



City of Grand Island

Tuesday, November 15, 2011

Study Session

Item -2

Discussion on Veolia WWTP Operations Proopsal

Staff Contact: John Collins

Council Agenda Memo

From: John Collins, Public Works Director

Meeting: November 15, 2011

Subject: Discussion on Wastewater Treatment Plant Contract Management with Veolia Water

Item #'s: 2

Presenter(s): John Collins, Public Works Director

Background

At the July 11, 2011 City Council meeting the Public Works Administration staff gave a presentation on contracting operations of the Wastewater Treatment Plant. Based on that discussion a Request For Qualifications (RFQ) was developed, with qualifications being submitted by four (4) qualified companies; Veolia Water of Naperville, Illinois; Severn Trent Services of Fort Washington, Pennsylvania; USW Utility Group of Sioux City, Iowa; and CH2M Hill of Englewood, Colorado.

With the selection committee following the qualification criteria set forth in the RFQ Veolia Water was selected as the most qualified company for the contract management of the Wastewater Treatment Plant.

Discussion

City Staff has worked diligently with Veolia Water to gather information on employee benefits, budget figures for the Wastewater Treatment Plant and to accommodate a thorough review of the Plant operations.

Through this process Veolia Water has been able to competitively price the contract operation services of the Wastewater Treatment Plant, and provide a competitive benefits package to the employees

Conclusion

This item is being presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

It is the intent of City Administration to bring this issue to a future council meeting for a formal vote on the negotiated contract.

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Veolia WWTP Operations Proposal

Partnerships/Operations Agreements/Privatization

- Late 2010: Council requested a discussion of partnerships, management agreements, and privatization
- January 2011: Presentation at Council retreat
- July 2011: Study Session presenting intent to look into contract operations.

Review of Retreat Presentation

Services not currently performed by the City of Grand Island:

- Garbage collection
- Animal control
- Economic development
- Baseball and softball programs
- Heartland Event Center
- Racquet Center

Contract may be desirable when:

- Increased expertise
- Irregularly occurring tasks
- Expediency
- Specialized equipment required
- Liability
- Lower cost

Contract may not be desirable when:

- Loss of control
- Loss of quality
- Loss of flexibility
- Loss of other duties performed
- Loss of transparency
- Loss of political responsiveness
- Lack of public accountability

Potential Benefits*

- Optimize plant operations by utilizing expertise gained through years of operating dozens or even hundreds of these facilities
- Reduce our operating costs
- Reduce long term costs by guiding our choices during the \$44 million repair program.
- Reduce odor by optimizing operation

* from July 7 Presentation



Operation, Maintenance and Management of the Wastewater Treatment Facilities

November 15, 2011



Operations Agreement

- City Maintains Control
 - City Owns the Assets
 - City Defines the Scope of the Contract
 - City Sets Rates
- Veolia Water
 - Manages the Day-to-Day Operations
 - Responsible for Permit Compliance
 - Pay Operating Costs



Objectives

- Reduce Short-Term Costs
 - Process Control Management
 - CMMS / Asset Management
- Reduce Long-Term Cost
 - “Informed” Decisions
 - Capital Management Plan
- Optimize Operations
 - Permit Compliance
 - Enhanced Odor Mitigation Program
- Accountability
 - Provide Predictable O&M Costs
 - Accurate and Reliable Information



Employer of Choice

Develop and Retain Skilled Staff

- Grand Island Staff
 - Comparable Salaries and Benefits
 - City Hire Dates Recognized
 - Seniority / Vacation
 - Sick Leave Bank
 - Career Growth Opportunities
 - Individual Development Plans
 - Group and Individual Incentives
 - Participation in Regional Committees
 - Safety, Laboratory QA/QC, Asset Management
 - Training and License Upgrades



Transition Process

- Well-Defined New Hire Process
 - Group and one-on-one meetings with the Director of Human Resources
 - Physical and drug screen is conducted
 - Each employee receives a written “offer letter” confirming comparable wages and benefits
- Materials Distribution
 - Benefits program summary
 - Veolia Water handbook of employee discounts
 - On-line library of information, orientation and training materials



Operations Management Approach



- Process Control Management Plan
- Veolia Procurement Advantage
 - Operations
 - Disciplined Tracking of Consumables and Utilities
 - Maintenance
 - Leverage National Purchasing Agreements
- BioWin Modeling
 - Predict the Impact of Current and Future Loadings
 - Determine Nutrient Addition and Removal Requirements
 - Regulatory Change Management
 - Capital Planning



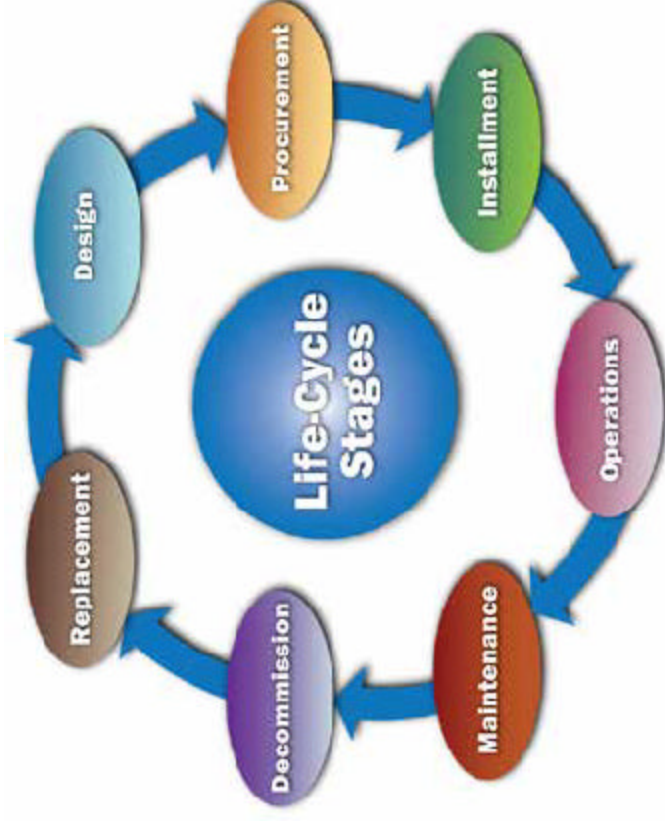
Asset Management / Capital Planning

- Reliability Centered Maintenance
- Computer Maintenance Management System
 - Asset Hierarchy By Process Unit
 - Criticality Driven Categories of Maintenance
- Short-term and Long-term

Capital Planning

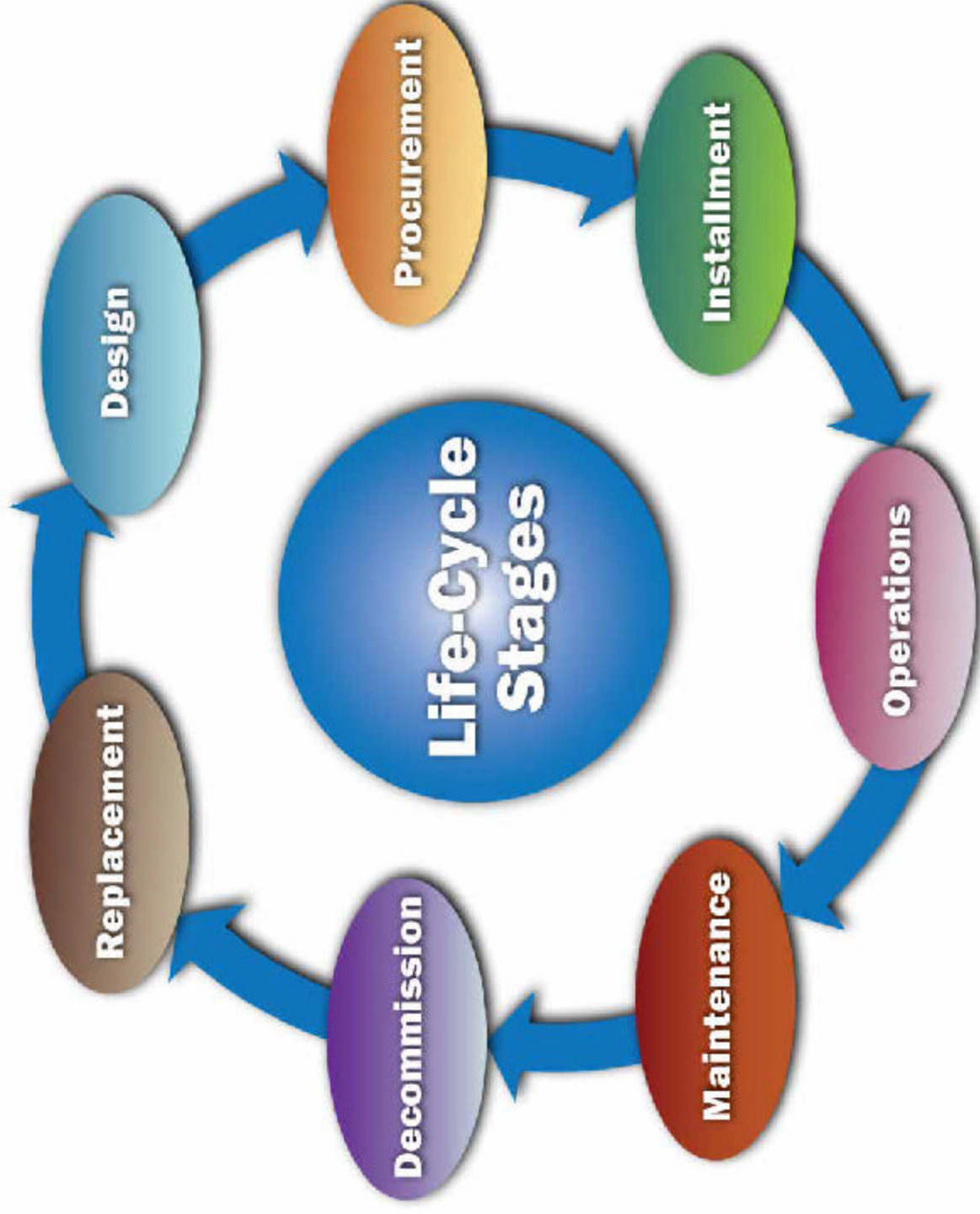
- Condition Assessment
- Life Cycle
- Criticality Analysis

