

**JOURNAL OF CITY COMMISSION SPECIAL WORK SESSION**  
**December 15, 2020**

City Commission Work Session  
Civic Center, Gibson Room 212

Mayor Kelly presiding

**CALL TO ORDER:** 4:00 p.m.

Due to the COVID-19 health concerns, the format of the City Commission Special Work Session was held in a virtual video-conferencing environment.

**ROLL CALL/STAFF INTRODUCTIONS:** City Commission members participated electronically via Zoom Webinar: Bob Kelly, Tracy Houck, Mary Sheehy Moe, Owen Robinson and Rick Tryon. City Staff participating electronically were City Manager Greg Doyon, Deputy City Manager Chuck Anderson, Public Works Director Paul Skubinna, and City Attorney Sara Sexe. Others participating electronically included Animal Foundation/Maclean Cameron Animal Adoption Center representatives and Veolia representatives.

Present were Park and Recreation Director Steve Herrig and City Clerk Lisa Kunz.

To honor the Right of Participation and the Right to Know (Article II, Sections 8 and 9 of the Montana Constitution), modifications have also been made for public participation as follows:

- Attend in person. **The City will be following the current Governor's Directives and the Public Health Officer Orders regarding public meetings conducted by, staffed by or held in the facilities of the City.** Masks will be required, social distancing will be enforced, and the total number of persons in the meeting room will be limited to a maximum of 25. Public following these directives may view and participate in the meeting from the Gibson Room. Please refrain from attending in person if you are not feeling well.
- Provide public comments via email. Comments may be sent via email before 12:00 PM on Tuesday, December 15, 2020: [commission@greatfallsmt.net](mailto:commission@greatfallsmt.net).
- Electronically. Register via the link on the meeting's agenda to attend the virtual Zoom Webinar or to participate by phone.
- The agenda packet material is available on the City's website: <https://greatfallsmt.net/meetings>. The Public may view and listen to the meeting on cable channel 190 or online at <https://greatfallsmt.net/livestream>.

Commissioner Owen Robinson noted that he sought legal counsel for a perceived conflict of interest and, although there is no legal reason to recuse himself, he has made the decision to recuse himself and not participate in discussions or decisions pertaining to agenda item 1.

**PUBLIC COMMENT**

**Pam Hendrickson**, City resident, objected to Maclean Cameron Animal Adoption Center (MCAAC) pursuit of obtaining taxpayer dollars in order to keep its facility open. She expressed concern regarding what would happen to the privately funded cattery if the Animal Shelter were only to provide crematory services; MCAAC's lack of experience in dealing with animal health crises, hoarding and criminal cases; MCAAC's higher adoption fees; lack of savings to the

taxpayers; and the RFP criteria has not been met. She concluded that Maclean built a facility they could not afford to operate with the intention of obtaining City funds.

Written communication via email in opposition to the City entering into an agreement with the Maclean Cameron Animal Adoption Center were received from **Pam Hendrickson, Linda Metzger, Mark Metzger, Ashley Lyon, Christian Cornelius, Barbara Overton, Colene Parker, Jeni Dodd, and Michelle Dahl.**

1. **ANIMAL SHELTER REQUEST FOR PROPOSAL (RFP) FINAL ANALYSIS AND RECOMMENDATIONS**

Deputy City Manager Chuck Anderson reviewed and discussed the attached PowerPoint slides covering:

- Great Falls Animal Shelter (GFAS) RFP Final Analysis and Recommendations
- Presentation Outline
- 22-Month Look Back
- RFP Fundamentals and Analysis
- Evolution of Proposals
- Resolving and Educating
- Recommendations

Commissioner Tryon inquired about the Maclean Cameron Animal Adoption Center/Animal Foundation's (MCAAC/AF) intake numbers used for its budgeting calculation.

