report at the last City Council meeting that the City had been doing it for 100 years, they know the system, and was adamant no one could do it better. It has nothing to do with our ability to perform the duties of operating wells. We own and maintain a utility in southern California with hundreds of wells. To simply submit a proposal to look at options, and in turn draw a conclusion we are not comfortable doing the work, we view as an assault on our experience and reputation and is without merit.

**The City Staff acted as Bidder and Bidder.**

In the background portion of the staff report, it is indicated that the City had included their staffing option for our review. This is not true. SWWC was asked to propose an alternative staffing plan based upon Council's concern regarding the low staff levels at the optimization phase in our previously submitted proposal, which we did. This allowed the City staff to receive the revised proposals from the two competing firms and in turn, use that information to revise their proposal. A true Request for Proposals (RFP) process calls for competition based on bids prepared separately from each other.

**The questions and resolutions section in the Staff Report are biased and the information provided is not complete.**

The staff report dredges up old issues that were addressed in our previous meeting, again without including Southwest Water's response. These issues are ancient history and have been resolved. The report neglects to mention that Southwest Water has been recognized by the California Water Environment Association (CWEA) with two Plant of the Year awards, Safety Agency of the Year Award, Supervisor of the Year Award, and Inspirational Operator of the Year Award. For two years in a row, our wastewater treatment plant operations for the City of Willows received Plant of the Year for having zero safety and compliance violations and for maintaining all mandatory reporting and the facility itself in an exemplary condition. The CWEA recognized our contract with the City of Corning as the Safety Agency of the Year, highlighting our strong safety record with no lost time incidents, twice-a-month training sessions, up-to-date records, equipment inspections and strong standard operating procedures. In addition, Southwest Water received the 2011 Infrastructure Award from the National Council for Public-Private Partnerships (NCPPP) for our Shelby County (Alabama) Water and Wastewater Systems contract. This marks the seventh Southwest Water contract that the NCPPP has recognized in recent years. Lastly, SWWC received two safety awards in 2010 from the National Safety Council. All of these awards, and more, illustrate Southwest Water's commitment to operating safely and in full compliance, while protecting the environment.

**Southwest Water OWNS Water Systems Larger than the Lodi System.**

We own and operate a utility in southern California (Suburban Water) that has over 80,000 connections and is operated under the guidance of the Public Utilities Commission. It has numerous wells, distribution system, collections, billing, customer service, and a variety of other services.

It is true we have entered into some contracts that have resulted in strained relationships between SWWC and the client. Some of these were mutually terminated by both the client and SWWC. One contract was terminated by the client without cause and thus a pending lawsuit has been filed. The State Water Board fines that were mentioned were historic in nature and have been settled with no admission of guilt or wrong doing on behalf of SWWC. This settlement was deemed to be in the best interest of both the State of California and SWWC. We don't claim to be perfect, but you would think that if accusations to this degree are going to be presented in a document to Council, a reply and explanation on behalf of the accused would be included and certainly brought to our attention prior to dissemination of the report.

**Southwest's staffing plan is called into question.**

Staff's report objects to not being able to approve our choice of the facility manager. Our selected facility manager has over 18 years in the water industry, is a Lodi resident, he has been trained on Pall Membrane Filtration, will be on the start-up and commissioning team for a Pall Membrane plant in Houston this year, and holds a grade 4 certificate. We have the utmost confidence in Mr. Mora and our firm is the only Company that identifies the proposed facility manager in its proposal. Ultimately, SWWC has the responsibility to operate the facility with a plant manager we are solely responsible for. We view the City as our partner in the operation of this facility and it is important that the City feel comfortable in SWWC choice of Managers. If at any time during the term of this contract the City feels that there may be an issue with our choice of Managers, SWWC will work with City to resolve the problem.

The staff report conveniently leaves out the recommendation of SWWC to stand by our initial proposal. In the event that at optimization, only three operators are required, we would refund and readjust our contract to reflect that staffing level, and save the City millions of dollars. We aren't just saying we can operate this plant with only three staff, we currently do that in other plants, and so do other companies.

**We don't charge a client for unnecessary services.**

The capital expense costs are discussed in this report. SWWC does not pay to have an electrician, instrumentation technician, administrative assistant, and other positions, to stand around doing nothing. Instead, we save the City money by using local contractors only when needed. With this project, the plant will be under warranty for the first year or two, after that, we will perform all the maintenance based on generated work orders and manufacture recommendations. This will save the City thousands of dollars over the life of the contract. Staff's claim that this approach will cost the city additional money is simply false.