• CARMIS Modeling



Asset Management/Capital Planning

Life-Cycle Stages



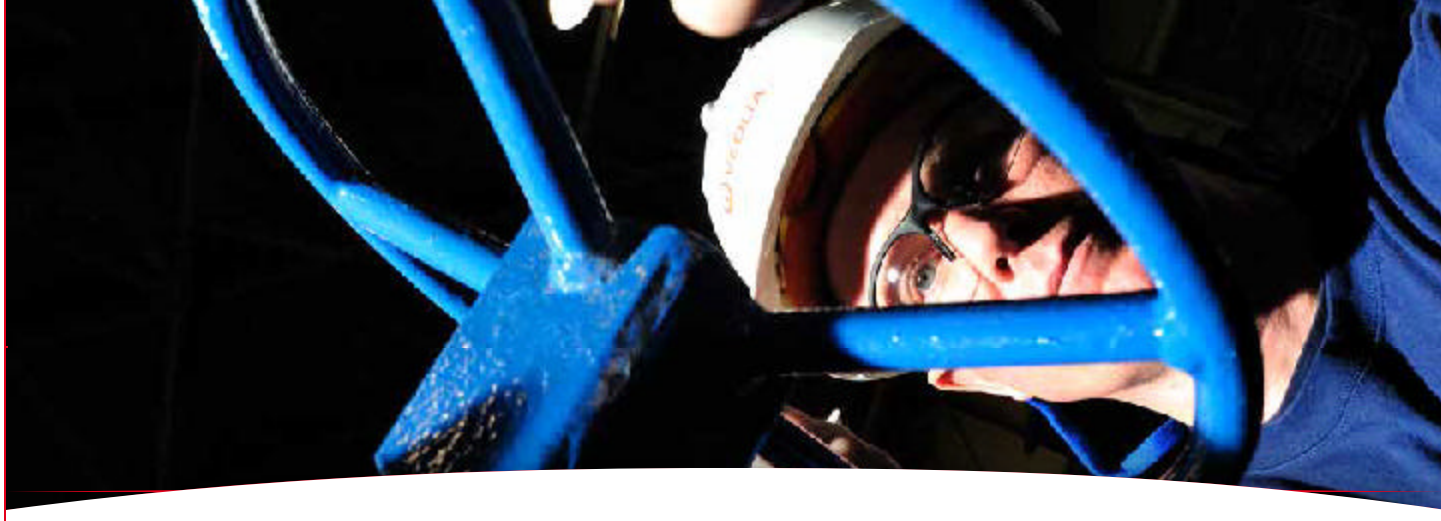


Price Proposal

- Labor and Benefits
- Repair and Maintenance
- Technical Assistance
- Long-Term Planning
- Operations Management
- Laboratory
- Industrial Pretreatment
- Odor Control Management
- Solids Dewatering and Disposal



**Thank You
for the
Opportunity to Work Together**



* See Addendum for details

Capital Repairs (>\$15,000)

Project	Date	2009	2010	2011
Repaired electrical switch gear	02/02/09	\$16,326.50		
Applied corrosive resistor coating on air scrubber filter	02/19/09	\$35,230.00		
Bought a 10" raw sewage pump	10/02/09	\$29,095.00		
Repaired (2) recycle pumps just under \$15,000 - \$14,998.00 each	01/31/11			\$30,268.00
Replaced UV transmitter probe	05/17/11			\$15,516.95
Replaced heating unit on grit building	10/02/09	\$15,250.00		
Replaced outdoor lighting around plant with LED lights	10/02/11			\$16,631.00
From 10-07-10 to 10-02-11 replaced rusted cabinets in lab			\$27,521.21	\$27,521.21
New lift station alarm system	10/20/09	\$17,412.00		
Replaced materials in polymer system	09/23/10		\$50,020.00	
		\$113,313.50	\$77,541.21	\$89,937.16

3 Year Average (mean): \$93,597

Benefits Comparison

	City	Veolia Water
Seniority		Recognize the employee's seniority with the City
Major Medical/ Dental/Vision	PPO medical, dental, no vision	EPO,PPO or SPPO options, vision
Sick Leave	8 hours per month, maximum accrual 1,064 paid at 37.5% at retirement or death	Front load each employee 80 hours. 1.54 per pay period – bank up to 160 hours
Short Term Disability	n/a	Up to 26 weeks Continuous Service 80% or 60% Benefit based on years of service


Benefits Comparison

	City	Veolia Water
Long Term Disability	Monthly benefit = 60% of mo pay to max of \$8500	50% of pay to maximum of \$7,000 per month 60% option available
Vacation Days	Up to 22 days	Up to 20 days
Holidays and Personal Days	11	10
Retirement Plan / 401K	City matches 100% of 6% contribution 5 year vesting	VWNA matches 50% up to 7% of employee contribution 3 year vesting
Life & accidental death & dismemberment (AD&D) insurance	\$50,000 emp / \$10,000 Spouse, \$5,000 dependents No cost to employee	No cost to employee 1 x base pay to maximum of \$300,000; same amount of AD&D

Benefits Comparison

	City	Veolia Water
Flexible Benefits	Healthcare \$4,500 Dependent Care \$5,000	Healthcare \$5,000 Dependent care \$5,000
Voluntary group legal	n/a	Available
Tuition reimbursement	Budget authority - \$0	Up to \$5,250 per yr.
Adoption reimbursement	n/a	Up to \$2,500 per yr.
529 plan – Putnam college advantage	n/a	After-tax savings program
Employee Discount Program	n/a	Corporate discount program (travel, cell phone, Fed-Ex, auto purchase, electronics, office supplies, etc.)

EMPLOYEE PAY EXAMPLE

 Alex earns \$10 per hour

- ⌚ City Family Health Insurance is \$25 per pay period
- ⌚ Veolia Health Insurance is \$37 per pay period

\$12 / 80 hours = .15 per hour

Alex's new wage is \$10.15* per hour

*example of how wages will be increased to offset the difference in cost for health, dental and vision insurance.

Union Representation

- Veolia has committed to recognizing the current union representation of the employees.
- The Veolia benefits that have been presented are based on the non-union package.
- Negotiations will begin with the union to reach a labor agreement with IBEW Local 1597.