Deputy City Manager Anderson explained that MCAAC/AF was listing an entire Animal Shelter budget against the number of animals that were intakes. Animal intakes are an important function within the Animal Shelter but is not their entire function. Some other services include microchipping, vaccinating, lost and found, adoption services and cremation services.

Commissioner Moe commented that she would like to have heard the MCAAC/AF proposal before hearing the critique of it.

Mayor Kelly received clarification that City staff has had two face-to-face meetings with MCAAC/AF representatives in 2019 and one meeting in 2020 outside of Commission meetings.

Libby Winderl, Animal Foundation of Great Falls Board of Trustees President, introduced Board Trustee John Huber, Executive Director Pam Volk, and Certified Public Accountant Debbie Corn.

Ms. Winderl commented that City staff and MCAAC/AF representatives met once in August. It was her understanding that today they would elaborate further on the answers they submitted in October. She agrees this has been a 22-month process with delays due to Covid. MCAAC/AF submitted responses to the City's work session presentation this afternoon. She added that the MCAAC was expected to derive a business plan for the RFP from several different budgets (proposed, actual and amended) provided by the City. They are prepared to discuss their submission and respond to questions.

Mayor Kelly commented that there has been misunderstandings and misinterpretations that he attributes to the fact that representatives were not able to sit in the same room to talk about this and has relied on email exchanges and the formality of an RFP. He requested that MCAAC/AF representatives respond to things they heard and were surprised at during the staff presentation or that they feel needs more explanation.

Ms. Winderl responded that she does not see the relevance in Deputy City Manager Anderson's comments that the intake numbers account for every time an animal had a different service at the Animal Shelter.

Debbie Corn, Animal Foundation Certified Public Accountant, added that she does not see the logic in the Animal Shelter's intake count of 4337, when some animals were counted multiple times for different services provided to the animal. Ms. Corn also noted that the MCAAC/AF took issue with comments regarding the budget.

Ms. Winderl added that MCAAC/AF provided budgeting clarification in its October letter to the City.

Mayor Kelly received clarification that over the last 22 months MCAAC/AF has obtained a further understanding about the operations of the Animal Shelter. MCAAC/AF is prepared going forward to show that it has the expertise to address the challenges that are provided as a service by the Animal Shelter.

Deputy City Manager Anderson explained that an intake of an animal is when an owner surrenders a pet or someone brings in a stray to the Animal Shelter. Services provided by the Animal Shelter include animals coming in for vaccinations, ID tags, microchipping, and a few other performance functions. Those services are not considered animal intakes, but are part of animal services. He concluded that MCAAC/AF representatives made comments at the August meeting that gave credence to their lack of understanding of the functions accomplished by the Animal Shelter.

Mayor Kelly commented that there was a recent ribbon cutting ceremony for the volunteer funded cattery. He inquired the MCAAC/AF vision going forward if there were some type of agreement with the Animal Shelter for use of that facility, or if it was an asset the MCAAC/AF is not in need of.

Animal Foundation Executive Director Pam Volk responded that the MCAAC is open to utilizing the kennels at the MCAAC's facility.

Deputy City Manager Anderson reported that two sections will be constructed within the cattery. One section with the smaller cages, and another section will be utilized for larger catios obtained after fundraising efforts.

Commissioner Tryon inquired if it was an assumption all along that the MCAAC/AF would eventually take over responsibility of the City's Animal Shelter. Further, if MCAAC/AF and the City are not able to come to an agreement, would MCAAC/AF pursue a different mission.

Ms. Winderl responded that the Animal Foundation Board of Trustees has not discussed pursuing different options if there is not a partnership with the City. It was her understanding that the MCAAC building was originally designed with the intention that Animal Control would do the stray intakes at the MCAAC facility. When the falling out happened, the building was redesigned to not include animal intake and control.