**Use the savings for well capital improvements.**

At the previous City Council meeting, the Public Works Director stated that close to \$700,000 a year is spent on capital improvements for the numerous wells owned by the City. It is recommended that the significant savings SWWC affords the City can be used expressly for that purpose which over time, will again save the City millions of dollars. The improvements coupled with less use will eventually reduce those costs even more, again saving the City money.

In closing, we disagree with the conclusions of the staff report. By contracting with Southwest Water, the City stands to realize substantial cost savings and will gain an experienced, trustworthy, and reliable operator for its water plant.

I look forward to seeing you all on Tuesday. Thank you for reviewing this document and I hope it provides for some clarification and information you will find beneficial.

Respectfully Submitted,

William Schwarz

B-1



November 17, 2011

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

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

Dear Mayor Johnson:

We understand City staff will again recommend Veolia Water as the City's preferred private partner for operating the City's new surface water treatment facility and related wells at your upcoming shirtsleeve session. In addition to the benefits outlined in our proposal, we believe our offering is superior to your alternative proposals for the following three reasons:

- **Experienced Staff.** We built a responsible staffing plan that is led by Mike Greene, P.E., a water facility start-up expert with over 33 years of water treatment experience. Our project team includes Marvin Gnagy, P.E., a water membrane treatment/process expert with over 30 years of operations experience which includes Pall Membranes. Our team is ready, with no additional training needed, to immediately serve the Lodi community.
- **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. This is especially important in the current economic climate where starting a new City department will burden current and future ratepayers with expensive public pension and health obligations.
- **Risk transfer.** A partnership with Veolia Water will transfer risks associated with maintenance, operations, environmental compliance and other items to us. 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.

Veolia's proposal and approach will protect your investment and save the City money. More importantly, our proposal is backed by a track record of success that is the longest and best in the industry. We look forward to the opportunity to work with Lodi residents and businesses as your O&M services partner. I hope you will **support** our proposal.

Sincerely,



Shilen Patel

Business Development Manager

Veolia Water West Operating Services, Inc.

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

**Jennifer Robison**

B-1

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**From:** Randi Johl  
**Sent:** Monday, November 21, 2011 01:40 PM  
**To:** Jennifer Robison  
**Subject:** Fw: [BULK] City of Lodi new water plant

*Connected by DROID on Verizon Wireless*

-----Original message-----

**From:** linda swimley <2swim@att.net>  
**To:** "cityclerk@lodi.gov" <cityclerk@lodi.gov>, "anakanishi@lodi.gov" <anakanishi@lodi.gov>, "bjohnson@lodi.gov" <bjohnson@lodi.gov>, "jmounce@lodi.gov" <jmounce@lodi.gov>, "pkatzakian@lodi.gov" <pkatzakian@lodi.gov>, "lhansen@lodi.gov" <lhansen@lodi.gov>  
**Sent:** Mon, Nov 21, 2011 21:28:08 GMT+00:00  
**Subject:** [BULK] City of Lodi new water plant

After reading the Stockton Record of November 11, 2011, stating you will be deciding on privatization of the new water plant the pending decision worries us.

If you privatize the city will lose control over quality, time and personal. Everyone has their idea of what personal should give to their employer, however lower cost does not guarantee quality, more often you are short changed when the private company looks out for themselves.

When it comes to clean water supply quality is most important for our City of Lodi.

Regards,

Chuck and Linda Swimley  
901 sylvia Drive  
Lodi, California 95240

B-1

November 21, 2011

Lodi City Council  
221 W. Pine Street  
Lodi, CA 95240

RE: Operation of Lodi's Surface-Water Treatment Plant  
Special Meeting – November 22, 2011

You are again faced with a very important decision that will impact Lodi citizens for decades to come, Carefully reviewing all options is prudent; however, the dollar figure alone should certainly not be the deciding factor in the matter of who should be entrusted with the operation of the City's surface-water treatment facility.

Hopefully the \*background material presented to you includes the fact that Veolia is a French company and, accordingly, not all of its shareholders are United States citizens. (\*See following three pages.)

Keep ratepayer dollars and control – local.

I urge you to approve the recommendation to have City of Lodi staff operate the surface-water treatment plant.