Employee Accruals

Empl	Medical Balance-80 hrs	Hrly Rate	Factor	Medical Liability	Vacation Balance	Vacation Liability	Comp Bal	Comp Liability	Total
1	889.0	23.1698	0.375	7,724.23	189.8868	4,399.64			12,123.87
2	888.0	32.5804	0.50	14,465.70	101.6835	3,312.89			17,778.59
3	404.0	19.8859	0.375	3,012.71	108.0100	2,147.88			5,160.59
4	917.0	24.4065	0.50	11,190.38	171.6965	4,190.51			15,380.89
5	(15.5)	25.9426	0.375		52.0496	1,350.30			1,350.30
6	368.5	22.0665	0.375	3,049.31	149.0870	3,289.83			6,339.14
7	559.0	20.4084	0.375	4,278.11	146.8148	2,996.26			7,274.37
8	974.0	25.0445	0.375	9,147.50	96.4963	2,416.70			11,564.21
9	156.5	25.9426	0.375	1,522.51	235.4635	6,108.54	2.2	57.07	7,688.12
10	14.0	22.0665	0.375	115.85	52.8870	1,167.03	0.05	1.10	1,283.98
11	238.5	23.1698	0.375	2,072.25	200.0000	4,633.96	21,4500	496.99	7,203.20
12	702.0	23.3198	0.375	6,138.94	115.7438	2,699.12			8,838.06
13	671.0	23.1698	0.375	5,830.10	192.3079	4,455.74			10,285.84
14	(5.0)	33.4399	0.50		67.8851	2,270.07			2,270.07
15	56.0	24.3232	0.50	681.05	60.4680	1,470.78	27.525	669.50	2,821.32
16	928.0	24.5955	0.375	8,559.23	154.7736	3,806.73			12,365.97
17	901.0	23.1698	0.375	7,828.50	102.5845	2,376.86			10,205.36
18	(48.0)	23.1698	0.375		73.5046	1,703.09			1,703.09
19	51.0	16.6163	0.375	317.79	24.8923	413.62			731.40
20	938.0	27.1774	0.50	12,746.20	95.3728	2,591.98			15,338.19
				98,680.36		57,801.52		1,224.67	157,706.55

Contract may be desirable when:

- Increased expertise
- Irregularly occurring tasks
- Expediency
- Specialized equipment required
- Liability
- Lower cost

Contract may not be desirable when:

- Loss of control
- Loss of quality
- Loss of flexibility
- Loss of other duties performed
- Loss of transparency
- Loss of political responsiveness
- Lack of public accountability

Key Points

- City Maintains Ownership of Plant
- Immediate and long term savings
- Similar employee benefits.

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Appendix 1

Comparison Budget Worksheet

WASTEWATER TREATMENT PLANT ADDENDUM VEOLIA PROPOSAL

Three WWTP Divisions included in proposal
General Operations/WWTP/Composting to Solids

	2010 Actual	2011 Actual	2012 Budget	Veolia Proposal
Labor per Budget Book				
Adj: WWTP employees: amount of work time charged to other WWTP divisions	\$1,526,191	\$1,492,776	\$1,602,899	\$1,541,134
	\$34,823	\$6,531	(\$14,553)	
Labor of employees moving to Veolia	\$1,561,014	\$1,499,307	\$1,588,346	\$1,541,134
Chemicals	\$240,116	\$162,111	\$247,800	\$86,101
Repairs & Maintenance	\$495,556	\$569,102	\$611,657	\$342,316
Biosolids/Solid Waste	\$199,146	\$183,726	\$228,623	\$200,683
Utilities	\$780,146	\$811,023	\$784,500	\$621,052
Other (50% of General Operations)	\$545,278	\$460,942	\$650,674	\$655,905
General Operations/WWTP/Composting to Solids	\$3,821,256	\$3,686,211	\$4,111,600	\$3,447,191
Savings	\$374,065	\$239,020	\$664,409	

Continued City Expenses from the three divisions

Project Consulting Services moving to Infrastructure Division	\$621,274	\$387,576	\$443,430
50% of General Operations moving to Infrastructure Division	\$181,885	\$215,244	\$280,326
Sales Tax collected on Utility Bills paid to State of NE	\$587,767	\$535,902	\$600,000

	2010 Actual	2011 Actual	2012 Budget	Veolia Proposal
SEWER GENERAL OPERATIONS (Pr. 14 City Budget Book)				
PERSONNEL SERVICES				
53030001				
85103 SALARIES-REGULAR	\$ 195,828	\$ 191,262	\$ 194,930	
85110 SALARIES-OVERTIME	2,174	1,409	2,520	
85115 F.I.C.A. PAYROLL TAXES	14,720	14,220	15,531	
85120 HEALTH INSURANCE	24,778	34,128	33,206	
85125 LIFE INSURANCE	98	304	287	
85130 DISABILITY INSURANCE	427	589	351	
85135 TUITION REIMBURSEMENT	-	-	500	
85145 PENSION CONTRIBUTION	11,836	11,295	11,874	
85150 WORKERS COMPENSATION	6,020	2,820	6,428	
85160 OTHER EMPLOYEE BENEFITS	2,410	2,451	3,500	
85165 TOTAL PERSONNEL SERVICES	258,621	268,833	269,812	
OPERATING EXPENSES				
53030001				
85201 AUDITING & ACCOUNTING	\$ 5,000	\$ 5,000	\$ 5,000	
85207 CONSULTING SERVICES	\$ 6,484	\$ 81,489	\$ 200,000	
85207 53007 C/S-MECHANISM PRIMARI	\$ 94,214	\$ 6,394	\$ -	
85207 53008 C/S SCADA SYSTEM	\$ 7,800	\$ -	\$ -	
85207 53011 C/S LIFT STATION #7	\$ -	\$ 1,760	\$ -	
85207 53019 C/S LIFT STATION #19	\$ 15,711	\$ -	\$ -	
85207 53033 C/S-COMPREHENSIVE PIA	\$ 31,288	\$ -	\$ -	
85207 53034 C/S-SCADA & SIM	\$ 24,197	\$ 264,197	\$ 314,450	
85207 COLLECTION SERVICES	\$ 121,600	\$ 105,226	\$ 100,000	
85207 ADMINISTRATIVE SERVICES	\$ 221,150	\$ 205,332	\$ 223,200	
85227 HEALTH SERVICES	\$ 261	\$ 144	\$ 250	
85245 PRINTING & BINDING SERVICES	\$ 425	\$ 475	\$ 350	
85303 UTILITY SERVICES	\$ 3,562	\$ 4,287	\$ 4,500	
85317 NATURAL GAS	\$ 73,995	\$ 60,561	\$ 100,000	
85319 REPAIR & MAINT-D/MP/IRRIGA	\$ 27,033	\$ 9,778	\$ 18,000	
85320 REPAIR & MAINT BUILDING	\$ 27,343	\$ 107,660	\$ 84,000	
85328 REPAIR & MAINT - MACH & EQ	\$ 11,811	\$ 19,928	\$ 19,200	
85330 REPAIR & MAINT - OFF FURN &	\$ 10,663	\$ 3,962	\$ 5,000	
85330 COLLECTION SERVICES	\$ 5,657	\$ 5,469	\$ 5,000	
85339 OTHER PROPERTY SERVICES	\$ 43,500	\$ 43,500	\$ 43,500	
85401 GENERAL LIABILITY INSURANCE	\$ 20,000	\$ 20,000	\$ 20,000	
85404 PROPERTY INSURANCE	\$ 6,000	\$ 6,000	\$ 6,000	
85407 AUTOMOBILE INSURANCE	\$ 3,148	\$ 1,838	\$ 2,100	
85410 TELEPHONE	\$ -	\$ 1,536	\$ 1,200	
85410 ADVERTISING	\$ -	\$ 160	\$ 200	
85420 BOOKS	\$ -	\$ 300	\$ 460	
85420 PERIODICALS	\$ 464	\$ 451	\$ 500	
85425 TRAINING	\$ 213	\$ 161	\$ 400	
85465 INSURANCE	\$ 7,509	\$ 9,859	\$ 10,000	
85490 OTHER EXPENDITURES	\$ 14,500	\$ 12,901	\$ 13,722	
85501 SOFTWARE & ACCESSORIES	\$ 6,251	\$ 8,146	\$ 8,500	
85505 OFFICE SUPPLIES	\$ 3,380	\$ 4,305	\$ 4,400	
85510 CLEANING SUPPLIES	\$ 207	\$ 358	\$ 300	
85530 OIL SUPPLIES	\$ -	\$ 529	\$ 900	
85540 MISC OPERATING EQUIPMENT	\$ 14,196	\$ 17,986	\$ 9,750	
85560 TREES & SHRUBS	\$ -	\$ 486	\$ 900	
85560 OTHER GENERAL SUPPLIES	\$ 837,767	\$ 835,902	\$ 800,000	
85590 SALES TAX	\$ 1,727,316	\$ 1,560,012	\$ 1,844,782	
Total Operating Expenses (page 141)				

Veolia to assume 100% costs

Veolia to assume 50% of costs
2010 Actual = \$181,885.00
2011 Actual = \$215,244.50
2012 Budget = \$280,326.00