John Huber, Animal Foundation Board Trustee, commented that issues he has with some of the presentation were addressed in MCAAC/AF response. He reported that 12-13 years ago there was inferences that if the AF built a new building then the City would talk. It was not a pre-conceived notion that the City of Great Falls would become a partner with them. Their motivation was to work together with the City and model what other communities have done. He would like to see the community come together and continue to thrive.

City Manager Greg Doyon explained that the purpose of staff's review was to provide the Commission with a full review of all the proposals considered from the beginning. If the MCAAC/AF takes over all of the services of the Animal Shelter, Manager Doyon will recommend closing the Animal Shelter that the City operates. There will also need to be changes to the City Code. Manager Doyon expressed concern with regard to the MCAAC/AF ability to take over full services that the Animal Shelter currently provides, as well as efficiencies and cost savings to the City. He concluded that Deputy City Manager Anderson and staff have worked through the comments. Moving forward he inquired what other information does the Commission need from staff for them to make a well-informed decision.

Mayor Kelly commented that there appears to be several points of differences and a failure to recognize points of similarities. There is confusion and misperceptions with terminology, accounting, and statements made during negotiations. The process of a partnership started because of a repetition of services by two qualified organizations hoping to achieve cost savings to the taxpayers and not to have a further subsidy to a private organization that doesn't deliver the goods. Mayor Kelly wants more than the suggested trial period. He suggested that City and MCAAC/AF staff sit down together to determine the strengths and differences of each organization, and bring something back to the elected officials to determine if there is a cost savings to the taxpayers or not.

Commissioner Houck expressed frustration that the process has taken 22 months, noting that both organizations have spent hundreds of hours and are no closer to an agreement. She expressed support of pursuing a proposal that has a cost savings to the City and maintains the services that both organizations provide to the community; otherwise, she does not want to entertain spending any more time discussing it.

Commissioner Tryon expressed support with regard to considering a no-cost pilot program option rather than an all or nothing option.

Commissioner Moe commented that she would like to see: (1) primary responsibility for animal adoption services in the community return to a private, non-profit organization such as the MCAAC; (2) the City subsidize the transition of that mission over a reasonable amount of time; and (3) ultimately that MCAAC get no money from the City for adoption services because it is not part of the City's mission. She also expressed support of the no cost pilot program.

Mayor Kelly requested that the City and MCAAC/AF staff determine a way to strip down the services to the best providers and that provides a cost savings to the City, and to have conversations to determine if a pilot program can be articulated. He concluded that the City promises better communications and expects the same back from the MCAAC/AF.

Mayor Kelly called a recess at 5:31 PM and called the meeting back to order at 5:37 PM.

## **2. WASTE WATER TRETMENT CONTRACT REVIEW**

Public Works Director Paul Skubinna reviewed and discussed the attached PowerPoint slides covering:

- Wastewater Treatment Plant O&M Contract Renewal (Part 2)
- Part 2 – Introduction
  - A. Contract Refresher
  - B. Compensation History
  - C. Proposed Changes
  - D. Staff Recommendations
- Four Basic Fee Service Categories
  - 1. Operations and Maintenance (O&M)
  - 2. Routine Repair and Maintenance (R&M)
  - 3. Small Capital Improvements (Small Cap)
  - 4. Contingency Repair and Maintenance (Contingency)
- Incentive Target Price Model
- 1978 News clipping titled “We contracted-out wastewater quality”
- Historic Cost Profile – Total Annual Compensation Profile
- Historic Cost Profile – Total Annual Compensation Profile vs. Inflation Profile
- Estimated Cost Comparison
- The Public Good
  - Cost: Incentive Target Price model rewards keeping costs low; Actual cost escalation has been less than inflation rate; The City is unable to do it for less
  - Condition: Original equipment is still operational; New equipment is still operational; Asset management and capital improvement planning
  - Compliance: No regulatory enforcement actions; Award winning safety program; Pretreatment Program assistance; Seamless implementation of process upgrades
- Proposed Changes
  - General: Better identify how ITP is defined and calculated; 10-year contract; Eliminates electricity reduction incentive program; Formalized asset management program; Update to liability limitation and insurance coverages
  - Fiscal: Adjustment in aggregate markup for O&M from 37.7% to 29%; Adjustment in aggregate markup for R&M from 37.7% to 15%; Adjustment in aggregate markup for small capital from 26.5% to 15%; Negotiated mark-up for contingency R&M; Increases routine/contingency R&M threshold from \$5,000 to \$25,000 with one-time adjustment
- What’s With the Overhead?
  - Solids Management Study; Nutrient Optimization Instrumentation; Arsenic Diagnosis; 503 Compliance Options Analysis; Biogas Treatment Enhancements; Plant Heating Optimization; Digester Cleaning