Respectfully submitted,  
Susan J. Blackston

cc: City Manager  
Public Works Director

## **Veolia Environnement: Combined Shareholders' Meeting, May 17, 2011**

**Reuters**

**Tue May 17, 2011 1:18pm EDT**

Veolia Environnement: Combined Shareholders' Meeting, May 17, 2011

Regulatory News:

The Combined Shareholders' Meeting of Veolia Environnement (Paris:VIE) took place at the Carrousel du Louvre in Paris, on Tuesday, May 17, 2011, under the chairmanship of Antoine Frerot, Chairman and Chief Executive Officer of the Company. All of the resolutions submitted to the Combined Shareholders' Meeting were carried by wide majorities.

In particular, the Shareholders:

- o **reelected the following directors** for four-year terms expiring on the occasion of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2014:
  - o Jean Azéma;
  - o Pierre-Andre de Chalendar;
  - o Baudouin Prot;
  - o Louis Schweitzer;
- o **approved the option to receive payment of the 2010 dividend of 1.21 euro either in shares or in cash.** Shareholders may opt<sup>(1)</sup> for the payment of the dividend in shares between May 23, 2011 and June 7, 2011 inclusive, by sending their request to their financial intermediary. The issue price of the new shares resulting from exercise of the option for the payment of the dividend in shares was set at 18.74 euros after applying a 10% discount. For shares listed on the NYSE Euronext Paris regulated market, the ex-dividend date will be May 23, 2011<sup>(2)</sup> and the dividend will be made payable in cash or in shares as from June 17, 2011<sup>(3)</sup>;
- o **approved the company financial statements and the consolidated financial statements for fiscal year 2010.**

See [finance.veolia.com&sheet=6727442&lan=en-US&anchor=www.finance.veolia.com&index=1&md5=b2eeb9b4d686b8c3f8927df3a42d01ce](http://finance.veolia.com&sheet=6727442&lan=en-US&anchor=www.finance.veolia.com&index=1&md5=b2eeb9b4d686b8c3f8927df3a42d01ce) > [www.finance.veolia.com](http://www.finance.veolia.com) for the results of voting on the resolutions and a full webcast of the Combined Shareholders' Meeting.

*Veolia Environnement (Paris Euronext: VIE and NYSE: VE) is the worldwide reference in environmental solutions. With more than 315,000 employees the company has operations all around the world and provides tailored solutions to meet the needs of municipal and industrial customers in four complementary segments: wafer management, waste management, energy management and passenger transportation.*

*Veolia Environnement recorded revenue of €34.8 billion in 2010. [www.veolia.com](http://www.veolia.com).*

*For press releases see <http://www.finance.veolia.com>*

*(1) Important information for non-resident shareholders: Foreign legal restrictions may apply to the payment of the dividend in shares. These shareholders are required to take cognizance of applicable conditions under the laws and rules of their country of residence.*

<sup>(2)</sup> ADR holders may be subject to different election and payment dates and should consult the depository for details.

<sup>(3)</sup> Practical arrangements for the option to receive payment of the dividend in shares or in cash will be communicated to shareholders of Veolia Environnement by their financial intermediaries. See [www.finance.veolia.com](http://www.finance.veolia.com) for details of these arrangements.

**Veolia Environnement**

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**Veolia Environnement S.A.** is a multinational **French company** with activities in four main service and utility areas traditionally managed by public authorities - water supply and water management, waste management, energy and transport services. In 2009, Veolia employed around 300,000 employees in 77 countries. Its revenue in that year was recorded at €34.6 billion.<sup>[2]</sup> It is quoted on Ewonext Paris and the New York Stock Exchange. It is headquartered in the 16th arrondissement of Paris.<sup>[3]</sup>

Between 2000 and 2003 the company was known as **Vivendi Environnement**, having been spun off from the Vivendi conglomerate, most of the rest of which became Vivendi. Prior to 1998 Vivendi was known as **Compagnie Générale des Eaux**.

## Major divisions and subsidiaries

### Veolia Water

Veolia Water is the world leader in water services. It handles water and wastewater services for clients in the public sector and in various industries. It also creates and constructs the required technology and infrastructure. In 2009, Veolia Water recorded revenue of €2.56 billion and employed 95,789 people. The Water division operates in 66 countries around the world.”