Veolia Proposal

	2010 Actual	2011 Actual	2012 Budget
WASTEWATER TREATMENT (Pg. 142 City Budget Book)			
53030051			
85105 SALARIES - REGULAR	\$ 636,689	\$ 653,539	\$ 686,733
85110 SALARIES - OVERTIME	106,953	63,369	100,140
85115 FICA - PAYROLL TAXES	102,551	106,692	107,420
85120 HEALTH INSURANCE	1,220	1,115	1,136
85125 LIFE INSURANCE	-	-	-
85130 DISABILITY INSURANCE	1,723	1,392	1,346
85135 TUITION REIMBURSEMENT	-	-	-
85145 PENSION CONTRIBUTION	43,904	42,089	45,457
85150 WORKERS COMPENSATION	24,900	20,776	24,610
85160 OTHER EMPLOYEE BENEFITS	-	-	-
85161 VEEBA	2,704	2,581	2,584
TOTAL PERSONNEL SERVICES (pg. 143)	\$ 978,980	\$ 963,400	\$ 1,048,595
OPERATING EXPENSES			
53030051			
85210 CONTRACT SERVICES	\$ 8,212	\$ 16,466	\$ 10,120
85217 CONTRACT SERVICES	-	-	9,850
85219 HEALTH SERVICES	2,833	13,857	10,000
85241 COMPUTER SERVICES	22,561	48,517	48,000
85240 OTHER PROFESSIONAL & TECH	16,150	10,104	16,000
85305 UTILITY SERVICES	702,560	746,205	680,000
85335 REPAIR & MAINT - MACH & EQU	238,940	268,469	300,000
85339 REPAIR & MAINT - VEHICLES	22,656	7,232	18,000
85410 TELEPHONE	6,603	6,083	7,000
85413 POSTAGE	5,130	5,848	5,000
85420 BOOKS & SUBSCRIPTIONS	911	-	880
85425 TRAVEL	4,665	4,665	4,665
85429 TRAVEL & TRAINING	5,403	6,881	8,400
85515 GASOLINE	12,217	18,830	23,000
85520 DIESEL FUEL	319	20	3,000
85530 OIL SUPPLIES	6,731	6,805	9,000
85531 LAB SUPPLIES	31,552	32,384	28,000
85535 CHEMICAL SUPPLIES	36,419	5,729	60,000
85540 MISC OPERATING EQUIPMENT	31,284	27,021	19,000
85550 LIQUID OXYGEN	121,720	83,594	44,000
85560 OTHER GENERAL SUPPLIES	52,540	38,513	45,000
85591 SOAP/PANE & OPERATING SUPPLIES	411	3,493	7,500
Total Operating Expenses (page 143)	\$ 1,232,218	\$ 1,347,468	\$ 1,352,028

Veolia to assume 100% cost

Veolia to assume 100% cost
2010 Actual = \$143,023.00
2011 Actual = \$219,770.00
2012 Budget = \$186,946.00

Composting to Solids Handling (Pg. 144 City Budget Book)

53030052			
85105 SALARIES - REGULAR	\$ 198,060	\$ 193,986	\$ 204,632
85110 SALARIES - OVERTIME	20,748	3,367	7,185
85115 FICA - PAYROLL TAXES	16,224	14,572	16,511
85120 HEALTH INSURANCE	30,306	34,683	35,301
85125 LIFE INSURANCE	353	310	315
85130 DISABILITY INSURANCE	505	386	374
85135 TUITION REIMBURSEMENT	-	-	-
85145 PENSION CONTRIBUTION	12,871	11,587	12,623
85150 WORKERS COMPENSATION	9,100	10,968	6,834
85160 OTHER EMPLOYEE BENEFITS	-	-	-
85161 VEEBA	793	714	717
TOTAL PERSONNEL SERVICES	\$ 288,960	\$ 270,543	\$ 284,492
OPERATING EXPENSES			
53030052			
85210 CONTRACT SERVICES	\$ 177,631	\$ 14,168	\$ 125,000
85217 HEALTH SERVICES	550	680	600
85240 OTHER PROFESSIONAL & TECH	-	240	500
85335 REPAIR & MAINT - MACH & EQU	34,067	69,329	55,700
85339 REPAIR & MAINT - VEHICLES	47,797	14,010	25,000
85410 TELEPHONE	1,822	974	1,280
85425 BOOKS	2	6	50
85520 DIESEL FUEL	36,176	38,803	55,000
85530 OIL SUPPLIES	1,459	6,139	6,500
85540 MISC OPERATING EQUIPMENT	8,974	72,000	143,000
85550 LIQUID OXYGEN	16,510	16,510	16,500
85560 OTHER GENERAL SUPPLIES	16,377	16,377	16,377
85590 OTHER GENERAL SUPPLIES	193,146	183,726	228,623
Total Operating Expenses (page 144)	\$ 600,633	\$ 418,148	\$ 659,400

Veolia to assume 100% cost

Veolia to assume 100% cost
2010 Actual = \$219,770.00
2011 Actual = \$565,771.00
2012 Budget = \$183,400.00

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PUBLIC WORKS

Appendix 2

Veolia Water Presentation Team

Veolia Water Presentation Team
November 15, 2011

David C. Carter

Vice President of Operations - Central
David.Carter@veoliawaterna.com

Dave oversees all municipal operations for the Central Region.

Scott Edwards

Executive Vice President of Communications
scott.edwards@veoliawaterna.com

Karole Colangelo

Director, Communications
karole.colangelo@veoliawaterna.com

Both Scott and Karole are from our Corporate Headquarters.

Jack J. Page

Technical Direction Group North Central Coordinator
jack.page@veoliawaterna.com

Jack is a corporate resource assigned to the Central Region. He oversees the operations and maintenance support programs and coordinates any requests for technical expertise for O&M support, consumable consumption, energy mgmt, etc.

Sandy Thompson, SPHR

Director, Human Resources
sandy.thompson@veoliawaterna.com

Sandy is our Director of HR for both the Central and West Regions. She oversees all aspects of HR for these regions including labor relations and benefits.

Peg Becker

Area Manager
margaret.becker@veoliawaterna.com

Over sees all municipal operations in the Upper Midwest. Peg is responsible for contract compliance and client relations.

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Appendix 3

Fact Sheet

Trust. Responsibility. Industry-Leading Operations and Management.

Whether the measure is customer service, application of operations expertise or technology, VVNA provides cost-effective, customized solutions to both large and small clients. In North America, we have the largest U.S. wastewater partnership (Milwaukee) and the largest U.S. design-build-operate partnership (Tampa). We manage the largest industrial water partnerships in North America for many Fortune 500 companies.

- Whether the measure is customer service, application of operations expertise or technology, VVNA provides cost-effective, customized solutions to both large and small clients. In North America, we have the largest U.S. wastewater partnership (Milwaukee) and the largest U.S. design-build-operate partnership (Tampa). We manage the largest industrial water partnerships in North America for many Fortune 500 companies.



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- We combine expertise, depth of resources and smart thinking to create appropriate, scalable solutions – from water and wastewater systems to single-facility operations. Our municipal customers include small and large cities alike including New York City, Milwaukee, Atlanta (and Fulton County), Oklahoma City, New Orleans and Buffalo, to name several.



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- Veolia Water is the industry leader in providing cost-effective, compliant, cost-effective operations and fewer environmental preservation for future generations requires the sensible use of water resources and a guarantee of the quality of the treated water discharged into the natural environment. Veolia Water works every day to meet these challenges.

We believe Veolia Water North America is a great place to work. In fact, through an independent, third-party study, we were ranked 10th highest among water utility averages. Why? There are many reasons. It's not just the rewards of competitive benefits and compensation or recognition for a job well done. It's not just because our employees are well informed and engaged in their work, but also because we believe our company makes a real difference in the lives of others.

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- While our clients appreciate the results we've demonstrated, it's equally rewarding for us to be able to point to the fact that we've been successful through public-sector transitions. We know what change can represent and work hard to eliminate the anxiety and pressure that can come from change.

- Our goal is to maintain a satisfied and productive team and to be the employer of choice for highly skilled and motivated water professionals. Veolia Water's Human Resources approach is compliant, cost-effective operations and fewer environmental preservation for future generations requires the sensible use of water resources and a guarantee of the quality of the treated water discharged into the natural environment. Veolia Water works every day to meet these challenges.

- At every location, we strive to create a work place that is professional, innovative, performance-oriented and diverse. Employees have the freedom to gain exposure to a variety of areas within our company and to achieve the satisfaction of making a significant difference through our commitment to Service, Value and Responsibility.
- The City's analysis will bear out that our benefits and compensation are very fair and competitive.

The partnership will save the city millions of dollars. For the proposed 2012 budget, the city would have saved the community \$846,000 had we been operating the community's wastewater treatment facility.

employees will benefit.

- The company's Lost-Time Incidence Rate (LTIR reflects injuries or illnesses resulting in time away from work) and our Recordable Incidence Rate (RIR includes medical treatment, restrictions and transfers, and lost-time injuries or illnesses) is consistently and statistically better than national averages compared



to industry OSHA records. Our LTIR this year was 0.0000 and our OSHA RIR this year was 0.000000000000.

Our objectives of the partnership are to operate the Grand Island facilities in a compliant, cost-effective manner, bring innovative solutions to the operations and capital planning, and apply the highest level of technical and management solutions.

- Our partnership will save the city millions of dollars. For the proposed 2012 budget, the city would have saved the community \$846,000 had we been operating the community's wastewater treatment facility.
- Our objectives of the partnership are to operate the Grand Island facilities in a compliant, cost-effective manner, bring innovative solutions to the operations and capital planning, and apply the highest level of technical and management solutions.
- Through our experience at more than 600 communities, we will apply well-practiced management techniques to ensure the highest level of service to the community.
- In the event of a natural disaster, Grand Island would benefit from access to technical, process and wastewater operations experts from across the U.S. to ensure fast resumption of facility operations--protecting public health and the environment when needed most.
- As the trusted caretakers of your wastewater resources, Veolia Water will support the city as it looks to future economic and community growth by managing the city's wastewater infrastructure, planning for technology improvements and long-term maintenance and improvements.