- **Veolia Perspective:** Melissa Sandvold discussed the value of the partnership with the City of Great Falls, including transparency, respect, trust, creativity, communication and, most importantly, being good stewards of the environment.

Dana Audet discussed the importance of the weekly meetings Veolia has had with Public Works staff to gain a better idea of what the City wanted from Veolia and for Veolia to accomplish.

Mayor Kelly wished Dana Audet the best in his retirement.

- **Staff Recommendation:** Based on all that was presented and discussed in this and the last work session, Director Skubinna concluded that his recommendation will be that the City Commission approve the Amended and Restated Contract with Veolia for consideration on this evening's Commission agenda.

Commissioner Robinson commented that this is a 42-year good example of a private enterprise doing a great job and saving the City money. He congratulated Dana Audet on his retirement and thanked him for his service.

Commissioner Houck expressed kudos to the commitment over the years to keep costs low and thinking outside the box.

Mayor Kelly concluded that no regulatory or enforcement actions over the period of this contract is in and of itself a substantial savings.

### **DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS**

City Manager Greg Doyon commented that the January 5, 2021, work session consists of a status update on the DCIP grant & the Aim High Big Sky aquatics/recreational facility. Future work session topics includes revised TIF allowances, Neighborhood Council updates, a review of the City's fiscal position and trends, and prepping for the upcoming legislative session.

Mayor Kelly suggested adding an AARP presentation to a future work session on the services that program provides, and to make us aware of what AARP is advocating for around the country.

### **ADJOURN**

There being no further discussion, Mayor Kelly adjourned the informal special work session of December 15, 2020 at 6:20 p.m.

## GFAS RFP Final Analysis and Recommendations

1

## Presentation Outline

- 22-month look back
- RFP Fundamentals and Analysis
- Evolution of Proposals
- Resolving and Educating
- Recommendations

2

## 22-Month Look Back

- Commission Initiative - Feb 2019
- City Staff directed to take lead on initiative - Jul 2019
- City Staff & Animal Foundation reps meet to discuss partnership - Jul-Sep 2019
- Commission provides direction and approves RFP - 5 No 2019
- Animal Foundation submits RFP response - 24 Feb 2020
- City Staff provides limited analysis of initial response - 3 Mar 2020
- Animal Foundation response to City Staff analysis - 12 Mar 2020
- City Mgr. Recommends MCAAAC/GFAS Partnership Proposal - 5 July 2020
- Animal Foundation presents summarization of RFP response - 1 Jul 2020
- Animal Foundation submits two new proposal alternatives - 24 Jul 2020
- City forwards RFP Questions/Items for Clarification - 3 Aug 2020
- Clarifying meeting conducted for Financials and City questions - 12 Aug 2020
- Animal Foundation provides responses to City questions - 22 Oct 2020
- City Staff provides final analysis and RFP recommendations - 15 Dec 2020

