



City Council Staff Report

Date: April 1, 2015

NEW BUSINESS

Subject: APPROVAL TO PROCEED WITH BIDDING, APPROVAL TO PROCEED WITH PRE-PURCHASE OF EQUIPMENT, AND APPROVAL OF VARIOUS ACTIONS RELATED TO THE FINANCING OF PROJECT COSTS ASSOCIATED WITH THE CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE, CITY PROJECT NO. 15-14

From: David H. Ready, City Manager

Initiated by: Office of the City Manager

SUMMARY

Over the last 18 months, staff has coordinated with its wastewater treatment plant and sewer system operator, Veolia Water West Operating Services, Inc., ("Veolia"), on the design of five of the highest priority wastewater treatment plant capital projects, bundled together as the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project"). The plans, specifications, and estimates have been completed for the Project, and it is necessary to proceed with bidding and pre-purchase of critical equipment. The total estimated cost of the construction phase of the Project is \$30 Million. Approval of these various actions will authorize staff to enter into an Agreement with Veolia to proceed with bidding of the Project, and authorize staff to pursue debt financing through either a Clean Water State Revolving Fund Loan, or through the issuance of tax-exempt bonds issued by the City.

RECOMMENDATION:

- 1) Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE REIMBURSEMENT OF FUNDS REQUESTED FROM THE STATE WATER RESOURCES CONTROL BOARD UNDER THE CLEAN WATER STATE REVOLVING FUND FOR THE CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE, CITY PROJECT NO. 15-14;" and
- 2) Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE CITY MANAGER TO ACT ON ITS BEHALF TO SIGN, FILE AND EXECUTE A FINANCIAL

ASSISTANCE APPLICATION FOR A FINANCING AGREEMENT FROM THE STATE WATER RESOURCES CONTROL BOARD UNDER THE CLEAN WATER STATE REVOLVING FUND FOR THE CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE, CITY PROJECT NO. 15-14;" and

- 3) Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE REIMBURSEMENT OF FUNDS FROM THE PROCEEDS OF TAX-EXEMPT BONDS OR OTHER OBLIGATIONS FOR THE CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE, CITY PROJECT NO. 15-14;" and
- 4) Waive all competitive requirements of Title 7 of the Palm Springs Municipal Code finding that AndersonPenna Partners, Inc., has demonstrated experience and expertise of providing the required financial assistance services through a competitive qualifications based selection process completed by the South Coast Water District through its Request for Proposal (Contract No. 14-04-0006); and
- 5) Approve Agreement No. _____ with AndersonPenna Partners, Inc., in the amount of \$39,220 for professional assistance in the preparation of applications forms, documents, financial and technical assistance in the submittal of a funding request to the California State Water Resources Control Board for a government loan of as much as \$30 Million from the Clean Water State Revolving Fund (SRF) Program to finance the construction of the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14; and
- 6) Approve Agreement No. _____ with Veolia Water West Operating Services, Inc., in the amount of \$2,705,496 for professional engineering and construction management services associated with the construction phase of the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14; and
- 7) Authorize the pre-purchase of selected critical mechanical and electrical equipment required for the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, and authorize the issuance of a Purchase Order to Veolia Water West Operating Services, Inc., in the amount of \$3,351,699.48; and
- 8) Approve the plans, specifications, and working details for the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, and authorize staff to advertise for bids; and
- 9) Authorize the City Manager to execute all necessary documents.

STAFF ANALYSIS:

On April 21, 2010, the City Council approved the City of Palm Springs Wastewater Treatment Plant Capital Repair and Rehabilitation Plan, (the "WWTP CIP"), and an associated Wastewater Financial Plan and Rate Study, (the "2010 Rate Study"). The WWTP CIP is a budgeting document that identified a plan and budget for the critical and highest priority capital projects at the WWTP over the next 20 years. The 2010 Rate Study was a comprehensive evaluation of the City's sewer rates to determine if the rates would accommodate the on-going operation and maintenance costs for the WWTP, as well as any necessary major capital projects associated with the WWTP CIP. A copy of the April 21, 2010, staff report is included as **Attachment 1**.

At that time, the City Council directed staff to prioritize the WWTP CIP to identify Priority 1 projects as those projects that will directly reduce or eliminate the generation of odors at the WWTP, identified as follows:

Priority 1 Projects	
New Circular Primary Clarifiers w/Sludge Pump Station	\$9,050,000
New Headworks	\$5,920,000
New Primary Effluent Pump Station	\$2,910,000
New Sludge Centrifuge	\$1,490,000
Digester No. 2 Dome Replacement	\$1,050,000
WWTP Facility Plan	\$250,000
Priority 1 Total	\$20,670,000

On July 7, 2010, the City conducted a public hearing to consider and approve the adoption of increased sewer rates associated with the 2010 Rate Study; however, the City Council directed staff to defer the rate increase at that time for further review at a future date.

On February 15, 2012, the City Council provided direction to staff on the WWTP CIP, and an updated sewer rate study (the "2012 Rate Study"), which carried forward the \$20,670,000 estimated cost of the WWTP CIP from the 2010 Rate Study.

On April 18, 2012, the City Council conducted a public hearing, and adopted Resolution No. 23120 approving increased sewer rates effective July 1, 2012, for the purposes of financing the increasing costs of wastewater service and the cost of the Priority 1 Projects identified in the WWTP CIP. A copy of the April 18, 2012, staff report is included as **Attachment 2**.

In April 2013, the City released a Request for Proposals (RFP #05-13) to solicit proposals for professional engineering services for the design phase of the Priority 1 Projects. Proposals were received in May 2013 and a review committee made up of City staff and Veolia evaluated and interviewed firms which resulted in the selection of Carollo Engineers.

In accordance with Section 5.3 of the Amended and Restated Wastewater Services Agreement (O&M) dated June 28, 2006, (the "O&M Agreement"), the City agreed to allow Veolia the right to design, construct, manage or supervise any WWTP capital project. On that basis, on September 4, 2013, the City Council authorized Veolia to proceed with the design of the following five high priority capital projects at the City's Wastewater Treatment Plant:

- Digester No. 2 Dome Replacement, City Project No. 13-19
- New Sludge Centrifuge, City Project No. 13-20
- New Primary Effluent Pump Station, City Project No. 13-21
- New Headworks, City Project No. 13-22
- New Circular Primary Clarifiers w/Sludge Pump Station, City Project No. 13-23

Staff has bundled these projects together as the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project"). The total cost of design phase services for the Project was \$3,312,305.

On June 18, 2014, the City Council adopted a Mitigated Negative Declaration ("MND") allowing for construction of the Project, following a comprehensive environmental review. At that time, staff reported on the decisions made by staff and Veolia on the final design of the Project, with particular reference made to the deferral of the Sludge Centrifuge for the following reasons:

- The Sludge Centrifuge identified in the WWTP CIP was not focused on odor reduction, but was instead intended to replace existing equipment as it reached the end of its useful life.
- The preliminary cost estimate of \$1.5 Million for the Sludge Centrifuge was based on a low cost installation that would not reduce odors.
- The Sludge Centrifuge was originally designated a Priority 4 project, then later elevated to Priority 1 with an expectation that the existing sludge drying beds was a significant source of odors at the WWTP
- Odor study completed of the WWTP determined the Sludge Centrifuge would only remove 4% of overall odors, yet has a high estimated cost of \$8 Million

Given an estimated cost of \$8 Million the Sludge Centrifuge and the minimal impacts to odor reduction, a higher priority was placed on enhancing the odor reduction associated with the Priority 1 projects, including:

- Two odor treatment scrubbers, for redundancy, to continue the treatment of odors when one unit is out of service for maintenance.
- Sludge degritting, to minimize the quantity of foul air to be treated and move the source of odors further from the park boundary.

What odor reduction will the Project achieve at the WWTP?

The engineering consultant for the Project, Carollo Engineers, commissioned an Odor Evaluation Report of the City’s WWTP prepared by Webster Environmental Associates, Inc., (the “Odor Report”). Onsite sampling and testing for odors at the WWTP occurred in November 2013, and an odor dispersion model was used to predict off-site odor impacts from the WWTP, and to evaluate the reduction of odor impacts resulting from the improvements to be constructed by the Project. The odor sample analyses determined a “Detection Threshold (DT)” which identifies the ability of a person detecting a strong odor at any point in time; a higher DT indicates a stronger odor.

The Odor Report also calculated “Odor Emission Rates (OER)” which is an overall evaluator of how “smelly” a WWTP is in comparison to other equivalent WWTP’s, when compared to their capacity to treat sewage (per Million Gallons per day [MGD]). The Palm Springs WWTP was determined to generate an Odor Emission Rate of 22,100,858 for its 11 MGD capacity, or a factor of 2,027,602 per MGD, which is rated an average “smelly” factor of comparable “medium” sized WWTP’s previously evaluated by the consultant, as shown in the following Table 1. It should be noted that much smaller WWTP’s can generate significantly higher OER’s.

Category	WWTP	Location	Job #	Plant Size (MGD)	Study Year	OER	OER/MGD	Category Averages
Large	Moccasin Bend WWTP	Chattanooga, TN	416	140	2007	245,874,315	1,756,245	243,824,916
	Dayton WWTP	Dayton, OH	533	72	2013	122,537,835	1,701,914	
	Atherton WWTP	Little Blue Valley, MO	528	52	2013	363,062,597	6,981,973	
Medium	Richmond WPCP	Richmond, CA	496	16	2012	36,386,487	2,274,155	25,463,929
	Post Point WWTP	Bellingham, WA	451	12	2010	17,182,830	1,431,903	
	Broomfield WRF	Broomfield, CO	452	12	2010	10,741,953	895,163	
	Palm Springs WWTP	Palm Springs, CA	546	11	2013	22,100,858	2,027,602	
	Morristown WWTP	Morristown, TN	500	8	2012	40,907,516	5,454,335	
Small	Clarksville WWTP	Clarksville, IN	505	5	2012	7,084,000	1,416,800	40,713,410
	Hilton Head SIPSD RWP	Hilton Head Island, SC	517	5	2012	3,647,014	729,403	
	El Dorado Hills WWTP	El Dorado Hills, CA	539	4	2013	43,738,399	10,934,600	
	North WWTP	Sugarland, TX	519	4	2013	8,026,108	2,006,527	
	Englewood WRF	Englewood, FL	489	3	2012	112,969,625	37,656,542	
	Edwards WWTF	Edwards, CO	486	3	2012	68,815,311	22,938,437	

The Odor Report determined that over 82% of the odors detected from the WWTP are generated by the headworks, located at the entrance to the WWTP immediately adjacent to and south of the tennis courts at Demuth Park. This result was expected, as staff reported the condition of the City’s existing headworks included in the April 21, 2010, City Council staff report, stating:

By its nature of accepting raw sewage, the headworks facility is considered a Class I hazardous facility. It is critical to have reliability and redundancy in the headworks facility due to the corrosive nature of its environment. The City's existing headworks facility is inadequate and does not provide the reliability or redundancy required. The headworks facility is considered in poor condition when compared to headworks facilities at other comparatively sized WWTP's. One significant factor with the headworks facility is the invert elevation into the WWTP; the invert is too high and the slope of the main sewer trunk line into the WWTP is flat causing surcharging within the sewer line. The invert into the WWTP must be lowered to improve the hydraulics into the WWTP, improving the gravity free-flow movement of wastewater into the headworks facility. As it exists, the surcharging of the main sewer trunk line has the potential to further corrode the headworks facility, cause sewage to back-up, and ultimately if unaddressed, to cause sewage overflows in the streets from upstream sewer manholes, as the volume of wastewater flow into the WWTP increases over the next 20 years.