What are the benefits of public-private

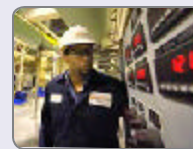
partnerships?

The benefits are numerous:

- Clean, quality water and improved customer service
- Tremendous costs savings and rate stability
- Environmental compliance

Employee opportunities can include better pay, improved training, professional growth and development, and opportunities in other markets or industries, depending on an employee's skill sets and interests.

We are SVR: SERVICE, VALUE and RESPONSIBILITY. VVWNA employees, whether



they work at a project site as a water manager, wastewater operator or project manager, or in an office setting as an

administrative assistant, finance expert or marketing or accounting professional, support our model of Service, Value and Responsibility and help us make the world a better place to live.

Service is what we do.

Value is what we deliver.

Responsibility reflects who we are.

Service is what we do.

Value is what we deliver.

Responsibility reflects who we are.

Government agencies and political officials from all spectrums have endorsed the idea of combining the resources of the public and private sectors to manage their community's water system in public-private partnerships. These partnerships with water companies are enabling local officials to solve their most pressing water challenges. In fact, public-private partnerships are at work in more than 2,000 North American communities.

Public-Private Partnerships: A Win-Win for Communities

In a public-private partnership, the public maintains ownership of all assets - and the public authority sets rates. Partnerships ensure public control and ownership.

Public-Private Partnerships: A Win-Win for Communities

Although often misunderstood by critics who confuse regulated utilities with non-regulated utilities, rate-setting authority remains the responsibility of the municipal government (city, town, regional authority, etc). Under all public-private partnerships, the public partner:

- Owns the assets
- Controls the management of the assets
- Establishes user rates.

In short, a public-private partnership is NOT privatization.

Public-Private Partnerships: A Win-Win for Communities

it can make a profit!

Thousands of North American communities served by public-private partnerships have experienced cost reductions of 10 to 30 percent. For instance, Oklahoma City has saved more than \$150 million through a partnership.

According to a 2009 Public Works Financing survey*, less than one-tenth of one percent of private contracts reverted to municipal management in 2009. We consider this the best testament of the stability of costs and the provision of good quality water and service.

Public-Private Partnerships: A Win-Win for Communities

Public-Private Partnerships: A Win-Win for Communities

In a public-private partnership, staffing levels can be governed by the municipal entity as expressed by the partnership agreement. Staff reductions are generally achieved by transfers or attrition. Still, it is true that partnerships are typically more efficient in their management of water and wastewater assets.

Companies only care about profit, so the public

Public-Private Partnerships: A Win-Win for Communities

Private-sector profit does not come at the public's expense. Typically, lower costs and service improvements are provided regardless of whether a private-sector company generates a profit. Savings for municipalities range from 10 to 30 percent in most cases. Further, partnerships enable more local control and flexibility to meet the community's needs. Again, many of our scientists, technologists, engineers and operations experts choose to work in the private sector as a means to improve our environment.

***Agreement For
Operations, Maintenance and Management Services***

THIS AGREEMENT is entered into effective the [XX] day of [XXXX, 20XX], by and between

The City of Grand Island, Nebraska with a business address at
P.O. Box 1968, Grand Island, Nebraska 68802 (hereinafter
"OWNER");

and

Veolia Water North America-Central, LLC, with a business
address at 184 Shuman Blvd., Suite 450, Naperville, Illinois 60563
(hereinafter "VWNA")

WHEREAS, OWNER owns and provides for the operation of wastewater treatment facilities; and,

WHEREAS, OWNER desires to employ the services of VWNA in the management, operation and maintenance of these facilities, and VWNA desires to perform such services for the compensation provided for herein; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, OWNER and VWNA agree as follows:

1 General

- 1.1 Definitions of words and phrases used in this Agreement and the attachments are contained in Appendix A.
- 1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by OWNER shall remain the exclusive property of OWNER unless specifically provided for otherwise in this Agreement.
- 1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Nebraska.
- 1.4 VWNA shall have the right to assign this Agreement only with OWNER's consent. However, VWNA may collaterally assign this Agreement and/or its right to any payments hereunder, but not its obligations to perform services hereunder, to one or more lenders providing financing to VWNA or any affiliate thereof. Any other transfer or assignment by either VWNA or the OWNER of this Agreement

shall be null and void unless authorized by the other party in writing in advance, such authorization not to be unreasonably withheld.

- 1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given when delivered, if delivered personally or by courier mail service, i.e., Federal Express or United Parcel Service; delivered 3 days after such notice has been deposited in the United States mail postage prepaid, if mailed certified or registered U.S. mail, return receipt requested; or when actually received by the party for which notice is intended, if given in any other manner.
- 1.6 This Agreement, including Appendices A through E, is the entire Agreement between the parties. This Agreement may be modified only by written agreement signed by both parties. Wherever used, the terms "VWNA" and "OWNER" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors or anyone acting on their behalf.
- 1.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect, and shall in no way be affected, impaired or invalidated.
- 1.8 It is understood that the relationship of VWNA to OWNER is that of independent contractor. The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services shall not be considered engineering services, and nothing herein is intended to imply that VWNA is to supply professional engineering services to OWNER, unless specifically stated in this Agreement to the contrary.
- 1.9 If any litigation is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, which are directly attributed to such litigation, in addition to any other relief to which it may be entitled.
- 1.10 Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), power(s) or privilege(s).
- 1.11 Prior to the commencement of work under this Agreement, each party shall designate in writing an employee or other representative of the designating party who shall be the contact person for administration of this Agreement. With respect to OWNER, such person shall not have the independent authority to approve changes in the Scope of Work and compensation therefor, or to execute written Change Orders reflecting such changes but instead shall make recommendations to the council for approval..

2 VWNA's Services - General

- 2.1 VWNA will staff the Project with employees who have met appropriate licensing and certification requirements of the State of Nebraska.
- 2.2 VWNA shall provide ongoing training and education for appropriate personnel in all necessary areas of modern wastewater process control, operations, maintenance, safety, and supervisory skills.
- 2.3 VWNA shall develop and/or supply and utilize computerized programs for maintenance, process control, cost accounting, and laboratory Quality Assurance/Quality Control.
- 2.4 Within forty-five (45) days after VWNA begins service under this Agreement, VWNA will provide a physical inventory of OWNER's vehicles and equipment in use at the Project and a general statement as to the condition of each piece of equipment.
- 2.5 VWNA will provide OWNER with a physical inventory of chemicals and other consumables on hand when VWNA begins services under this Agreement. VWNA will provide OWNER with the same quantity of chemicals or equivalent upon termination of this Agreement; in the event that the quantity transferred at termination is more or less than the quantity at startup, the parties will perform a "true up" and the overage or underage in quantity value will be paid by VWNA or OWNER, as appropriate. (For example, if the starting quantity of a chemical was 100 pounds and the final quantity was 125 pounds, OWNER shall pay the value of 25 pounds to VWNA, and vice versa.)
- 2.6 VWNA shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by OWNER and assist OWNER in enforcing existing equipment warranties and guarantees.
- 2.7 VWNA shall operate, maintain and/or monitor the Project on a 24-hour per day, seven-day per week schedule.
- 2.8 Visits may be made at a reasonable time by OWNER's employees so designated by OWNER's representative. Keys for the Project shall be provided to OWNER by VWNA for such visits. All visitors to the Project shall comply with VWNA's operating and safety procedures. Within a reasonable time after startup, the parties will collaborate on a protocol for visits and work performed by OWNER's employees who are assigned to operation, maintenance, and repair of the wastewater collection system.

- 2.9 VWNA will perform a Comprehensive Criticality and Condition Assessment on appropriate Plant equipment at the Project. The first Assessment will be delivered to OWNER within 180 days of services beginning under this Agreement. This evaluation may be updated annually at OWNER's request. Costs incurred for the Assessments shall be charged to the Maintenance and Repair Limit.
- 2.10 VWNA will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations..
- 2.11 VWNA may modify the process and/or facilities to achieve the objectives of this Agreement and charge the Costs to the Maintenance and Repair Limit; provided, however, no modification shall be without OWNER's prior written approval, if the complete modification Cost shall be in excess of five thousand dollars (\$5,000.00).
- 2.12 In any emergency affecting the safety of persons or property, VWNA may act without written amendment or change order, at VWNA's discretion, to prevent threatened damage, injury or loss. VWNA shall be compensated by OWNER for any such emergency work notwithstanding the lack of a written amendment. Such compensation shall include VWNA's Costs for the emergency work plus a reasonable mark-up for overhead and profit. Nothing contained in this Section shall impose upon VWNA a duty to perform any emergency work absent a change order, and failure to perform any such emergency work shall not impose upon VWNA any liability for errors and omissions.
- 2.13 As required by law, permit or court order, VWNA will prepare plant performance reports and submit them to OWNER for signature and transmittal to appropriate authorities.
- 2.14 VWNA will provide laboratory testing and sampling presently required by plant performance portions of the NPDES permit and/or any federal, state or local rules and regulations, statutes or ordinances, permit or license requirements or judicial and regulatory orders and decrees.
- 2.15 VWNA will provide laboratory testing and sampling presently required by the City's IPP program.
- 2.16 VWNA will provide for the collection and hauling of solid waste, screenings, grit, and scum ("Waste") to OWNER's existing or approved disposal sites. It shall be the sole right and responsibility of OWNER to designate, approve or select disposal sites to be used by VWNA for OWNER's waste materials. All Waste and/or byproduct treated and/or generated during VWNA's performance of services is and shall remain the sole and exclusive property of OWNER. All manifests or other

documentation required for disposal of Waste shall be signed by or in the name of the OWNER.