3

## RFP Fundamentals and Analysis

- A request for proposal (RFP) is a business document that announces and provides details about a project, as well as solicits proposals from applicants to complete the project. RFPs require the stakeholder to review the proposals to examine their feasibility, the health of the bidding entity, the bidder's experience, project approach, ability to do what is proposed, and associated costs.
- An RFP analysis includes the evaluation of demonstrated industry experience, key personnel experience, project approach/background/understanding of effort to be undertaken, project procedures and timelines to accomplish, identified scope of work, and fees and expenses.
- The GFAS RFP required 3 community needs to be met:
  - Provide at least the same quality of care as that currently provided by the GFAS;
  - Not create inefficiencies or gaps in service between the duties assumed by the proposing body and those retained by GFAS; and
  - Result in substantial savings to the City of Great Falls

4

## RFP Fundamentals and Analysis

- The two proposals lacked some basic RFP requirements that cause concern; no key personnel or project team listing w/resumes or bio's detailing experience, minimal historical animal service data provided, proposals lacked fee and expense detail to substantiate contract amount. The most recent proposal lacked relevant program or service experience, project approach, procedures, or timelines to accomplish.
- The bottom line is that while the proposals have drastically changed, the AF has not demonstrated meeting the criteria in the RFP, or demonstrated inherent knowledge or understanding of all GFAS functions. If a contract is awarded for \$475,000, the GFAS will be closed, the quality of care the community currently has will not continue, gaps in service will occur, and there will not be a substantial savings to the City.

5

## Evolution of Proposals

- The initial RFP response proposed the AF to assume responsibility for cat and dog adoption and fostering, fundraising/community education via a services contract for \$475,000 per year. The proposal also included wording that included closing GFAS, and if it was not closed an initial contract price could not be determined.
- The initial response clarification memo asked the City to remove reference about closing GFAS, and that a firm, fixed contract price couldn't be determined until the City figured out how much it costs to keep retained services.
- June presentation summarized original proposal w/two highlights: facility & cost savings to City.
- July presentation of entirely new proposal with two alternatives for the City Commission:
  - a) if contract not provided the AF would reorganize to pursue a different mission other than providing adoption services to the community, OR
  - b) the AF take over all functions of the GFAS (not cremation/animal control), for the same amount as the original proposal offered -- \$475,000.

6

## Resolving and Educating

- The initial proposal relayed a \$475,000 cost for cat & dog adoptions/fostering/community education services. The proposal was caveated that a final, firm price could not be given until the City figured out their own costs for retained services.
- The final proposal stated two alternatives for Commission – complete assumption of all GFAS duties for the same amount, \$475,000. Or, if no contract, the AF would pursue a different mission other than adoption services to the community.
- The actual animal capacity at the MCAAC is unclear; initial response states capacity at 171 animals, the second proposal states 258, but these numbers are based on reviewing the [animal intakes populations at both GF and MCAAC](#). Again, just one GFAS function.

7

## Resolving and Educating

- From a financial standpoint, and Finance Department validation, all presented current and projected statistics, city operational costs, and costs per animal cannot be validated. These amounts either forgot to include all revenues or are projected against one function the GFAS provides/animal intakes.
- The AF March clarification memo states: "a rejection of the RFP will not negatively impact the MCAAC, GFAS, or the community." Yet, the most recent proposal states: "If a contract is not provided the AF would reorganize to pursue a different mission other than adoption services."
- In the most recent presentation the AF reps stated that they would take over all GFAS duties including intake of strays. Conversely, during the Aug 12, 2020 meeting between staffs, an AF rep stated what we can't handle, we will not take in.

8



## Resolving and Educating

- The AF used two methods to calculate an immediate \$300,000 cost savings to the city. However, when full revenues are included and the number of animals served (versus number of animals/fines) are substituted, the potential cost savings falls to between \$44,000 and \$108,000. These calculations were also validated by the Finance Department.