Another significant factor with the existing headworks facility is the fact that it is not housed within an enclosed building; the headworks facilities are exposed to the air and are located within close proximity to Demuth Park. This is a major contributor to foul odor problems experienced in the area. More importantly, the fact that the headworks facility operation is exposed to the public is visually offensive, with raw sewage materials easily seen by the public at the entrance into the WWTP.

Construction of a complete new, enclosed headworks facility at a lower elevation is required to appropriately address these issues.

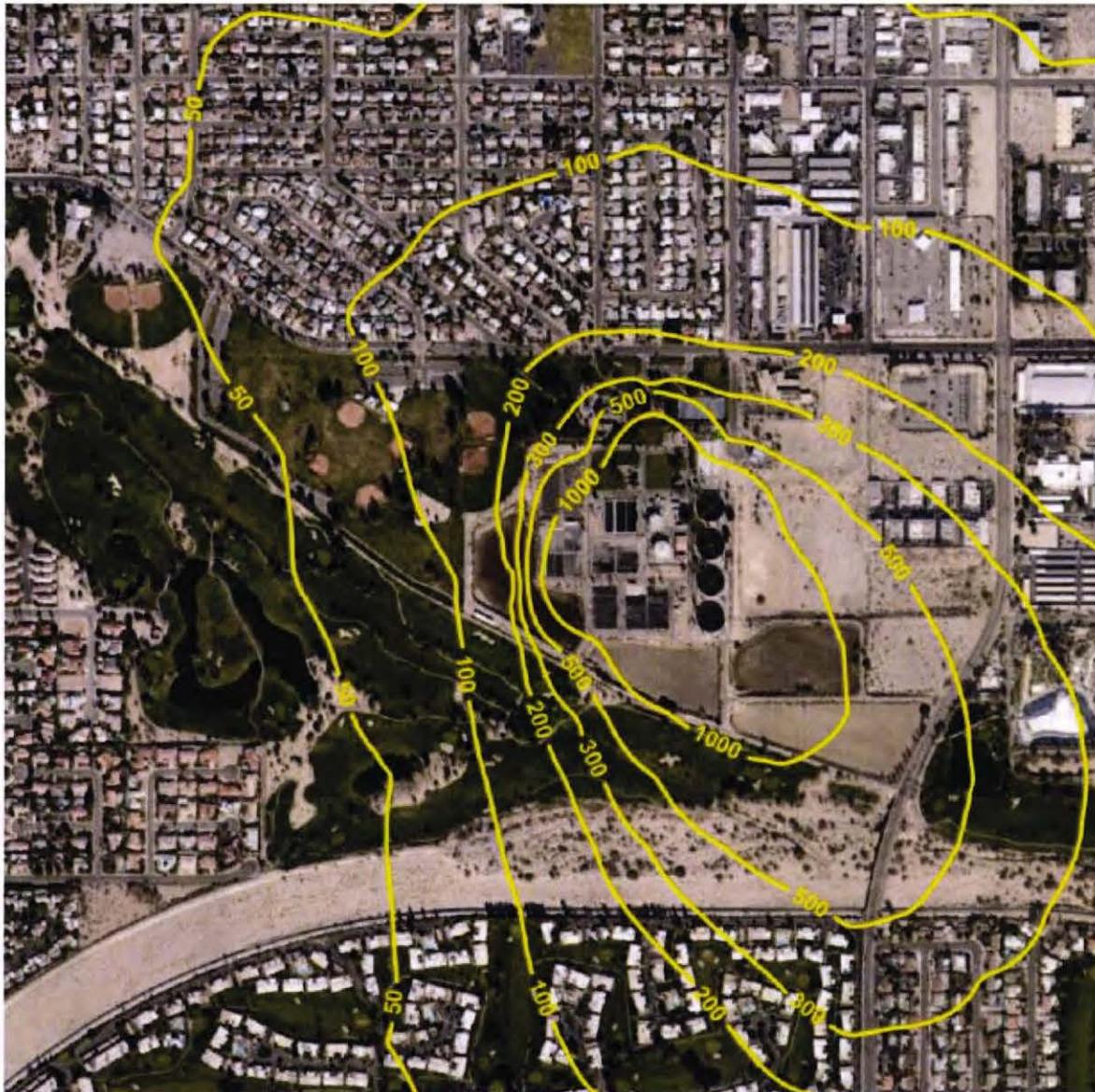
The odor dispersion model provided "Odor Frequency" contour maps for the existing WWTP, developing maps to identify where odors from the WWTP could be detectable. The model predicted odors from the WWTP are detectable up to 1000 hours out of 8,760 hours in any given year, (or 11% frequency), for the residential neighborhood immediately north of the WWTP, and exceeding 500 hours in any given year, (or 6% frequency), in the residential neighborhoods immediately south of the WWTP. As expected, the highest receptor of odors is Demuth Park, where odors can be detected up to 2,000 hours annually (or 23% frequency). The following Figure 1 shows the odor detection frequency contours for the existing WWTP:



Existing WWTP Odor Contours – Figure 1

The Odor Report analyzed the effectiveness of the planned improvements included with the Project, which include a completely new headworks facility relocated to the center of the WWTP, as well as a new odor control system to collect and treat air from each new odor source. ***The Odor Report predicts that the Project will achieve an overall 78% reduction of existing odors detected from the WWTP***, and completed an odor dispersion modeling scenario predicting that odors from the WWTP will be detectable up to 200 hours annually, (2% frequency, reduced from 1,000 hours or 11% frequency), for the residential neighborhood immediately north of the WWTP, and 300 hours annually, (3% frequency, reduced from 500 hours or 6% frequency), in the residential

neighborhoods immediately south of the WWTP. The following Figure 2 shows the odor detection frequency contours for the WWTP with the Project:



Proposed WWTP Odor Contours – Figure 2

The Odor Report determined that the Project will achieve a real and noticeable reduction in odors detected from the WWTP. However, the Project cannot cost-effectively eliminate all odors from the WWTP. After completion of the Project, approximately 30% of the odors detected from the WWTP will be generated from the new headworks, primarily from the foul odors initially treated and “scrubbed” by the new odor control system which are subsequently vented into the air. After scrubbing, these odors will have a much less stringent smell, but nonetheless may be detected at certain

times. A future WWTP capital project may be funded to install a second-stage odor treatment system to further "scrub" the air and reduce the concentration of the odors released into the air; however, a second-stage odor control system has a high cost to operate and maintain.

Similarly, after completion of the Project, approximately 34% of the odors detected from the WWTP will continue to be generated by the sludge drying beds. As stated earlier in this report, the Sludge Centrifuge was deleted from the scope of the Project due to the high cost of addressing the odors generated by the sludge drying beds with a new enclosed sludge centrifuge treatment system. Whereas the sludge drying beds currently generate only 8% of the odors detected from the WWTP, due to all the improvements proposed by the Project (and reduced odors generated), the sludge drying beds are expected to generate 34% of the overall reduced odors from the WWTP in the future. If odors continue to be detected at unreasonable levels in the future, the City Council may consider a future WWTP capital project to fund construction of the Sludge Centrifuge at an estimated capital cost of as much as \$8 Million.

Veolia Bidding Phase

By June 2014, Carollo Engineers completed the final design and prepared a bid package for Veolia to solicit construction bids as the general contractor, on behalf of the City. On July 9, 2014, three bids were received by Veolia for the Project, as follows:

- 1) Kana Engineering; \$18,888,197
- 2) C.W. Roen; \$19,054,000
- 3) W.M. Lyles; \$20,452,569

Upon reviewing the three bids received, Veolia determined that the two lowest bids were non-responsive on the basis that these bidders did not meet the minimum requirements of having completed five wastewater treatment plant projects with a minimum construction value of \$20 Million each. Subsequently, Veolia notified the bidders of its intention to award a contract to W.M. Lyles, and negotiated a reduced contract amount of \$19,018,197 in consideration of several value-engineered suggestions made by W.M. Lyles. At that time Kana Engineering and C.W. Roen each submitted official bid protests to the City to dispute the findings made by Veolia, and to refute their qualifications as the basis for finding their bids non-responsive. Following review by staff, and in consultation with the City Attorney, Veolia agreed to reject all of the bids received, with the City administering the re-bidding and contract award process.

Re-Bidding of the Project

In consultation with the City Attorney, staff recommends that re-bidding of the Project be administered by the City through its standard Public Works bidding process, particularly given the anticipated contract amount of \$20 Million. In order to re-bid the Project, it will be necessary to make certain revisions to the plans and specifications previously

completed by Carollo Engineers, which will incorporate the contract addenda issued by Veolia during the original bid process, as well as incorporate the City's standard bid specifications. Veolia and Carollo Engineers will also review the suggested value-engineered suggestions made by W.M. Lyles and incorporate those suggestions deemed viable into the final plans and specifications released by the City for bidding.

Veolia has provided the City with a proposal to coordinate the additional professional engineering services required to revise the plans and specifications to allow the City to re-bid the Project, which also includes all necessary construction management and inspection services required to deliver the Project. Under the terms of this proposal, Veolia will act as the City's contract manager, administer the City's contract with the general contractor, and ensure full compliance with all of the terms and conditions of the plans and specifications. Staff is recommending that the City continue to utilize the Veolia-Carollo Engineers team during the construction phase of the Project, to avoid and minimize risk that might have occurred with a third party administering the Project and lacking the full knowledge and history of the design decisions that were made in the final design. Further minimization of risk is made possible through Veolia's turn-key coordination of the on-going operation and maintenance of the WWTP, which will be challenging as construction of the Project commences and certain elements of the WWTP must be taken off-line.