- 2.17 VWNA will provide for the dewatering and disposal of biosolids produced from the OWNER's existing solids handling system. Changes in disposal sites, tipping fees, processes or equipment will constitute a Change in Scope of Service. All biosolids generated during VWNA's performance of services is and shall remain the sole and exclusive property of OWNER. All manifests or other documentation required for disposal of Waste shall be signed by or in the name of the OWNER.
- 2.18 Upon request of OWNER, or as it shall deem necessary, VWNA will provide a listing of recommended capital improvements required for the Project. VWNA will not be relieved of its responsibility to perform if the recommendations are not implemented; provided, however, that capital improvement necessary to: (i) meet effluent requirements; (ii) meet federal, state or local laws, rules or regulations for the safety or accessibility of persons in or about the Project shall not be optional for the OWNER. If approved, the OWNER will make arrangements for the design and construction of said improvements.
- 2.19 VWNA may coordinate modifications to the facilities required to comply with OSHA standards and all costs associated therewith shall be charged to the Maintenance and Repair Limit.
- 2.20 VWNA will retain ownership of any vehicles, predictive maintenance equipment and/or computers supplied. In the event that this contract is terminated by the OWNER prior to the natural expiration of any term, then at VWNA's option it may transfer all or part of such equipment (including potentially the transfer of leases for vehicles used at the project) to the OWNER. In such case, OWNER shall be responsible to pay any ongoing costs of ownership or lease, along with any unamortized costs of acquisition of the equipment.

3 VWNA's Scope of Services - Wastewater

- 3.1 This Article shall apply to VWNA's OM&M services for the OWNER's wastewater treatment system.
- 3.2 Within the design capacity and capabilities of the Waste Treatment Plant described in Appendix B, VWNA will manage, operate and maintain the Plant so that effluent discharged from the Plant's outfalls meets the requirements specified in Appendix C-1.
- 3.3 VWNA will perform all Maintenance and Repairs for the Wastewater portion of the Project, and submit a monthly accounting to OWNER, along with a detailed invoice,

if Maintenance and Repair expenditures for the Project exceed the Maintenance and Repair Limit specified in Section 5.1.

4 OWNER's Duties

- 4.1 The OWNER shall fund and shall pay the full cost of all necessary Capital Expenditures. Priority shall be given to safety and the ADA related expenses described in Section 2.18. Any loss, damage, or injury resulting from OWNER's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit, when reasonably requested by VWNA, shall be the sole responsibility of OWNER.
- 4.2 The OWNER shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to OWNER and are not transferred to VWNA under this Agreement.
- 4.3 The OWNER shall pay all sales, excise, *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes associated with the Project, if any, other than taxes imposed upon VWNA's net income and/or payroll taxes for VWNA employees.

It is the mutual intention of the OWNER and VWNA that VWNA will have the benefit of the same tax exemptions related to operation of municipal wastewater/pollution control assets that the OWNER is entitled to (for example, for the purchase of chemicals, parts, supplies, etc.), and to the extent permitted by law VWNA shall be considered as OWNER's agent for purposes of purchasing such items for use at the Facilities. In the event VWNA is required to pay any sales tax or use taxes on the value of the services provided by VWNA hereunder or the services provided by any subcontractor of VWNA, such payments shall be reimbursed by the OWNER, unless the OWNER furnishes a valid and properly executed exemption certificate relieving the OWNER and VWNA of the obligation for such taxes. In the event the OWNER furnishes an exemption certificate which is invalid or not applicable to services by VWNA, the OWNER shall indemnify VWNA for any taxes, interest, penalties, and increment costs, expenses or fees which it may incur as a result of VWNA's reliance on such certificate.

- 4.4 The OWNER may provide VWNA, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of OWNER's heavy equipment that is available so that VWNA may discharge its obligations under this Agreement in the most cost-effective manner. The provision of equipment pursuant to this section shall be at OWNER's discretion, and OWNER shall not be required to provide temporary use of any equipment if it does not wish to do so.

- 4.5 OWNER shall provide for VWNA's exclusive use of all equipment presently in full-time use at the Project.
- 4.6 OWNER shall provide the Project with appropriate devices (e.g. video monitoring, coded entry to treatment facilities, etc.) to protect against any losses resulting from the theft, damage, or unauthorized use of property owned by OWNER and shall accept liability for such losses, except to the extent such losses are directly caused by the negligent acts or omissions of VWNA.
- 4.7 OWNER warrants that during the interim period between the initial Project inspection by VWNA and the commencement date, the plants, facilities and equipment have been operated only in the normal course of business, all scheduled and proper maintenance have been performed, and there are no issues known to OWNER regarding the condition of the Project and Facility composing the Project and/or any equipment used by the Project.
- 4.8 OWNER shall be responsible for the payment of all accrued vacation and related time or benefits of OWNER employees upon the effective date of this agreement.
- 4.9 OWNER shall be responsible for the cleaning and disposal of biosolids from the sludge storage lagoons. VWNA will continue to manage and oversight of the day-to-day cleaning and disposal process.

5 Compensation

- 5.1 VWNA's compensation under this Agreement shall consist of an Annual Fee. The Annual Fee shall include limits for Maintenance and Repair and Electric Utilities. For the first year of this Agreement the Annual Fee shall be Three Million, Four Hundred Forty Seven Thousand, One Hundred Ninety One Dollars (\$3,447,191). The Maintenance and Repair Limit included in the Annual Fee is Three Hundred Forty Two Thousand, Three Hundred Sixteen Dollars (\$342,316). The "Electrical Utility Limit" included in the Annual Fee is Six Hundred Twenty One Thousand, and Fifty Two Dollars (\$621,052).

All costs related to odor control are not included in the Annual Fee and will be reimbursed at a Cost Plus 10%.

- 5.2 If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit by ten percent (10%) or greater, OWNER will pay the excess over ten percent to VWNA in accordance with Section 6.3. VWNA will notify OWNER when actual Maintenance and Repair expenditures equal eighty percent (80%) of contract

limits. If actual Electric Utilities expenditures exceed the Electric Utilities Limit, OWNER will pay the excess to VWNA in accordance with Section 6.3.

- 5.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's commencement date. Should OWNER and VWNA fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase by a percentage equal to the change in the Annual Fee.
- 5.4 The Electric Utilities Limit shall be increased or decreased annually by applying the percentage differential between the annual cost for electricity for the current year and the annual cost for electricity for the immediately preceding year to the existing Electric Utilities Limit. For example, the 2014 Electric Utilities Limit will be determined by taking the 2013 Electric Utilities Limit and multiplying it by the cost percentage change from 2012 to 2013.

6 Payment of Compensation

- 6.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first business day of the month for each month that services are provided.
- 6.2 All other compensation to VWNA is due upon receipt of VWNA's invoice and payable within fifteen (15) days.
- 6.3 Any monies payable pursuant to Section 5.2 will be paid within sixty (60) calendar days after the end of each Agreement year.
- 6.4 OWNER shall pay interest at an annual rate equal to the prime rate published by the Wall Street Journal plus four percent (4.0%), said rate of interest not to exceed any limitation provided by law, on payments not paid and received within thirty (30) calendar days of the due date, such interest being calculated from the due date of the payment. In the event the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation.
- 6.5 Odor Control Costs will be invoiced quarterly on a Cost plus 10% rate. OWNER will pay VWNA in accordance with Section 6.2.