- Several Montana city's have successfully outsourced animal services to local non-profits:

Location	Cost	City/County Populations
- City of Helena	- \$62,000 per year	33,000/60,500
- City of Bozeman	- \$132,000 per year	50,000/114,500
- City of Billings	- \$276,000 per year	110,000/161,500
(proposed) - City of Great Falls	- \$475,000 per year	58,500/81,500

9

## Recommendations

RECOMMENDATION	PRO	CON
<b>1. Change GFAS Operating Model</b>	Maintains community service levels Does not impact MCAC operations CAF directed to establish cost recovery %	Time to Implement
<b>2. Reject RFP</b>	Concludes 22 month process Does not impact MCAC operations	Does not provide cost savings to City
<b>3. Cease GFAS Adoption Services</b>	Reduces GFAS budget \$125K per year	Current complimentary services will be reduced
<b>4. Contract for all Services at Market Based Cost</b>	Provides significant cost savings to City	Risk as AF did not display ability to perform for others Contract detail will need to provide full range of services Substantial Cost Savings not Guaranteed for City Reduces animal shelter and other animal services Eliminates Animal Shelter and other animal services
<b>5. No Cost PINK Program</b>	Continues services to community MCAC reduces costs providing adoption Increases AF revenue approx \$275K per year Reduces GFAS budget \$125K per year	Reduces adoption services to community
<b>6. Approve AF Revised Proposal at Market Cost</b>	Continues services to community MCAC reduces costs providing adoption Increases AF revenue approx \$275K per year Reduces GFAS budget \$125K per year	Reduces adoption services to community GFAS budget savings offset by contract cost

10

# WASTEWATER TREATMENT PLANT O&M CONTRACT RENEWAL (PART 2)

COMMISSION WORK SESSION  
DECEMBER 15, 2020

## PART 2 - INTRODUCTION

- A. CONTRACT REFRESHER
- B. COMPENSATION HISTORY
- C. PROPOSED CHANGES
- D. STAFF RECOMMENDATION

### FOUR BASIC FEE SERVICE CATEGORIES

1. OPERATIONS AND MAINTENANCE (O&M)
2. ROUTINE REPAIR AND MAINTENANCE (R&M)
3. SMALL CAPITAL IMPROVEMENTS (SMALL CAP)
4. CONTINGENCY REPAIR AND MAINTENANCE (CONTINGENCY)

### "INCENTIVE TARGET PRICE" MODEL

INCENTIVE TARGET PRICE (ITP) = ACTUAL COST + INFLATION

- ACTUAL COST ARE DOCUMENTED EXPENDITURES + OVERHEAD AND PROFIT MARK-UP
  - INFLATION IS BASED ON CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) OR 5% CAP
  - CITY PAYS VEOLIA A SET MONTHLY INVOICED AMOUNT EQUAL TO ITP DIVIDED BY 12
- ANNUAL RECONCILIATION
- ACTUAL COSTS ARE TABULATED
  - COSTS ARE COMPARED TO ITP
  - COST SAVINGS ARE SHARED 50:50
  - COST OVER-RUNS ARE SHARED 50:50 WITH A \$50,000 MAX LIABILITY TO THE CITY