Veolia's proposal for coordinating all of the services required through construction of the Project is for the not to exceed amount of \$2,705,496. Staff is recommending that these services be provided to the City pursuant to a separate professional services agreement, rather than by a Notice to Proceed issued through a Purchase Order, to provide the City with the additional indemnification and insurance requirements, (including errors and omissions), normally required of the City's professional consultants. Staff has prepared an agreement with Veolia for the construction phase services, included as **Attachment 3**.

Upon authorization by the City Council, staff will immediately initiate efforts with Veolia and Carollo Engineers to accomplish the following tasks:

- | | |
|---|-------------------------|
| 1. Revise plans and specifications for re-bidding: | April – June 2015 |
| 2. Prepare contractor pre-qualification packages: | April – June 2015 |
| 3. Coordinate contractor pre-qualification process: | June – July 2015 |
| 4. Coordinate re-bidding process: | August – September 2015 |

The re-bidding process will be subject to the timing of final financing approvals required to fund the total cost of the Project, as noted in the Fiscal Impact section of this report. However, at worst case staff anticipates financing approvals to be obtained by December 2015 allowing for re-bidding to occur by January 2016 at the latest, with contract award by February 2016. Construction is anticipated to take 24 months, commencing by March 2016.

Pre-Purchase of Critical Equipment

Veolia and Carollo Engineers has recommended that the City pre-purchase certain critical mechanical and electrical equipment ahead of and separate from the bidding process. This recommendation was made in an effort to eliminate excessive overhead and profit added by the general contractor to the high cost of this specialized equipment. More importantly, pre-purchase of the equipment would expedite the construction schedule by minimizing the lead-time required to manufacture the equipment, and ensures that the particular make and model of the specialized equipment specified by Carollo Engineers is actually acquired for the Project. Carollo Engineers recommends, and staff agrees, against requiring this critical equipment to be purchased by the general contract and be subject to substitution by the general contractor for "equivalent" or "or equal" provisions required in the public bidding process.

A formal summary of the eight separate critical pieces of equipment recommended for pre-purchase is included as **Attachment 4**. The total cost of the pre-purchased equipment, inclusive of administration of the pre-purchase bidding process, submittal reviews, taxes and insurance is \$3,351,699.48 as shown on **Attachment 5**.

ENVIRONMENTAL IMPACT:

On June 18, 2014, the City Council, acting as the lead agency in accordance with the California Environmental Quality Act ("CEQA"), and pursuant to Section 15074 of the CEQA Guidelines, reviewed, approved, and ordered the filing of a Mitigated Negative Declaration ("MND") for the construction of several new replacement facilities at the City's Wastewater Treatment Plant facility, including: influent sewer, headworks, septage receiving station, influent pump station, primary clarifiers, scum pump station, primary sludge pump station, primary sludge de-gritting, gravity thickener cover, Digester No. 2 cover, foul air treatment facility, new electrical building, and lighting system. These projects, bundled together, have been identified as the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project"). A Notice of Determination ("NOD") for the Project was subsequently filed with the Riverside County Clerk on June 25, 2014, and is included as **Attachment 6**.

FISCAL IMPACT:

The WWTP CIP provided preliminary construction cost estimates for the various priority capital projects on the basis of a Capital Rehabilitation and Repair Plan prepared in June 2009, as follows:

Priority 1 Projects

New Circular Primary Clarifiers w/Sludge Pump Station	\$9,050,000
New Headworks	\$5,920,000
New Primary Effluent Pump Station	\$2,910,000
New Sludge Centrifuge	\$1,490,000
Digester No. 2 Dome Replacement	\$1,050,000
WWTP Facility Plan	\$250,000
Priority 1 Total	\$20,670,000

The currently estimated construction cost is \$21,700,000 excluding the pre-purchased equipment.

During the City Council’s prior discussions of the sewer rate increases, a decision was originally made to avoid debt financing and to proceed with delivery of the WWTP CIP on a “pay as you go” basis. On this assumption, the 2012 Rate Study spread the cost of the Priority 1 Projects over a 10 year period, with an annual capital expense of \$2,067,000 budgeted. However, in completing the final design of each of the separate Priority 1 Projects, it was determined that the most cost effective delivery of these project was as a single bundled capital project, and that delivering each separately over an extended 10 year period was not achievable given the inter-dependency of each project on the other. Therefore, it is necessary to consider alternatives to financing the total cost of the Priority 1 Projects as a single bundled project.

The final Project costs are identified in Table 2:

Project Element	Amount
Design Phase Costs (Incurred)	\$3,312,305
Additional Professional Services	\$1,645,202
Pre-Purchased Equipment	\$3,341,769
Construction Estimate	\$21,700,000
Construction Contingency (10%)	\$2,170,000
Construction Management Services	\$1,060,295
Total Project Cost	\$33,229,571

Table 1

The June 2009 Capital Rehabilitation and Repair Plan estimated the total cost of the Priority 1 Projects at \$20,670,000 – inclusive of a 20% contingency for engineering design and construction management/inspection, in 2009 dollars. The total project cost has increased due to a number of factors, including significant improvement in the economy which has drastically changed the bidding environment for these types of

large public works projects. Also, through the final design process there were certain additional scopes of work required, including:

- Structural modification to existing Digester No. 2
- Utility trenching to provide access to sludge piping
- Larger primary clarifiers
- New electrical building
- New control room
- Bypass pumping for construction of the influent diversion structure
- Hazardous material removal for existing asbestos cement pipe
- New plant SCADA system

In addition, it was determined to be most cost-effective to include work associated with two Priority 2 WWTP capital improvement projects as part of the Priority 1 Projects: 1) a new septage receiving station as part of the new headworks facility; and 2) the gravity thickener upgrades.

The June 2009 Capital Rehabilitation and Repair Plan was not able to anticipate these additional requirements that have now been deemed required as part of the Project, leading to the increased overall cost.

The Design Phase costs of \$3,312,305 have been expended, leaving an estimated cost of \$29,917,266 to complete the Project. Currently, the Wastewater Fund Enterprise (Fund 420) has a Fund Balance of approximately \$13.5 Million. Although the Fund Balance may be used towards the Project costs, staff recommends that the City reserve its Fund Balance for working capital, unexpected costs and emergencies, and utilize low interest financing for the remaining \$30 Million cost.

The City's Financial Advisor, Suzanne Harrell, has reviewed the financial status of the City's Wastewater Enterprise, and has determined that with the currently adopted sewer rates, the City may comfortably assume a maximum net bonding capacity of \$29 Million. A copy of Ms. Harrell's memorandum is included as **Attachment 7**.

There are generally two options available to the City for debt financing for the Project: 1) tax-exempt bonds issued by the City, or 2) a Clean Water State Revolving Fund Loan ("SRFL"). It is important to note that both a tax-exempt bond or the SRFL are secured by net revenue of the City's Wastewater Enterprise, and do not otherwise reduce the City's general fund financing capabilities, or obligate the general fund in any way. As required with all sewer infrastructure financing, the City will be required to covenant to raise sewer rates if, and when needed, to provide sufficient revenue to secure and repay the obligation. However, the current sewer rate structure will produce an estimated net income of over \$2.5 Million for Fiscal Year 2014/15, which is sufficient to cover an annual debt service payment of \$1.8 Million as projected in Attachment 7.

Currently, a \$29 Million tax-exempt bond on a wastewater project may incur an interest rate of 4%, resulting in \$1,800,000 annual debt service payments over a 25-year period for a total financing cost of \$45 Million. However, the State Water Resources Control Board offers very low interest loans through the State Revolving Fund, currently at 1.9% interest, for a 30-year term. The SRFL is the least expensive option for debt financing, resulting in \$1,270,000 annual debt service payments over a 30-year period for a total financing cost of \$38 Million.

On the basis that the City's sewer rate payers can save \$7 Million of overall debt service payments with the SRFL vs. tax-exempt bonds, staff recommends that the City pursue the SRFL. However, the process to secure the SRFL is challenging and complicated, and is estimated to take 9 months to complete. Staff has researched with other public agencies the success of securing the SRFL on similar wastewater projects, and was introduced to AndersonPenna Partners, Inc., a firm specializing and experienced with project finance and delivering many types of public infrastructure projects using the SRFL. Specifically, AndersonPenna has demonstrated success in securing \$226 Million for 22 various public infrastructure projects through the SRFL process.

Recently, AndersonPenna was awarded an agreement by the South Coast Water District through its Request for Proposal (Contract No. 14-04-0006), issued July 2013 to solicit proposals from firms to provide assistance in the coordination and processing of the SRFL for its Tunnel Rehabilitation and Pipeline Replacement Project with an estimated cost of \$102 Million. In September 2013 the South Coast Water District selected AndersonPenna and approved an agreement with the firm to secure the SRFL for its project. Subsequently, AndersonPenna has successfully completed the SRFL process for the South Coast Water District.

Ordinarily, staff would release a Request for Proposals of its own to solicit these services from professional firms. Title 7 "Procurement and Contracting" of the Municipal Code provides an exception to the traditional purchasing requirements for "special expertise." Specifically, Section 7.04.030 "Special expertise procurement," states:

A contract may be awarded without competition when it is determined that an unusual or unique situation exists, in that due to experience and expertise demonstrated in prior contracts with the city a particular contractor is uniquely qualified for a particular task, that makes the application of all requirements of competitive sealed bidding or competitive sealed proposals contrary to the public interest. Any special procurement under this section shall be made with such competition as is practicable under the circumstances.

However, this exception can only be allowed for those unique situations where a firm has special expertise demonstrated on "prior contracts with the City." Therefore, given the need to immediately initiate the process to secure the SRFL which may require 9 months to complete, time is of the essence and staff recommends that the City Council waive the requirements for competition in this case, and authorize the City to enter into

an agreement with AndersonPenna on the basis of its demonstrated experience and expertise of providing the required financial assistance services through a competitive qualifications based selection process completed by the South Coast Water District through its Request for Proposal (Contract No. 14-04-0006).

Staff has prepared an agreement with AndersonPenna in the amount of \$39,220 to provide the required professional services to the City to secure the SRFL for the Project. A copy of the agreement is included as **Attachment 8**.

In order to legally recover Project costs incurred prior to the issuance of debt financing, it is necessary for the City Council to adopt Resolutions authorizing the reimbursement of such costs from the proceeds of the debt issuance. Staff has prepared the necessary Resolutions for the City Council's adoption, considering whether the debt issuance is the SRFL or a tax-exempt bond.

All costs associated with the Project, both prior and future costs, are entirely funded by the Wastewater Enterprise Fund (Fund 420). No General Fund or Measure J Capital Fund budget will be required in the delivery of the Project.