7 Scope Changes

- 7.1 A Change in Scope of services shall occur when and as VWNA's costs of providing services under this Agreement change as a result of:

- 7.1.1 any change in Project operations, personnel qualifications or staffing or other cost which is a result of an Unforeseen Circumstance;
- 7.1.2 increases or decreases of not less than ten percent (10%) in the number of users connected to the facilities;
- 7.1.3 increases or decreases of not less than ten percent (10%) in the influent flow or loadings as demonstrated by a twelve month floating average compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in Appendix C);
- 7.1.4 increases or decreases in rates or other related charges (including taxes) imposed upon VWNA by a utility provider or taxing authority, excluding taxes based on VWNA's net income; and/or
- 7.1.5 OWNER's request of VWNA and VWNA's consent to provide additional services.
- 7.1.6 increases or decreases of greater than 20% on average in a 12 month period in insurance premium costs, healthcare benefit costs, or chemical costs which are not caused by the fault of either party.
- 7.2 For Changes in Scope described in Sections 7.1.1 through, and including, 7.1.3, the Annual Fee shall be increased (or decreased) by an amount equal to VWNA's additional (reduced) Cost associated with the Change in Scope. Modifications of the Annual Fee as a result of conditions described in Section 7.1.3 shall be retroactive to the beginning of the twelve month comparison period.
- 7.3 For Changes in Scope described in Section 7.1.4, the Annual Fee shall be increased (or decreased) by an amount equal to VWNA's additional (reduced) Cost associated with the Change in Scope. (See Section 7.5)
- 7.4 OWNER and VWNA shall negotiate an increase in VWNA's Annual Fee for Changes in Scope based on Sections 7.1.5 and 7.1.6.

8 Indemnity, Liability and Insurance

- 8.1 VWNA hereby agrees to indemnify and hold OWNER harmless from any liability or damages for bodily injury, including death, which may arise from VWNA's negligence or willful misconduct under this Agreement; provided, VWNA shall be liable only for that percentage of total damages that corresponds to its percentage of total negligence or fault.

- 8.2 OWNER agrees to indemnify and hold VVNA harmless from any liability or damage or bodily injury, including death, which may arise from all causes of any kind other than VVNA's negligence or willful misconduct, including, but not limited to, breach of an OWNER warranty.
- 8.3 Both parties shall be liable to the other to the extent specified in this Agreement for direct damages caused to that party as permitted by law, but neither party nor their affiliated companies, officers, agents, employees or contractors, shall be liable to the other in any action or claim for indirect, consequential or special damages, loss of profits, loss of opportunity, loss of product or loss of use.
- 8.4 VVNA DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, AND DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
- 8.5 VVNA shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations occurring on or after the start of operations under this Agreement, of the effluent quality requirements provided for in Appendix C-1 that are a result of VVNA's negligence. OWNER will assist VVNA to contest any such fines in administrative proceedings and/or in court prior to any payment by VVNA. VVNA shall pay the cost of any such contest.
- 8.6 OWNER shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on OWNER and/or VVNA that are not a result of VVNA's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold VVNA harmless from the payment of any such fines and/or penalties.
- 8.7 To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, VVNA's liability for performance or non-performance of any obligation arising under the Agreement (whether arising under breach of contract, tort, strict liability, or any other theory of law or equity) including, but not limited to its indemnity obligations specified in Section 8.1 of the Agreement, shall be limited to: (i) general money damages in an amount equal to the amount of any proceeds of insurance received by the OWNER or to which VVNA is entitled pursuant to any general liability insurance or automobile liability policy required to be maintained by VVNA hereunder as specified in Appendix F (without regard to the amount of any deductible which may be applicable under any such general liability or automobile liability policy) with respect to such loss; or (ii) to the extent proceeds of insurance are not received and such general liability or automobile insurance is not applicable, a cumulative aggregate over the full initial term and any extended term(s) of this agreement of an amount not to exceed One Million Seven Hundred Thousand Dollars (\$1,700,000).

8.8 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix E. Each party assumes the risk of loss or damage to its respective property, from any cause, including the actual or alleged negligence or strict liability of the other party, and shall maintain broad form property insurance in order to protect both parties against any such loss. Each party shall provide the other party with satisfactory proof of insurance.

8.9 Indemnity agreements provided for in this Agreement shall survive the termination of the Agreement.

9 Term, Termination and Default

9.1 The initial term of this Agreement shall be five (5) years commencing [[DATE]]. Thereafter, this Agreement shall be automatically renewed for two successive terms of five (5) year each, unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration. Provided, however, that either party will have a right to terminate this Agreement without cause or penalty, and subject only to the contractual consequences of termination (for example, those provisions governing inventory true-up and transfer of equipment but excluding any markup over Cost or similar profit or penalty, such as the markup described in Section 9.3), at the end of the third year of the initial term, and thereafter at the end of the third year of any successive terms, upon notice in writing of not less than one hundred twenty (120) days prior to the end of such third year.

9.2 Except as otherwise set forth herein, a party may terminate this Agreement only for a material breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by OWNER for non-payment of VWNA's invoices, in which case termination may be immediate by VWNA, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach.

9.3 Upon notice of termination by OWNER, VWNA shall assist OWNER in assuming operation of the Project. If additional Cost is incurred by VWNA at request of OWNER, OWNER shall pay VWNA such Cost plus a markup of fifteen percent (15%) for profit within 15 days of invoice receipt.

9.4 Upon termination of this Agreement and all renewals and extensions of it, VWNA will return the Project to OWNER in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by VWNA for use in the operation or maintenance of the Project shall remain the property of VWNA upon termination of this Agreement, unless the property was directly paid for by OWNER, or OWNER specifically reimbursed VWNA for the cost incurred to purchase the property, or this Agreement

provides to the contrary. Any costs for the ongoing use, transfer, or support of software or hardware systems used at the project will be the responsibility of OWNER.

10 Disputes and Force Majeure

- 10.1 In the event activities by employee groups or unions cause a disruption in VWNA's ability to perform at the Project, OWNER, with VWNA's assistance or VWNA at its own option, may seek appropriate injunctive court orders. During any such disruption, VWNA shall operate the facilities on a best-efforts basis until any such disruptions cease.
- 10.2 Neither party shall be liable for its failure to perform its obligations under this Agreement, if such failure is due to any Unforeseen Circumstances beyond its reasonable control or force majeure. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments due to the other party.

11 Confidentiality

- 11.1 VWNA or OWNER may from time to time disclose to the other party confidential information relating to the provision of services or the terms of this Agreement ("Confidential Information"). Neither party will disclose Confidential Information of the other to any third party, or use such Confidential Information for any purpose other than as specified herein, without the express written consent of the other party. Confidential Information will be clearly designated in writing as confidential. Confidential Information does not include information: (a) generally available to or known to the public; (b) previously known to the recipient; (c) independently developed by the recipient outside the scope of this Agreement; (d) lawfully disclosed by a third party; or (e) required to be disclosed by operation of law. Upon any termination or expiration of this Agreement in accordance with its terms, each party will, within a reasonable period of time thereafter return all confidential or proprietary information received from the other party under the terms of this Agreement, except that each party may retain a legal file copy.
- 11.2 Any protectable intellectual property developed or used by VWNA in the course of performing the services under this Agreement shall be the exclusive property of VWNA.

[END OF TEXT THIS PAGE]

The parties hereto indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental actions necessary to bind the parties to the terms of this Agreement have been and will be taken.

VEOLIA WATER NORTH AMERICA-CENTRAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

CITY OF GRAND ISLAND, NEBRASKA

By: _____

Name: _____

Title: _____

Date: _____

CERTIFICATE OF COUNSEL

The undersigned, as counsel(s) for the City of Grand Island in this transaction, hereby certifies that (s)he has examined the circumstances surrounding the selection of Veolia Water North America-Central, LLC ("VWNA") and the award and letting of the foregoing contract to VWNA by the City of Grand Island and has found that said selection and award process comply with the procurement laws of the State of Nebraska, and the City of Grand Island.

Counsel for City of Grand Island

Date: _____

DRAFT

APPENDIX A

DEFINITIONS

- A.1 "Abnormal Substances" means substances or materials that: (i) create a fire or explosion hazard at the Facility; (ii) will cause corrosive structural damage to the Facility; (iii) contain solid or viscous pollutants in amounts which will cause obstruction to the flow in the Facility; (iv) are present in flow rates or concentrations that will cause Interference or Pass Through; (v) will result in the presence of toxic gases, vapors or fumes within the Facility in a quality that may cause acute worker health and safety problems; or (vi) will result in an alteration of the requirements or costs for the operation or maintenance of the Facility.
- A.2 "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD₅ in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD₅.
- A.3 "Annual Fee" means a predetermined, fixed sum for VWNA's services. The Annual Fee includes Cost and profit.
- A.4 "Biologically Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of OWNER's Certificate of Approval. Biologically toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides and herbicides.
- A.5 "Capital Expenditures" means any expenditures for (1) the purchase of new, repaired, or replacement of equipment or facility items that cost more than Fifteen Thousand Dollars (\$15,000.00); or (2) major repairs or replacements which significantly extend equipment or facility service life and cost more than Fifteen Thousand Dollars (\$15,000.00) or (3) expenditures that are planned, non-routine and budgeted by OWNER.
- A.6 "Cost" means all Direct Cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles.
- A.7 "Condition Assessment" means. the evaluation of critical equipment using industrial standards such as PSAT, Air-master and Motor Master (all DOE-developed tools) and other predictive maintenance technologies as well as in-house developed spreadsheets and databases to asses and quantify asset condition.