	ACTUAL COST	INCENTIVE TARGET PRICE	DIFFERENCE
<b>PERSONNEL</b>			
SALARIES & BONUSES	\$851,176	\$850,000	\$1,176
EMPLOYEE BENEFITS	\$210,000	\$210,000	\$0
TOTAL PERSONNEL	\$1,061,176	\$1,060,000	\$1,176
<b>INDIRECT PERSONNEL</b>	\$1,422,000	\$1,422,000	\$0
<b>OVERHEADS</b>	\$58,798	\$57,000	\$1,798
<b>LABOR</b>	\$194,204	\$194,000	\$204
<b>UTILITIES</b>	\$294,079	\$294,000	\$79
<b>REPAIRS &amp; MAINTENANCE</b>	\$2,219,000	\$2,219,000	\$0
<b>TRAVEL</b>	\$151,000	\$150,000	\$1,000
<b>TOTAL DIRECT COSTS</b>	\$4,330,257	\$4,330,000	\$257
<b>INDIRECT SUPPORT PROGRAM COSTS</b>	\$1,000,000	\$1,000,000	\$0
<b>TOTAL COSTS</b>	\$5,330,257	\$5,330,000	\$257
<b>PROFIT FEE</b>	\$588,731	\$588,476	\$255
<b>TOTAL ITP (TOTAL COSTS + PROFIT FEE)</b>	\$5,918,988	\$5,918,476	\$512
<b>ANNUAL RECONCILIATION</b>			
<b>PERSONNEL</b>			
SALARIES & BONUSES	\$851,176	\$850,000	\$1,176
EMPLOYEE BENEFITS	\$210,000	\$210,000	\$0
TOTAL PERSONNEL	\$1,061,176	\$1,060,000	\$1,176
<b>INDIRECT PERSONNEL</b>	\$1,422,000	\$1,422,000	\$0
<b>OVERHEADS</b>	\$58,798	\$57,000	\$1,798
<b>LABOR</b>	\$194,204	\$194,000	\$204
<b>UTILITIES</b>	\$294,079	\$294,000	\$79
<b>REPAIRS &amp; MAINTENANCE</b>	\$2,219,000	\$2,219,000	\$0
<b>TRAVEL</b>	\$151,000	\$150,000	\$1,000
<b>TOTAL DIRECT COSTS</b>	\$4,330,257	\$4,330,000	\$257
<b>INDIRECT SUPPORT PROGRAM COSTS</b>	\$1,000,000	\$1,000,000	\$0
<b>TOTAL COSTS</b>	\$5,330,257	\$5,330,000	\$257
<b>PROFIT FEE</b>	\$588,731	\$588,476	\$255
<b>TOTAL ITP (TOTAL COSTS + PROFIT FEE)</b>	\$5,918,988	\$5,918,476	\$512

The above reconciliation results in an addition to the City of \$512,000.

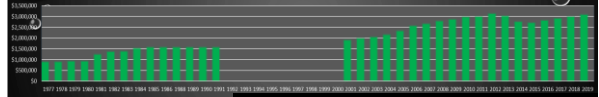
## We contracted-out wastewater quality



Great Falls, Montana, turned to the private sector for sewage treatment, but questions of public good vs. profit remain.

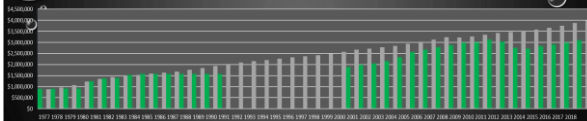
## HISTORIC COST PROFILE

Total Annual Compensation Profile



## HISTORIC COST PROFILE

Total Annual Compensation Profile vs. Inflation Profile



## ESTIMATED COST COMPARISON

- DOES NOT INCLUDE ONE-TIME TRANSITION COSTS
- ESTIMATED CITY PERSONNEL COSTS BASED ON CITY ACTUAL 2019 COSTS AT WATER PLANT
- ASSUMED THAT NOT ALL NEGOTIATED PRICES FROM VENDORS WOULD BE AVAILABLE TO CITY
- ACCOUNTS FOR 2020 ADJUSTMENT TO PROFIT AND OVERHEAD RATES

	Veolia ACTUAL 2019	City Costs 2018 Estimated
SUBTOTAL PERSONNEL	\$1,132,298	\$ 1,605,400
OUTSIDE SERVICES	\$58,758	\$ 58,750
CHEMICALS	\$134,224	\$ 154,358
LANDFILL	\$294,970	\$ 339,226
REPAIR & MAINTENANCE	\$124,928	\$ 114,277
OTHER	\$131,094	\$ 111,024
<b>TOTAL DIRECT COSTS</b>	<b>\$1,902,268</b>	<b>\$2,483,616</b>
INDIRECT SUPPORT PROGRAM COSTS (19.0% OF TOTAL DIRECT COSTS)	\$361,632	\$ -
<b>TOTAL COSTS</b>	<b>\$2,263,900</b>	<b>\$ 2,483,616</b>
PROFIT FEE (15.75% OF TOTAL COSTS)	\$356,731	\$ -
SUBTOTAL UTILITIES	\$262,972	\$262,972
<b>TOTAL</b>	<b>\$2,884,605</b>	<b>\$ 2,746,588</b>
Negotiated Adjustment	\$ 230,757.00	
Estimated 2021	\$2,653,806.45	\$ 2,726,588