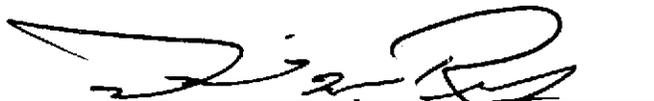
SUBMITTED:

Prepared by:



Marcus L. Fuller, MPA, P.E., P.L.S.
Assistant City Manager/City Engineer

Approved by:



David H. Ready, Esq., Ph.D
City Manager

Attachments:

1. April 21, 2010, staff report
2. April 18, 2012, staff report
3. Veolia Agreement
4. Pre-Purchased Equipment Recommendation
5. Pre-Purchased Equipment Proposal
6. CEQA Notice of Determination
7. Harrell & Company Financial Analysis Memorandum
8. AndersonPenna Partners, Inc. Agreement

ATTACHMENT 1



City Council Staff Report

Date: April 21, 2010 NEW BUSINESS

Subject: 20-YEAR WASTEWATER CAPITAL REPAIR AND REHABILITATION PLAN, AND WASTEWATER FINANCIAL PLAN AND RATE STUDY

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

The City initiated preparation of a comprehensive Capital Repair and Rehabilitation Plan, or commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP"), realizing the need to plan and budget for major capital projects at the WWTP over the next 20 years. In coordination with preparation of the CIP, the City initiated preparation of a comprehensive evaluation of the City's current wastewater rates to determine if these rates will continue to accommodate the on-going operation and maintenance costs for the WWTP, as well as any necessary major capital projects associated with the 20 year CIP.

Included in the 20 year CIP, but previously budgeted and planned as part of prior fiscal year WWTP budgets, are two capital improvement projects: the Digester No. 1 Rehabilitation, City Project No. 08-09; and the Wastewater Treatment Plant Perimeter Security Fence, City Project No. 08-11. The Digester No. 1 Rehabilitation final design has been completed and Veolia has bid the project and has submitted a proposal for its construction; and the Security Perimeter Fence final design has been completed and is ready for City Council approval and authorization to bid.

RECOMMENDATION:

- 1) Approve the City of Palm Springs Wastewater Treatment Plant Capital Repair and Rehabilitation Plan; and
- 2) Approve the City of Palm Springs Wastewater Financial Plan and Rate Study; and
- 3) Authorize staff to proceed with Proposition 218 majority protest noticing, and schedule a Public Hearing for June 16, 2010, to consider the matter of increasing

sewer service charges in accordance with the Financial Plan and Rate Study;
and

- 4) Authorize the Director of Public Works/City Engineer to issue a Notice to Proceed for Veolia West Operating Services, Inc., in the amount of \$2,279,323 for the construction phase of the Digester No. 1 Rehabilitation, City Project No. 08-09, inclusive of a pre-approved 10% construction contingency; and
- 5) Approve the plans, specifications, and working details for the Wastewater Treatment Plant Perimeter Security Fence, City Project 08-11, and authorize staff to advertise and solicit bids.

STAFF ANALYSIS:

The Wastewater Treatment Process

Wastewater treatment is the process of removing contaminants from wastewater, and can include physical, chemical, and biological processes to remove various contaminants in it. The purpose is to improve the quality of the wastewater to meet certain limitations imposed by the state to produce a waste stream (or "effluent") and a solid waste (or "sludge") suitable for discharge or reuse back into the environment. The treatment process at the City's WWTP involves two stages, called primary and secondary treatment. A third stage, or tertiary treatment, is provided by Desert Water Agency ("DWA") at its off-site reclamation plant near Knott's Soak City water park.

Pre-treatment of wastewater occurs by passing it through the headworks facility where a mechanical bar screen removes larger non-organic materials, such as rags, plastics, and debris; and where an aerated grit basin, consisting of concrete tanks, slow the rate of the wastewater flow to allow sand and grit to settle out of it. As a part of the primary treatment stage, the wastewater that is passed through the headworks facility enters into three large covered rectangular concrete tanks (or "primary clarifiers") where it continues to pass through at a slower rate, allowing heavier solids to settle to the bottom; and where oils, grease and lighter solids (or "scum") float to the surface. The settled solids and floating scum are removed from the wastewater and the remaining liquid (or "primary effluent") passes onto the secondary treatment phase.

Secondary treatment is a process to remove the much smaller particles of dissolved and suspended biological matter within the primary effluent. Secondary treatment at the City's WWTP begins by pumping primary effluent and distributing it around the top of four circular concrete tanks (called "trickling filters") such that it filters down through rock media about 10 feet deep contained within the tanks, over and within which a layer of algae slime grows. The process removes organic compounds within the primary effluent by trickling it over the algae slime which lives by consuming the organic compounds contained in the effluent.

As the algae slime grows into thicker layers on and within the rock media, it eventually grows to a layer too thick to maintain the process, and falls off. These algae growths in the trickling filters enter the wastewater flow and must be further separated by passing it through six open, rectangular tanks (or "secondary clarifiers"). The secondary clarifiers are similar to the primary clarifiers, in that wastewater flow passes through slowly, allowing the solids to be removed from the flow.

It is at this point that the effluent is passed to DWA to its reclamation plant for the third stage of treatment where DWA chlorinates and disinfects the effluent to meet state regulations for re-use as reclaimed water for irrigation purposes. In the 2009 calendar year, the City's WWTP processed 2.095 billion gallons of wastewater, of which 1.415 billion gallons (or 67.5%) was passed to DWA for reclaimed water re-use, and 680 million gallons was discharged into several percolation basins at the WWTP where it was evaporated into the air and percolated into the ground.

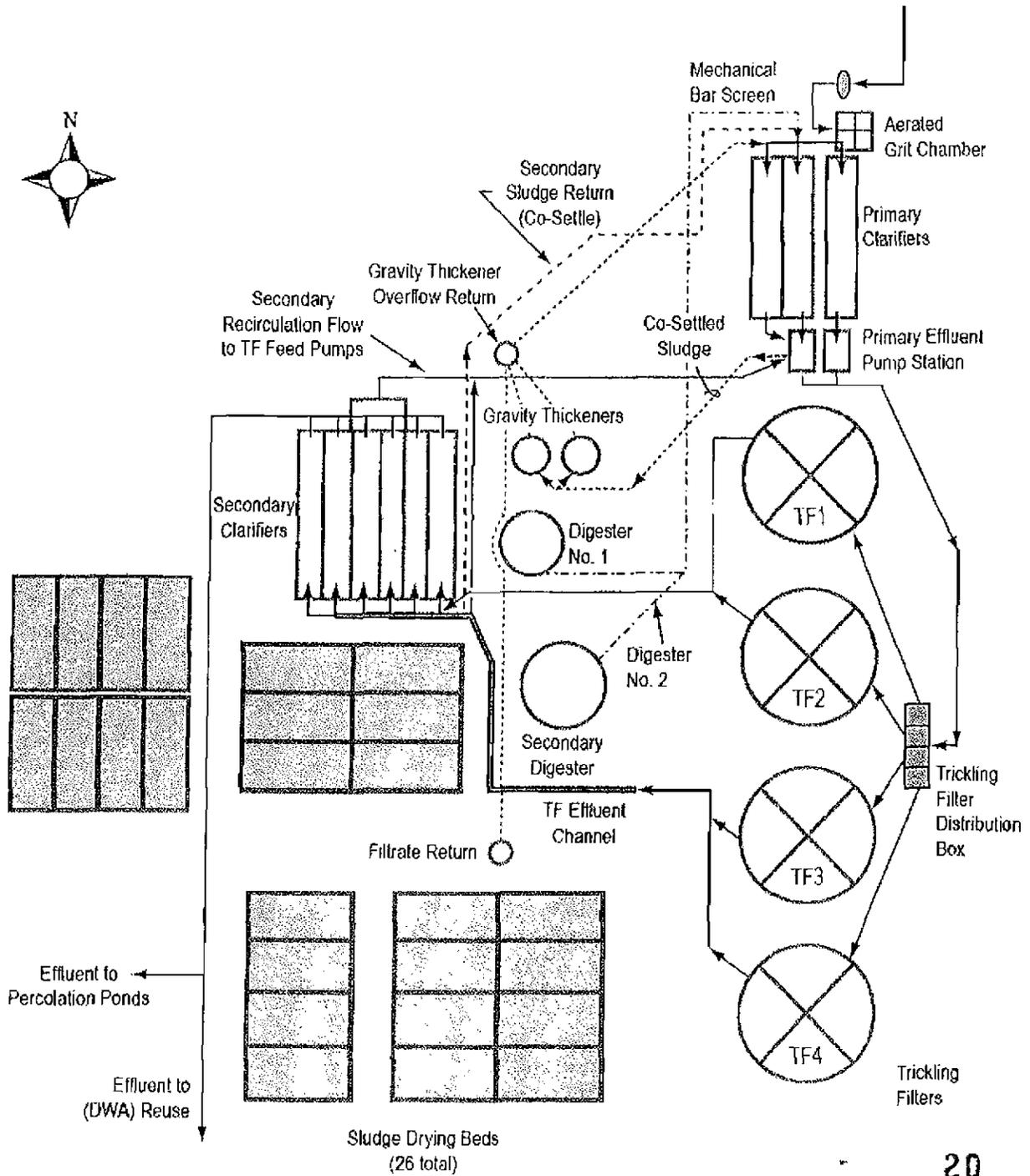
The treatment of solids removed from the wastewater flow from the primary and secondary clarifiers is thickened by a process called "gravity thickening", and subsequently pumped into one of two anaerobic digesters for final treatment. This process is called anaerobic digestion, and is a series of biological processes in which microorganisms break down biodegradable material in the absence of oxygen (similar to how human digestion of food occurs). It is widely used to treat wastewater sludge and organic wastes because it significantly reduces the mass and volume of the original sludge material. Within the anaerobic digesters the solids are heated and mixed for about 20 days to further reduce the solids, where approximately half is converted into a methane and carbon dioxide rich biogas suitable for energy production.

The final treatment process pumps the reduced solids from the anaerobic digesters to 26 open-air drying beds and where it is dried for one to four months (depending upon the time of year – shorter in the summer and longer in the winter). Our desert environment allows sludge to be more thoroughly dried than at other facilities, and the process is capable of producing dried sludge that is defined as Class A "Exceptional Quality" bio-solids suitable for use as a fertilizer, which is hauled to agricultural users for beneficial re-use.

The process described above and used at the City's WWTP can be outlined by the following major processes and equipment, and is generally shown in Figure 1:

- Headworks (mechanical bar screen and aerated grit chamber)
- Primary Clarifiers
- Primary Pump Station
- Trickling Filters
- Secondary Clarifiers
- Gravity Thickeners
- Anaerobic Digesters
- Sludge Drying Beds

Figure 1
 Palm Springs Wastewater Treatment Plant Schematic Flow Diagram



20-Year WWTP Capital Repair and Rehabilitation Plan

The original WWTP was constructed in 1960, and is now 50 years old. Major expansion of the WWTP to its current 10.9 million gallon per day ("MGD") capacity was completed in 1983. Since 1983, no significant major capital improvement projects have been implemented at the WWTP, until most recently with completion of a major rehabilitation of one of the two anaerobic digesters in 2008 and construction of a new reclaimed water pump station in 2009.