### Veolia Environmental Services

Veolia Environmental Services is second in the world in waste management services. In addition to environmental and logistics services, it treats and converts hazardous and non-hazardous waste. The goal: decrease pollutants in waste to lessen its environmental effects, and promote waste recycling and recovery. The company employs 85,600 staff in 33 countries and had 2009 revenues recorded at €9.1 billion.<sup>[8]</sup>

## **Veolia Energy (Dalkia)**

Veolia Energy (Dalkia) strives to maximise facilities' energy and environmental efficiency. Its services include maintaining and managing heating and cooling systems, making plants more energy efficient, and selecting the most adapted energies. In 2009, Dalkia had €7.1 billion in revenue and employed 52,577 employees in 42 countries, principally in Europe.<sup>[9]</sup>

## **Veolia Energy (North America)**

Veolia Energy (North America) is the largest operator and developer of efficient district energy (heating, cooling and cogeneration) systems in North America, located in ten major U.S. cities. It also provides facility operations, energy management, and advisory services. Until February 2011, this division operated under the Trigen Energy brand name.<sup>[10][11]</sup>

## **Veolia Transport**

Revenue in 2009 for Veolia Transport was recorded at €5.86 billion. It employs 77,591 people across 27 countries in Europe, North America and Asia. It works with public authorities under public-private partnerships to manage public transit systems (buses, trains, metros, ferries, etc.).<sup>[12]</sup>

# Response to City Staff Report for Water Plant Staffing

11/22/2011

Good morning, Mr. Mayor and City Council. I am etc, etc... Let me begin by making three key points:

- Outsourcing the management of the water treatment plant would provide a significant reduction in the City's operating costs while providing funding opportunities to do other things such as upgrading the City's wells.
- Outsourcing the management of the water treatment plant eliminates City liabilities for employee benefits, pension costs, worker's compensation costs and operational fines associated with the plant.
- The City Council should instruct staff to contract the management of the water plant to the lowest responsible bidder for three years and realize the benefits.

The reasoning for this position is as follows:

- If you remember, back at the beginning of the year, the budget was the main priority and the cost of public-sector union benefits were identified as a budget buster, requiring concessions from the bargaining groups or lay-offs would occur. The City Manager identified the cost growth associated with medical and retirement benefits as unsustainable. Now we are looking at increasing these unsustainable costs by hiring seven (7) new public-sector union employees. As I understand it, any decision today will NOT affect current City employees, only new hires.
- Staff report claims that the average cost of a fully compensated City employee would be \$76,000 per year. However, the additional cost of \$48,000 average per year for benefits was omitted making the actual total average cost \$124,000 per City employee vs. \$100,000 for the two private firms. The City's cost is 24% higher per employee.
- By the way, I "sanity-checked" these numbers based on the original plant staffing of 3/16/2011 (attached) where the cost was forecasted to be \$940,000 for 8.5 people or \$111,000 per employee average. If one takes the top three positions whose expertise is appropriate for the plant, the total of the estimated full compensation salaries is \$371,400 or \$123,400 average.
- Another City employee cost neglected in the staff report is the CalPers backfill payment the City makes to cover the retirement fund's shortfall. Next year the cost to the City will be ~\$1M or about \$4,000 per existing employee (350). Adding additional highly paid senior employees increases this cost to the City.
- Yet another employee expense ignored in the staff report is worker's compensation, another serious budget issue per the City Manager. If the running of the plant is outsourced, the successful bidder takes on this burden plus all employee benefits.
- Based on the corrected costs I just mentioned, the City's delivered total annual cost to run the plant is at least \$870,000 per year, not \$535,000 as stated in the staff report.
- Compared to Veolia at \$595,000/year, the City's cost is 32% higher.
- Compared to Southwest with five operators at \$501,000/year, the City is 42% higher, not 4% as claimed by staff. On the other hand, if the original three-operator model were used at \$300,000 per year (based on staffs numbers), then the City is 66% higher. That is \$570,000 per year. Over a three-year contract, the savings to the City would be \$1.7M.