- A.8 "Criticality Assessment" means the ranking of environmental, financial and/or safety risk based on the consequence of failure.
- A.9 "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for project management and labor, employee benefits, chemicals, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
- A.10 "Electrical Utility Limit" means the amount apportioned within the Annual Fee to cover the annual cost for electrical utility service at the Wastewater Treatment Plant. The limit is set assuming the installation of the planned 400 HP blowers. Costs exceeding the limit will be reimbursed by the OWNER as set forth herein.
- A.11 "Maintenance" means those routine and/or repetitive activities required or recommended by prudent industry practices or by VWNA to maximize the service life of the equipment, sewer, vehicles and facilities.
- A.12 "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that VWNA has included in the Annual Fee. Such expenditures exclude any labor costs for VWNA's staff assigned to the Project. VWNA's specialized maintenance personnel, not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermographic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
- A.13 "Odor Control Cost" means the cost for chemicals, the purchase and/or lease of equipment used to mitigate odors, and the upkeep of such equipment. Cost to maintain the equipment will be charged to the Repair & Maintenance Limit.
- A.14 The "Project" means all equipment, vehicles, grounds, rights of way, sewers and facilities described in Appendix B and, where appropriate, the management, operations and maintenance of such.
- A.15 "Repairs" means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles or facilities or some component thereof.
- A.16 "Unforeseen Circumstances" shall mean any event or condition which has an effect on the rights or obligations of the parties under this Agreement, or upon the Project, which is beyond the reasonable control of the party relying thereon and constitutes a justification for a delay in or non-performance of action required by this Agreement, including but not limited to (i) an act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade,

sabotage, insurrection, riot or civil disturbance, (ii) preliminary or final order of any local, province, administrative agency or governmental body of competent jurisdiction, (iii) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, province or governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages, but excluding labor disputes, strikes, work slowdowns or work stoppages by employees of VWNA; and (v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Project.

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APPENDIX B

DESCRIPTION OF PROJECT

VWNA agrees to provide the services necessary for the management, operation and maintenance of the following:

- a. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate OWNER's Wastewater Treatment facility located at 3013 East Swift Road, Grand Island, Nebraska 50501.
- b. All equipment, vehicles (except pick-up trucks), grounds and facilities now existing within the present property boundaries of lift stations described as follows:.

Station ID	Location	Status
Lift Station #1	2004 W 3 rd Street	On-line
Lift Station #2	Five Points	On-line
Lift Station #3		Off-line
Lift Station #4	Broadwell Ave & BNSF Tracks	On-line
Lift Station #5	5 th St & Evans Street	On-line
Lift Station #6		Off-line
Lift Station #7	Phoenix Ave & Grand Street	On-line
Lift Station #8	Forrest Street & Custer Ave	On-line
Lift Station #9		On-line
Lift Station #10	20 th & Sycamore Street	On-line
Lift Station #11	8 th Street & Custer	On-line
Lift Station #12		Off-line
Lift Station #13	18 th Street & Indiana Street	On-line
Lift Station #14	Broadwell Park	On-line
Lift Station #15	17 th Street & Hancock Ave	On-line
Lift Station #17	Locust & Ramada Rd	On-line
Lift Station #18	Shady Bend Road	On-line
Lift Station #19	Capital Ave & Diers Ave	On-line
Lift Station #20	Highway 281 & Highway 34	On-line
Lift Station	3340 N Shady Bend Road	On-line
Storm Water Pump Station		
Storm Water Pump Station		
Storm Water Pump Station		

b. All OWNER provided vehicles and equipment now existing for use at the
Project:

Unit #	Model
741	Mixer Truck
742	Mixer Truck
750	621E Case Loader
752	Sterling Dump w/Pup
753	Ford 8000 Dump
754	IHC Dump
755	Ford 9000 Dump
756	IHC Dump
757	Hicklan Gen 210KW
758	Winco Gen 25KW
760	JD MB Injection Pump
761	4" Ford Pump
766	10" JD/GR Emerg. Pump
767	John Deere Tractor 4640
771	10 yd Dump Truck
775	Onan 70KW Generator
781	Ford Semi Tractor
783	Nisson Fork Lift
786	Blue Ford Tractor
788	621D Case Loader
789	Backhoe
792	4650 John Deere Tractor
	Mustang Telehandler
	Winco Gen 65KW

APPENDIX C-1

NPDES PERMIT AND PROJECT CHARACTERISTICS WASTEWATER TREATMENT

- C.1 VWNA will operate so that effluent will meet the requirement of NPDES permit number [[XXXXXX]] effective [[DATE]] and expiring [[DATE]], a full and complete copy of which is adopted by reference herein as of the date hereof. VWNA shall be responsible for meeting the effluent quality requirements of the Permit unless one or more of the following occurs: (1) the Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Abnormal Substances or Biologically Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into OWNER's sewer system violate any or all regulations as stated in OWNER's Industrial Water and Sewer Ordinance(s) or as required by law; (3) the flow or influent BOD₅ and/or suspended solids exceeds the Project design parameters which are xxx million gallons of flow per day, xxxx pounds of BOD₅ per day, xxxx pounds of suspended solids, xxx pounds per day of ammonia and a daily peaking factor of xxx times flow; (4) if the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond VWNA's control.
- C.2 In the event any one of the Project influent characteristics, suspended solids, BOD₅ or flow, exceeds the design parameters stated above, VWNA shall return the plant effluent to the characteristics required by NPDES in accordance with the following schedule after Project influent characteristics return to within design parameters.

Characteristics Exceeding Design Parameters By	Recovery Period Maximum
10% or Less	5 days
Above 10% Less than 20%	10 days
20% and Above	30 days

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Abnormal Substances or Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then VWNA will have a thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

- C.3 VWNA shall not be responsible for fines or legal action as a result of discharge violations within the period and any subsequent recovery period that (1) influent exceeds design parameters; or (2) does not contain Adequate Nutrients; or (3) contains Abnormal Substances or Biologically Toxic Substances; or (4) is inoperable.

C.4 The Annual Fee for services under this Agreement is based upon the following:

(a) Project influent characteristics:

Flow [[XXXX]] gpd
NH₄N [[XXX]] pounds per day
BOD₅ [[XXX]] pounds per day
TSS [[XXX]] pounds per day
DHS* [[XXX]] mg/L

*DHS means Dissolved Hydrogen Sulfide concentration.

The above characteristics are the design criteria for the facility. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a Change in Scope. (See Article 7)

APPENDIX D

ANNUAL FEE ADJUSTMENT FORMULA

Annual Adjustment

Annually until the expiration or earlier termination of this Agreement, the Annual Fee shall be adjusted each year, such adjustment becoming effective on the anniversary date of the commencement date of the Initial Term. The parties may negotiate each adjustment, but in the event that they are not able to mutually agree on an adjustment the Base Compensation shall be adjusted according to the change in the Escalation Factor. The Escalation Factor is comprised of the following:

- (a) 50.8% of the year-to-year change in the Consumer Price Index, All Urban Consumers ("CPI-U"), as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted, US City Average, All Items, Series ID: CUUR0000SA0;

plus

- (b) 47.7% of the year-to-year change in the Employment Cost Index ("ECI") as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted, Compensation-Civilian Workers-Service Occupations, Series ID: CIU1010000300000I;

plus

- (c) 1.5% of the year-to-year change in the Producer Price Index ("PPI") as published by the United States Department of Labor, Bureau of Labor Statistics Not Seasonally Adjusted, Chemicals and Allied Products – Series ID: WPU06.

For purposes of this Agreement, the indices applicable to calculation of the Escalation Factor shall be the indices published in March of each year.

In no event shall the Annual Fee be reduced by application of the adjustment formula.

APPENDIX E

INSURANCE COVERAGE

VWNA SHALL MAINTAIN:

1. Statutory workers' compensation for all of VWNA's employees at the Project as required by the State of Nebraska.
2. Commercial General Liability insurance, insuring VWNA's negligence, in an amount not less than \$1,000,000 each occurrence and \$5,000,000 aggregate for bodily injury and/or property damage.
3. Business Automobile Liability insurance, insuring owned, non-owned and hire automobiles in an amount not less than \$1,000,000 combined single limit.

OWNER SHALL MAINTAIN:

1. Statutory workers' compensation for all of OWNER's employees associated with the Project as required by the State of Nebraska.
2. Property damage insurance for all property, including vehicles owned by OWNER and operated by VWNA under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the OWNER.

VWNA will provide at least thirty (30) days' notice of the cancellation of any policy it is required to maintain under this Agreement. VWNA may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law. Each party shall include the other party as an additional insured on the coverages, excluding workers' compensation, required to be maintained hereby and shall contain a waiver of subrogation in favor of the other party as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self insurance maintained thereunder.