Operation and maintenance ("O&M") of the City's WWTP is provided for the City through a long term agreement with Veolia Operating Services West, Inc. ("Veolia"). In consultation with Veolia regarding on-going maintenance issues at the WWTP, primarily due to the age of the major mechanical equipment at the WWTP, staff initiated preparation of a comprehensive CIP for the WWTP, realizing the need to focus on major capital projects to replace aging equipment and improve inefficient wastewater treatment processes at the WWTP over the next 20 years.

The focus of this 20-year WWTP CIP is not on increasing the capacity of the WWTP; the current 10.9 MGD capacity has been demonstrated to be adequate for the 20 year horizon. For the 2009 calendar year, wastewater flow into the WWTP was at annual average rate of 5.755 MGD, well below the 10.9 MGD capacity. Assuming a conservative projected future City growth rate of 1,000 people per year, the 10.9 MGD capacity will not be exceeded for over 30 years. The 20-year WWTP CIP considers repair and rehabilitation of the outdated equipment and processes used at the WWTP, and the need to appropriately plan for replacement of the equipment with current technology that will improve the City's ability to efficiently treat wastewater flows.

The CIP has assessed all of the major unit processes at the City's WWTP, and recommends a 20 year program consisting of over 30 projects (some of which may be combined into single projects for better cost efficiencies) estimated to cost \$67,000,000. The most critical elements of the WWTP to be addressed in the near-term are:

- **Digester No. 1 Upgrade**

The Wastewater Treatment Plant Primary Digester Rehabilitation, City Project No. 08-09, was previously budgeted and included as part of the WWTP capital improvement program. A major rehabilitation of one of the two anaerobic digesters was completed in 2008, and the second anaerobic digester has been off-line in anticipation of its major replacement work. On December 17, 2008, (and subsequently amended on May 6, 2009), the City Council authorized the final design and bidding phase of the major rehabilitation of the second anaerobic digester, and Veolia has completed the final design and bidding of this project.

Veolia solicited bids from its pre-qualified contractors, and on March 3, 2010, Veolia received the following bids:

1. W. M. Lyles Co.; Fresno, CA: \$1,451,011
2. 4-Con Engineering; Riverside, CA: \$1,629,000
3. SCW Contracting Corporation; Fallbrook, CA: \$1,785,543
4. Brutoco Engineering & Construction; Fontana, CA: \$ 1,899,000
5. SSC Construction, Inc.; Corona, CA: \$ 2,073,000
6. United Riggers & Erectors, Inc.; Walnut, CA: \$ 2,467,250

The engineer's estimate for construction (excluding equipment and materials to be furnished to the contractor) was \$ 1,492,859.

It is essential that the City's two digesters operate for efficiency of wastewater treatment and to provide redundancy in the event one digester must be taken offline. Therefore, completing the rehabilitation of this anaerobic digester is the most critical capital project to be completed at the WWTP.

Veolia has submitted a proposal to provide the turn-key construction inspection and administration of this project, which includes separate procurement of specific long-lead items required for this project (specifically, a new redundant digester boiler and associated mechanical equipment). The specific costs included in the Veolia proposal are as follows:

1. Construction (W. M. Lyles Co. and other sub-contracts): \$1,563,044
 2. Long lead items (boiler and mechanical equipment): \$160,865
 3. Veolia construction administration/inspection: \$174,987
 4. General liability insurance: \$19,836
 5. Mark-Up (12.5%): \$215,489
 6. Construction contingency (10%): \$145,102
- Total: \$2,279,323

The estimated time and materials for construction inspection and administration (\$174,987) represents approximately 11% of the construction cost (\$1,563,044), consistent with industry standards. In accordance with the terms of the City's O&M agreement with Veolia, Veolia may apply a mark-up of from 12.5% to 16% on its costs; consistent with this and other recently approved projects, Veolia has applied the lowest mark-up to the City. (Note, the mark-up is not applied to Veolia's construction inspection and administration costs).

Given the complexity of this project, it is recommended that a construction contingency of 10% be authorized.

- **Wastewater Treatment Plant Perimeter Security Fence**

Currently, the wastewater treatment plant has a chain-link fence surrounding its perimeter, which extends approximately 7,500 feet bordered by Demuth Park, the

Tahquitz Creek Golf Course, and Gene Autry Trail. A more secure perimeter fence is required for the wastewater treatment plant. This project has previously been prioritized as a critical project to implement, is currently budgeted as part of the WWTP CIP, and it is recommended that City Council approve the plans and authorize bidding. The item was previously scheduled for City Council consideration at the February 17, 2010, meeting, but action was postponed until the item could be considered as part of the Council's consideration of the 20 year WWTP CIP.

A copy of the February 17, 2010, staff report is attached for reference. The final construction estimate is \$600,000 which is significantly below the original budget of \$1,700,000 which considered construction of masonry block walls instead of the currently proposed Omega fencing.

- **Electrical System Upgrade**

The existing electrical system within the WWTP is from its original construction in 1960 and has exceeded its design life. The main switchboard equipment was installed in the late 1970's or early 1980's, and although it appears to be in good operating condition, replacement parts are difficult if not impossible to obtain. However, the critical issue with the electrical system is the condition of the existing conduit and conductors extending throughout the WWTP. The risk of electrical failures is high, due in large part to the age of the system and corrosion within the conduits. Pull boxes are open to the ground and conduits are broken, allowing water, rodents, and other factors to continue deteriorating the electrical system. The WWTP can not operate without its electrical system, and there is no redundancy if the electrical system were to fail.

On April 17, 2009, (and subsequently amended on September 2, 2009), the City Council authorized Veolia to proceed with the final design phase for the Wastewater Treatment Plant Electrical System Upgrade, City Project No. 09-03. Design of a complete overhaul of the entire electrical system at the WWTP is underway and should be completed this summer.

The preliminary construction estimate is \$3,600,000 and has not been budgeted yet as part of the WWTP CIP.

- **New Headworks**

By its nature of accepting raw sewage, the headworks facility is considered a Class I hazardous facility. It is critical to have reliability and redundancy in the headworks facility due to the corrosive nature of its environment. The City's existing headworks facility is inadequate and does not provide the reliability or redundancy required. The headworks facility is considered in poor condition when compared to headworks facilities at other comparatively sized WWTP's. One significant factor with the headworks facility is the invert elevation into the WWTP; the invert is too high and the slope of the main sewer trunk line into the WWTP is flat causing surcharging within the

sewer line. The invert into the WWTP must be lowered to improve the hydraulics into the WWTP, improving the gravity free-flow movement of wastewater into the headworks facility. As it exists, the surcharging of the main sewer trunk line has the potential to further corrode the headworks facility, cause sewage to back-up, and ultimately if unaddressed, to cause sewage overflows in the streets from upstream sewer manholes, as the volume of wastewater flow into the WWTP increases over the next 20 years.

Another significant factor with the existing headworks facility is the fact that it is not housed within an enclosed building; the headworks facilities are exposed to the air and are located within close proximity to Demuth Park. This is a major contributor to foul odor problems experienced in the area. More importantly, the fact that the headworks facility operation is exposed to the public is visually offensive, with raw sewage materials easily seen by the public at the entrance into the WWTP.

Construction of a complete new, enclosed headworks facility at a lower elevation is required to appropriately address these issues.

The preliminary construction estimate is \$5,920,000 (which includes a new building and odor control system) and has not been budgeted yet as part of the WWTP CIP.

- **New Primary Clarifiers**

The existing primary clarifiers are impacted by the surcharging into the WWTP through the headworks facility. The primary clarifiers are actually three separate adjacent long and narrow tanks, with a relatively shallow depth of 6.8 feet. The existing primary clarifiers require constant maintenance, and are inefficient given their shallow depth. Construction of new primary clarifiers will be required in conjunction with construction of a new headworks facility, given the need to lower the invert into the WWTP through the headworks and to allow free flow of the wastewater to the primary clarifiers at a lower elevation. It is recommended that the existing primary clarifiers be replaced with new circular clarifiers with a greater depth, providing for much improved primary treatment of wastewater.

The preliminary construction estimate, including new tanks, sludge pump station, covers and a new odor control system is \$9,050,000 and has not been budgeted yet as part of the WWTP CIP.

- **New Primary Effluent Pump Station**

The existing primary effluent pump station has old pumping and mechanical equipment which is unreliable and relatively inefficient, given the age of the pumps. The equipment requires constant maintenance and is reaching the end of its design life. Construction of a new primary effluent pump station will be required in conjunction with construction of a new headworks facility and primary clarifiers, given the need to lower the water surface through the headworks facility and primary clarifiers and to allow free flow of the

wastewater to the primary effluent pump station at a lower elevation. The wastewater flow from the primary effluent pump station is subsequently pumped to the top of the trickling filters as part of the next stage of the wastewater treatment process. A new primary effluent pump station will allow for installation of modern pumping and mechanical equipment, providing improved pumping efficiency and reducing energy requirements and utility costs.

The preliminary construction estimate for the new pump station is \$2,910,000 and has not been budgeted yet as part of the WWTP CIP.

- **Secondary Clarifier Upgrade**

The existing secondary clarifiers consist of 6 rectangular tanks that provide the final separation process of small particles of solids from the wastewater, immediately prior to releasing the effluent downstream to percolation ponds or Desert Water Agency for reclamation purposes. The existing secondary clarifier is reaching the end of its design life; the underwater portions of the equipment have corroded and most of the equipment requires replacement. Although not directly required with construction of a new headworks facility and primary clarifiers, a major overhaul and upgrade of the secondary clarifier is recommended to provide for improved efficiency and to eliminate the constant maintenance problems associated with the aging equipment. An overhaul will be necessary to address the corroded portions of the equipment.

The preliminary construction estimate is \$2,010,000 and has not been budgeted yet as part of the WWTP CIP.

- **Methane (Biogas) Recovery System and Co-Generation of Electricity**

Currently, the City's WWTP flares 100% of the methane produced by the wastewater treatment process. The methane itself is too "dirty" to use as an alternative to natural gas to operate any pumps, engines or other equipment, and in order to effectively use the methane as an alternative to natural gas, a gas treatment system is required. Additionally, the City's existing gas flare does not meet current South Coast Air Quality Management District ("AQMD") standards and is considered "legal non-conforming" equipment as long as the City makes no improvements to the WWTP that exceeds the capacity of the existing flare. After completing some of the projects recommended in the CIP, it will be necessary to construct a new flare meeting current AQMD standards.