# Response to City Staff Report for Water Plant Staffing

11/22/2011

- The bidding contractors would be responsible for maintaining the City's wells. These funds, plus the management cost savings achieved by outsourcing the plant management, could be used to upgrade the City's wells, a significant opportunity for the City.
- From the first shirtsleeve meeting on this issue, it has been suggested that the lowest bidder should be thrown-out. Why? If the cost model were valid, the City would be foolish to ignore it. I have not seen any concrete evidence from three staff reports over a nine-month period that proves Southwest's cost model of three operators is invalid; therefore, City staff is implying that the model is valid by their silence.
- By outsourcing, the City would avoid other costs such as operational fines, lab costs, chemicals, etc. as the outsource firm is responsible, not the City.
- What about the intangibles? Outsourcing the plant's management on a three-year contract means all costs to the City are identified, fixed and guaranteed for the period of the contract. No surprises; errors are not the City's responsibility.
- At the end of the contract, the City can re-evaluate as appropriate at the time. On the other hand, if additional City staff is hired, the inflated costs and liabilities will be essentially permanent.
- In conclusion,
  - Outsourcing the management of the water treatment plant for three years represents a significant reduction in the City's operating costs by as much as \$1.7M while providing funding opportunities to do other things such as upgrading the City's wells.
  - Outsourcing the management of the water treatment plant for three years also represents decreased liabilities for the City – reduced exposure from pension costs, worker's compensation costs and fines for operator errors or machinery failure.
  - I urge you to vote NO to staffs recommendation and instruct staff to contract with the lowest responsible bidder to manage the new water plant for three years.

## Summary:

	<u>Southwest</u>	<u>Veolia</u>	<u>City</u>
Average cost per employee	\$100k	\$100k	\$124k+
Delivered labor cost per year	(5 ops) \$501k (3 ops) \$300k	\$595k	\$870k
Delivered labor cost savings over 3-years	\$1.1M \$1.7M	\$825k	--
Funding available for well upgrade	Yes	Yes	No
Operational fines, lab costs, chemicals, etc	Supplier pays	Supplier pays	City pays
Costs identified, fixed and guaranteed	Yes	Yes	No
Re-evaluation in 3-years	Yes	Yes	Unlikely

# Response to City Staff Report for Water Plant Staffing

11/22/2011

## AGENDA ITEM



### CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Adopt Resolution Approving Water Treatment Facilities Staffing Plan  
**MEETING DATE:** March 16, 2011  
**PREPARED BY:** Public Works Director

**RECOMMENDED ACTION:** Adopt resolution approving water treatment facilities staffing plan.

**BACKGROUND INFORMATION:** On October 20, 2010, Council awarded a contract for construction of the City of Lodi Surface Water Treatment Facility (SWTF). The contractor started construction on February 1, 2011 and is scheduled to complete the project in July 2012. Lodi has historically provided drinking water to its citizens exclusively from groundwater wells. The SWTF is the first municipal water treatment facility owned and operated by the City.

Currently, the water/wastewater utility employs 23 full-time cross-trained staff to operate and maintain the City's 26 municipal water wells, water distribution system and wastewater collection system. When the SWTF is commissioned, the utility will need to add staffing to accommodate the workload for operating and maintaining the SWTF and the additional duties related to operating the water distribution system under the State of California surface water rules.

The attached Staffing Plan (Plan) estimates additional staffing needed to operate and maintain the SWTF and distribution system. A staffing level assessment prepared by the City's SWTF design consultant (HDR) estimates man-hours associated with each task involved in the SWTF operation. The assessment also compares the staffing estimates with actual staffing of similar treatment plants in cities like Lodi in order to best determine the number and type of employees needed (see Appendix A of the Plan).

The attached Plan recommends the following positions be added to the Water/Wastewater Division for operating and maintaining the SWTF:

Position	FTE's Needed	Annual Estimated Full Compensation
Water Treatment Superintendent	1	\$150,000
Water Treatment Plant Operator (III)	2	\$110,700
Water Treatment Plant Operator (II/III)	2	\$103,300
Plant and Equipment Mechanic	1	\$105,400
Electrician	1	\$140,600
Maintenance Worker	1	\$ 94,300
Administrative Clerk (Part-Time)	1	\$ 21,600

**\$371.4K**  
**\$23.8K**  
**Ave.**

#### Water Treatment Superintendent

The Water Treatment Superintendent is a mid-management level position assigned overall responsibility of the SWTF and its staff, including the raw water pump station facility in Woodbridge. Typical duties include implementing policies and procedures, planning and prioritizing staff, analyzing water treatment

APPROVED: \_\_\_\_\_

Konradt Bartlam, City Manager

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3/8/2011