## THE PUBLIC GOOD

### COST

- INCENTIVE TARGET PRICE MODEL REWARDS KEEPING COSTS LOW
- ACTUAL COST ESCALATION HAS BEEN LESS THAN INFLATION RATE
- THE CITY IS UNABLE TO DO IT FOR LESS

### CONDITION

- ORIGINAL EQUIPMENT IS STILL OPERATIONAL
- NEW EQUIPMENT IS STILL OPERATIONAL
- ASSET MANAGEMENT AND CAPITAL IMPROVEMENT PLANNING

### COMPLIANCE

- NO REGULATORY ENFORCEMENT ACTIONS
- AWARD WINNING SAFETY PROGRAM
- PRETREATMENT PROGRAM ASSISTANCE
- SEAMLESS IMPLEMENTATION OF PROCESS UPGRADES

## PROPOSED CHANGES - GENERAL

- BETTER IDENTIFY HOW ITP IS DEFINED AND CALCULATED
- 10 YEAR CONTRACT
- RESTRUCTURED R&M COST SHARING
- ELIMINATES ELECTRICITY REDUCTION INCENTIVE PROGRAM
- FORMALIZED ASSET MANAGEMENT PROGRAM
- UPDATES TO LIABILITY LIMITATION AND INSURANCE COVERAGES



## PROPOSED CHANGES - FISCAL

- ADJUSTMENT IN AGGREGATE MARKUP FOR O&M FROM 37.7% TO 29%
- ADJUSTMENT IN AGGREGATE MARKUP FOR R&M FROM 37.7% TO 1.5%
- ADJUSTMENT IN AGGREGATE MARKUP FOR SMALL CAPITAL FROM 26.5% TO 1.5%
- NEGOTIATED MARK-UP FOR CONTINGENCY R&M
- INCREASES ROUTINE/CONTINGENCY R&M THRESHOLD FROM \$5,000 TO \$25,000 W/ ONE-TIME ADJUSTMENT

Baseline WBS's based on 2022 OP				
O&M	Cost	Marked-up	Margin	
Est 2021	\$1,872,158	\$2,578,757	\$706,599	
	\$1,872,158	\$2,411,084	\$542,926	
Difference			\$163,673	
R&M				
Est 2021	\$251,000	\$345,734	\$94,734	
	\$251,000	\$286,630	\$37,630	Only Profit MU
Difference			\$57,084	
Small Cap				
Est 2021	\$118,877	\$150,000	\$31,123	
	\$130,453	\$150,000	\$19,546	Only Profit MU
Difference			\$11,578	
Contingent				
Est 2021	\$60,000	\$82,646	\$22,646	Variable MU - example only
	\$60,000	\$77,400	\$17,400	Total Difference / yr
Difference			\$5,246	\$237,860

## WHAT'S WITH THE OVERHEAD?

- SOLIDS MANAGEMENT STUDY
- NUTRIENT OPTIMIZATION
- INSTRUMENTATION
- ARSENIC DIAGNOSIS
- 503 COMPLIANCE OPTIONS ANALYSIS
- BIOGAS TREATMENT ENHANCEMENTS
- PLANT HEATING OPTIMIZATION
- DIGESTER CLEANING



VEOLIA PERSPECTIVE



STAFF RECOMMENDATION

APPROVE THE PROPOSED AMENDMENT AND RESTATED  
CONTRACT