Recovering the methane gas at the WWTP and using it for power co-generation purposes is a sustainable objective the City should meet. As part of this system, it is recommended the City invest in a Fats, Oils and Grease "FOG" receiving station, to take advantage of the local FOG generated by restaurants and capitalize on the FOG's ability to increase the production of methane gas at the WWTP (and thereby increasing the amount of energy produced through co-generation). Accepting FOG also eliminates the practice of disposing it at landfills and composting facilities where the methane is

released to the environment, affecting air quality. However, the capital costs associated with the system are high. On February 3, 2010, the City Council authorized Veolia to proceed with preparation of a FOG Availability Assessment Study, which will determine the availability and volume of FOG with which to appropriately plan for a FOG receiving station.

The Co-Generation System is broken into the following parts:

1. Fuel Cell for Power Co-Generation, estimate: \$4,060,000
2. Methane Gas Treatment System, estimate: \$2,000,000
3. FOG Receiving Station, estimate: \$1,600,000
4. New Gas Flare, estimate: \$1,000,000

The preliminary construction estimate for the complete power co-generation system is \$8,660,000 and has not been budgeted yet as part of the WWTP CIP.

- **Other Capital Improvements**

The CIP identifies other recommended projects at the WWTP, such as:

New primary signalized access from Gene Autry Trail;
New sludge/septage receiving station;
New domestic water system;
General sitework and asphalt pavement replacement;
Sludge drying bed repairs;
Trickling filter upgrades;
Gravity thickener upgrades;
New administration building;
New sludge centrifuge;
Sewer collection system upsizing

In total, the 20-year CIP identifies \$58,000,000 in capital projects at the WWTP and \$9,000,000 in future collection system upsizing, for a total capital investment of \$67,000,000. The suggested prioritization of capital projects can be modified as the City Council or staff may determine appropriate. Staff has met with the City Council WWTP sub-committee (Mills and Weigel), and is aware of Council's desire to prioritize the capital projects that directly address the generation of odors at the WWTP. The original prioritization of capital projects over the 20-year WWTP CIP is represented in the following Table:

20-Year WWTP Capital Repair and Rehabilitation Plan



PALM SPRINGS WWTP
 CAPITAL REPAIR AND REPLACEMENT COSTS

DATE : October-09

PROJECT COSTS SUMMARY

BY : TRT

PROJECT	Priority 1 1-5 Yrs	Priority 2 5-10 Yrs	Priority 3 10-15 Yrs	Priority 4 15-20 Yrs
* Digester No. 1 Rehabilitation	\$1,755,492			
Redundant Boiler Addition and Gas Piping Repair	\$390,000			
* Plant Reclaimed Water Pump Station Upgrade	\$623,886			
* New Perimeter Security Fence and Gates	\$1,000,000			
* Purchase of Property for Influent Line Easement	\$3,000,000			
** Electrical System Improvements	\$3,600,000			
* Water System Upgrade for Fire Protection	\$500,000			
* East Side Storm Drain Line	\$1,500,000			
* Filtrate Pump Station Upgrade	\$500,000			
* WWTP Facility Plan	\$250,000			
* New Septage Receiving Station	\$500,000			
* New Access Road with Signalized Access from Gene Autry	\$500,000			
* Digester Gas Treatment System	\$2,000,000			
Fuel Cell Purchase and Installation	\$4,060,000			
* New Gas Flare	\$1,000,000			
* FOG Receiving Station	\$1,600,000			
Digester No. 2 Dome Replacement	\$1,050,000			
New Headworks		\$5,920,000		
Two New Circular Primary Clarifiers With Sludge Pump Station		\$9,050,000		
New Primary Effluent Pump Station		\$2,910,000		
Secondary Clarifier Upgrades		\$2,010,000		
General Sitework Pavement Replacement		\$720,000		
Pavement Replacement in Drying Beds 13-18 and 19-26		\$710,000		
Third Digester (Acid or Conventional)			\$7,200,000	
Trickling Filter Upgrades			\$1,560,000	
Gravity Thickener Upgrades			\$1,400,000	
New Administration Building				\$1,560,000
New Sludge Centrifuge				\$1,490,000
* Indian Canyon Drive Collection System Upsize				\$2,416,000
* Palm Canyon Drive Collection System Upsize				\$1,804,000
* Crossley Road Collection System Upsize				\$4,414,000
PRIORITY TOTAL PROJECT COSTS***	\$23,829,368	\$21,320,000	\$10,160,000	\$11,684,000
GRAND TOTAL				\$67,000,000

* Projects planned and estimated by the City or Veolia.

** Cost based on Memorandum from Beecher Engineering (March 2008).

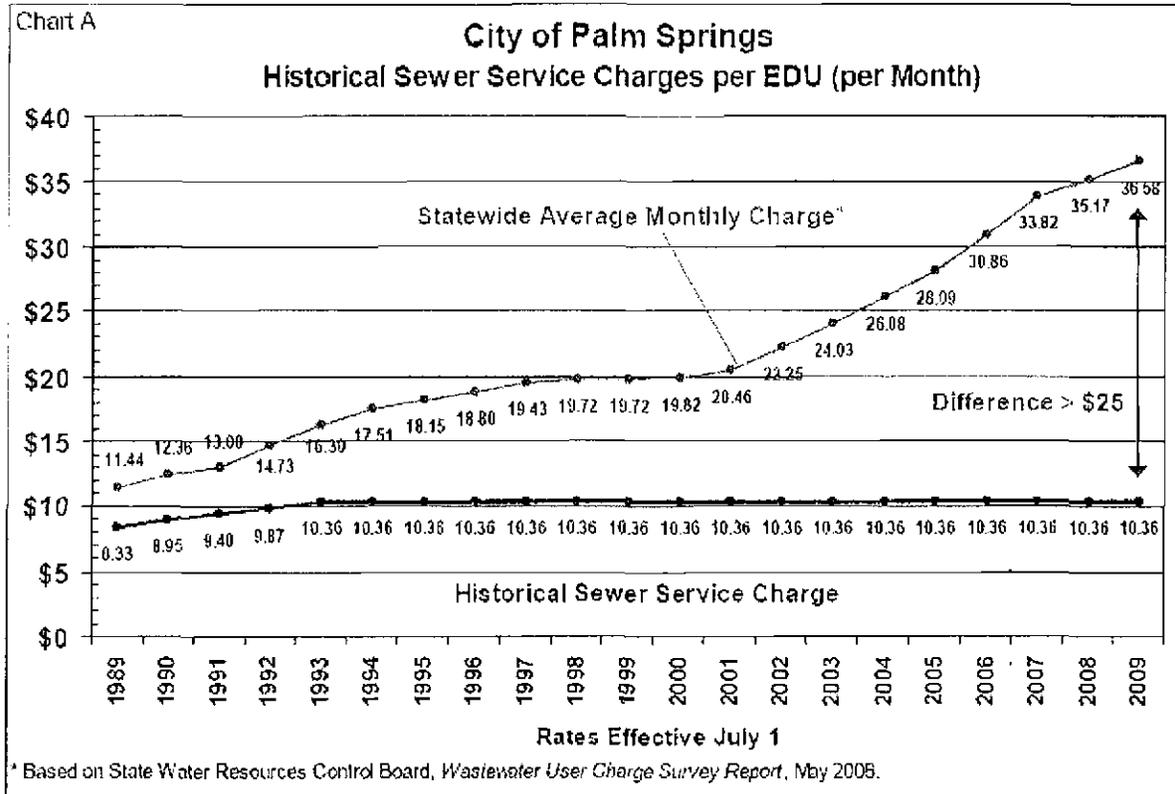
*** All costs estimated by Carollo are based on 2008 costs and include 20% for Engineering, Legal and Administration

Wastewater Financial Plan and Rate Study

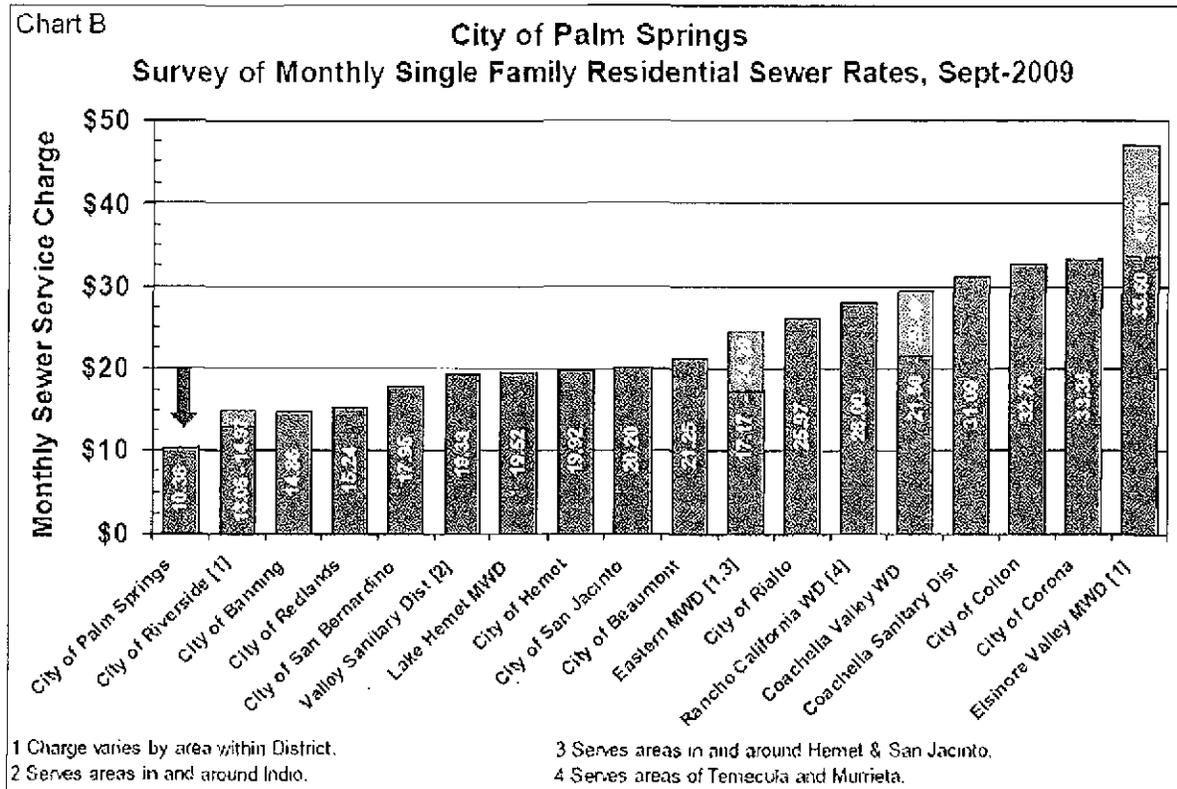
The City's current monthly wastewater rate is \$10.36 per equivalent dwelling unit ("EDU") and has not changed since 1993. The following Table shows the City's existing wastewater rate schedule:

TABLE 1 - SEWER SERVICE CHARGES		
<i>Rates Effective Since July 1, 1993</i>		
Customer Class	Monthly Charge	
Residential	\$10.36	Per unit
Commercial & Industrial	1.02	Per fixture unit
	10.36	Minimum charge
Hotel - Rooms Without Kitchens	10.36	Base charge +
	3.53	Per room
Hotel - Rooms With Kitchens	6.81	Per room
Mobile Home Parks	10.36	Per unit +
	1.02	Per fixture unit
Recreational Vehicle Parks	2.54	Per space +
	1.02	Per fixture unit
Septage Dumping Fee (for loads up to 1,000 gallons)		
Within City limits	35.00	Per load
Outside City limits	70.00	Per load
Properties Adjacent to City		
Rates for customers outside of City limits are 150% of the standard established rates		
Sewer Permit Fee		
For discharging septage at the City's Wastewater Treatment Plant	1,000.00	Per application

The current statewide average monthly wastewater rate is \$36.58 per EDU, indicating that the City's wastewater rate ranks among the lowest in the entire state. The following chart shows the City's wastewater rates over the last 20 years with respect to the annual statewide average:



The following chart shows the City's current wastewater rate in comparison to current wastewater rates charged by other agencies within the southern California region:



Excluding any budget for future major capital projects at the WWTP, the current wastewater rate is insufficient to sustain future O&M expenses of the WWTP, escalating utility costs, and other wastewater fund expenses. For the 2008/2009 fiscal year, the wastewater fund had the following revenue and expenditures:

Total Revenue: \$6,467,043
 Total Expenditures: \$6,028,985
 Balance: \$438,058

The amount of wastewater fund revenue balance remaining at the end of the fiscal year has continued to decrease, limiting the wastewater fund's ability to finance additional increases in on-going O&M costs, or to effectively budget for future capital improvement projects. The following Table shows the revenue and expenditures for the wastewater fund for the previous four fiscal year periods:

TABLE 3 - HISTORICAL WASTEWATER REVENUES & EXPENSES				
	Audited 2005/06	Audited 2006/07	Audited 2007/08	Audited 2008/09
Revenues				
Charges for service	4,726,801	5,193,833	5,069,841	5,523,608
Sewer connection & main charges	1,702,118	2,262,208	937,268	483,204
Interest income & gains/losses	<u>342,598</u>	<u>813,086</u>	<u>789,375</u>	<u>460,231</u>
Total revenues	6,771,517	8,269,127	6,796,484	6,467,043
Expenses				
Contractual operating & other services	2,479,340	3,529,658	3,806,809	4,283,626
Utilities	n/a	n/a	181,565	209,047
Personnel services & administration	29,873	22,188	28,874	104,672
Cash paid for capital acquisitions	<u>383,124</u>	<u>1,106,524</u>	<u>1,804,541</u>	<u>1,431,640</u>
Total expenses	2,892,337	4,658,370	5,821,789	6,028,985
Revenues less expenses	3,879,180	3,610,757	974,695	438,058
Source: Based on Audited Financial Statements.				

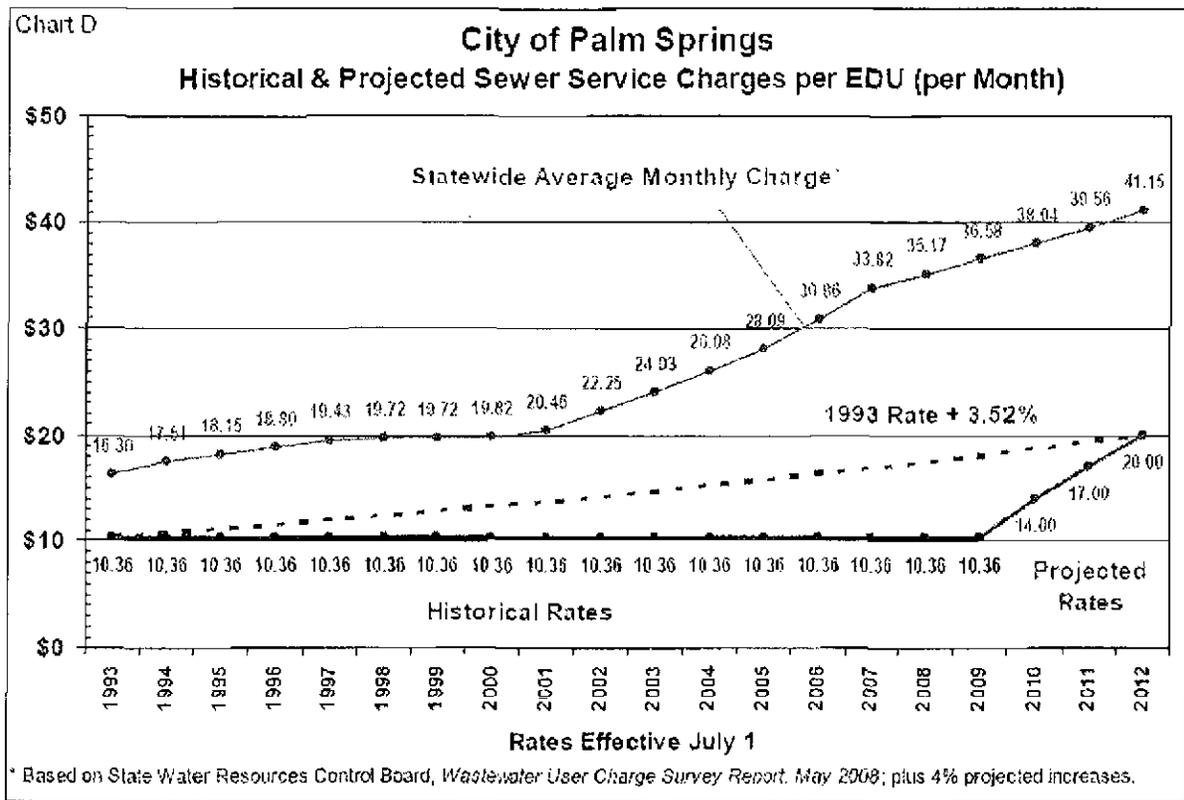
Although the total wastewater fund revenue balance over the last four fiscal years (as shown in the chart above) is \$8,902,690 some of the wastewater fund reserve balance during these and prior fiscal year periods has been budgeted for previously approved WWTP capital projects.

The increase in annual expenditures from the 2005/2006 fiscal year (at \$2,892,337) to the 2006/2007 fiscal year (at \$4,658,370) was a result of the City's approval on June 21, 2006, of the currently amended and restated agreement with Veolia, where several new programs were added to their contract (FOG control program, stormwater quality program, and sewer system management plan among others) and went into effect July 1, 2006.

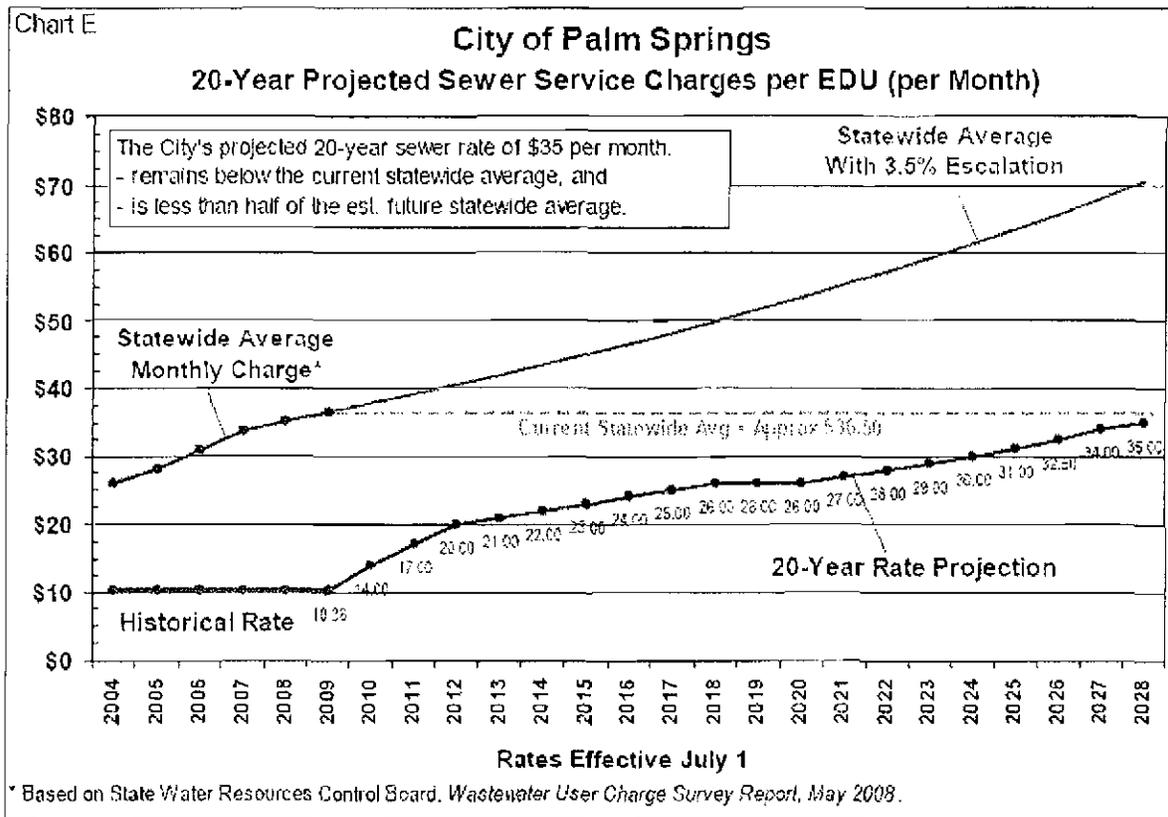
As of June 30, 2009, the net cash available (unrestricted funds) in the wastewater fund reserve was \$5,416,168. Therefore, the wastewater fund does not have sufficient reserves to fund the 20-year WWTP CIP. As seen by the annual revenue and expenditures from prior fiscal years, the wastewater rate will need to be increased to ensure the wastewater fund is appropriately financed to continue funding on-going O&M expenditures, and to fund any of the recommended major capital projects outlined in the 20-year WWTP CIP.

The wastewater financial plan and rate study reviewed the 20-year WWTP CIP and determined that the City can appropriately finance the recommended capital projects, as well as on-going O&M expenditures associated with the WWTP, by initially increasing the current monthly wastewater rate of \$10.36 per EDU to \$20 per EDU over three years, and subsequently at a rate of approximately \$1 per EDU per year to a maximum monthly rate of \$35 per EDU by 2028.

It should be noted that the recommendation to increase the monthly wastewater rate to a maximum of \$35 per EDU by 2028 would establish it at a rate in 2028 that is below the 2009 statewide average of \$36.58 per EDU. The suggested rate increase would maintain the City's wastewater rates at an amount significantly lower than rates charged by other agencies, and would allow for funding of the 20-year WWTP CIP without the need to incur debt financing. The following chart shows the recommended initial 3-year phase in of the wastewater rate increase in comparison to the annual statewide average:



The following chart shows the recommended long-term phase in of the monthly wastewater rate increase to the suggested maximum of \$35 per EDU in comparison to the annual statewide average:



The wastewater fund currently carries no debt, and therefore, has no annual debt service payments. To determine how debt servicing might reduce any required wastewater rate increases, the wastewater financial plan analyzed alternative financial projections. The alternative projections assumed \$8,000,000 of debt financing to help fund Priority 1 capital needs in the first 5-years, and an additional \$10,000,000 of debt financing each 5-year period going forward. The alternative analysis resulted in debt service payments gradually increasing to approximately \$3,000,000 per year over the next 15-20 years based on estimated annual debt service of approximately \$800,000 per each \$10,000,000 of capital projects financed.

The alternative analysis indicates that debt could be strategically used to result in a more gradual phase in of rate increases, especially in the near term. For example, wastewater rates could be gradually increased to a level equal to \$20 per month over 5 years, as opposed to over 3 years without any debt financing. However, with debt financing higher rate increases over the longer-term would be required (to a maximum of \$38 per EDU by 2028), particularly after completion of the 20-year capital program

when the wastewater fund would need to generate approximately \$3,000,000 more per year for annual debt service payments until the debt was gradually paid off. Therefore, the alternative analysis in considering \$38,000,000 in debt financing of the \$67,000,000 20-year WWTP CIP demonstrated these important facts to consider:

1. The initial increase of wastewater rates from \$10.36 per EDU to \$20 could be phased-in over 5 years instead of 3 years.
2. Annual debt service payments of \$320,000 would begin in 2011, increasing to \$3,040,000 by 2025.
3. Monthly wastewater rates would need to increase to \$35 per EDU by 2026 to a maximum of \$38 per EDU by 2028.

Given the results of the alternative analysis, it is not staff's recommendation that debt financing of the 20-year WWTP CIP be considered strictly as a means of prolonging the initial phase-in of the wastewater rate increase, as it does not appreciably lengthen the period of time, and debt financing ultimately requires a higher wastewater rate in the long term to cover annual debt service payments. It is staff's recommendation that the initial 3-year phase in of monthly wastewater rate increases from \$10.36 to \$20 per EDU, with additional annual rate increases of approximately \$1 per EDU to a maximum of \$35 per EDU by 2028 be approved. The following chart specifically identifies the recommended wastewater rate increases for the initial 3-year phase in period:

TABLE 10 - PROJECTED MONTHLY SEWER SERVICE CHARGES					
Customer Class	Billing Unit	Effective Date July 1			
		Current	2010	2011	2012
Residential	Per unit	\$10.36	\$14.00	\$17.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98
	Minimum charge	10.36	14.00	17.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00
	Per room	3.53	4.77	5.79	6.81
Hotel - Rooms With Kitchens	Per room	6.81	9.20	11.17	13.14
Mobile Home Parks	Per unit +	10.36	14.00	17.00	20.00
	Per fixture unit	1.02	1.38	1.68	1.98
Recreational Vehicle Parks	Per space +	2.54	3.43	4.17	4.91
	Per fixture unit	1.02	1.38	1.68	1.98
Septage Dumping Fee					
<i>For loads up to 1,000 gallons</i>					
Within City limits	Per load	35.00	47.20	57.44	67.58
Outside City limits	Per load	70.00	94.59	114.86	135.13
Properties Adjacent to City					
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>					
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,640.93	1,930.51
<i>For discharging septage at the City's Wastewater Treatment Plant</i>					

Small annual rate increases of roughly \$1 per month per residence or EDU projected for future years.

Subsequent small increases are recommended annually to the maximum of \$35 per EDU by 2028, as shown in the following Table:

TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES											
Customer Class	Billing Unit	Monthly Rates Effective July 1									
		Current	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	Per unit	\$10.35	\$14.90	\$17.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00	\$26.00
Commercial & Industrial	Per fixture unit	1.02	1.32	1.65	1.98	2.08	2.18	2.28	2.38	2.48	2.58
	Minimum charge	10.35	14.90	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
Hotel - Rooms Without Kitchens	Base charge -	10.35	14.90	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
	Per room	3.53	4.77	5.69	6.81	7.15	7.49	7.93	8.17	8.51	8.85
Hotel - Rooms With Kitchens	Per room	8.81	9.20	11.17	13.14	13.80	14.46	15.12	15.76	16.44	17.10
Mobile Home Parks	Per unit -	10.35	14.90	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
	Per fixture unit	1.02	1.32	1.65	1.98	2.08	2.19	2.29	2.38	2.48	2.58
Recreational Vehicle Parks	Per space +	3.54	3.43	4.17	4.91	5.16	5.41	5.66	5.91	6.16	6.41
	Per fixture unit	1.02	1.32	1.65	1.98	2.08	2.19	2.29	2.38	2.48	2.58
Septage Dumping Fee											
For loads up to 1,000 gallons											
Within City limits	Per load	35.00	47.30	57.44	67.58	70.96	74.34	77.72	81.10	84.48	87.86
Outside City limits	Per load	70.00	94.60	114.88	135.16	141.92	148.68	155.44	162.20	168.96	175.72
Properties Adjacent to City											
Rates for customers outside of City limits are 100% of the standard established rates											
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,548.85	1,800.51	2,027.04	2,223.57	2,220.10	2,319.60	2,419.16	2,509.69
Per discharging septage at the City's Wastewater Treatment Plant											

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Residential	Per unit	\$26.00	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$35.00
Commercial & Industrial	Per fixture unit	2.55	2.50	2.66	2.78	2.88	2.99	3.09	3.23	3.33	3.46
	Minimum charge	35.00	26.50	27.00	29.00	29.00	30.00	31.00	32.50	34.00	35.00
Hotel - Rooms Without Kitchens	Base charge -	25.00	25.00	27.00	28.00	29.00	30.00	31.00	32.00	34.00	35.00
	Per room	8.65	8.55	9.19	9.65	9.87	10.21	10.55	11.09	11.57	11.91
Hotel - Rooms With Kitchens	Per room	17.10	17.10	17.76	18.42	19.08	19.74	20.40	21.39	22.58	23.04
Mobile Home Parks	Per unit -	25.00	25.00	27.00	28.00	29.00	30.00	31.00	32.50	34.00	35.00
	Per fixture unit	2.35	2.53	2.66	2.78	2.88	2.99	3.09	3.23	3.36	3.48
Recreational Vehicle Parks	Per space -	5.41	6.31	6.68	6.91	7.16	7.41	7.55	8.03	8.40	8.65
	Per fixture unit	2.58	2.58	2.68	2.78	2.88	2.99	3.09	3.25	3.38	3.48
Septage Dumping Fee											
For loads up to 1,000 gallons											
Within City limits	Per load	87.85	87.86	91.24	94.62	98.00	101.39	104.78	108.17	114.90	118.28
Outside City limits	Per load	175.72	175.72	182.48	189.24	196.00	202.75	209.52	219.66	229.80	236.56
Properties Adjacent to City											
Rates for customers outside of City limits are 100% of the standard established rates											
Sewer Permit Fee	Per application	2,509.69	2,509.69	2,506.22	2,102.75	2,799.28	2,695.81	2,992.34	3,137.13	3,281.92	3,378.45
Per discharging septage at the City's Wastewater Treatment Plant											

Proposition 218

Proposition 218, the "Right to Vote on Taxes Act", was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of "property related fees". In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered for adoption.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted by the City Council.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service -** Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
- **Intended Purpose -** Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
- **Proportional Cost Recovery -** The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
- **No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges shall be**

classified as "assessments" which are governed by Section 4 of Article 13D of the California Constitution.

Proposition 218 requires that the City ensure that its wastewater rates reasonably reflect the cost of providing service to each customer. Consistent with this law, it is appropriate for wastewater rates to recover costs for operations, capital needs, debt service, administration, as well as costs related to the prudent long-term operational or financial management of the wastewater enterprise, such as maintaining adequate fund reserves and planning for contingencies.

The wastewater financial plan has analyzed the current wastewater fund revenue and expenditures and has conservatively estimated future revenue, O&M expenditures, and the capital expenditures recommended in the 20-year WWTP CIP. The financial plan recommends the City establish a minimum reserve fund target equal to 50% of annual O&M expenditures plus a \$2,000,000 emergency capital reserve. Wastewater fund cash flow projections for the 20-year period are included, and the projections show that by the 2028/2029 fiscal year, with the recommended wastewater rate increases, the wastewater fund is projected to have revenues and expenditures nearly balanced (a deficit of \$63,000 on a nearly \$20,000,000 annual budget). The cash flow projections included in the wastewater financial plan has appropriately demonstrated the required rates necessary to adequately recover costs, in accordance with the provisions of Proposition 218.

The City collects wastewater rates by levying the charges on the annualized property tax rolls, and it is necessary to have the City's wastewater charges submitted to the Riverside County Assessor by August for the 2010/2011 fiscal year. In order to meet this deadline, it is necessary to schedule a Public Hearing for City Council consideration and adoption of the wastewater rate increases for June 16, 2010, to provide the 45-day advance public notice to all property owners. A draft of the public notice that may be mailed to all property owners is attached to this report.

FISCAL IMPACT:

The wastewater fund does not have sufficient reserves to fund the significant capital improvements at the WWTP that are recommended over the next 20 years. On-going O&M expenditures will soon exceed annual revenue, requiring General Fund subsidy in the absence of any increase to wastewater rates. The wastewater financial plan has demonstrated that the recommended 20-year WWTP CIP (estimated at \$67,000,000) may be funded through the adoption of modest increases to the City's current monthly wastewater rate (\$10.36 per EDU) over the 20-year period to a maximum rate in 2028 (\$35 per EDU) that is less than the statewide average today of \$36.58.

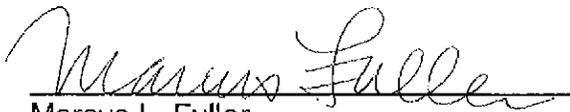
Regarding the approval to proceed with the construction phase of the Digester No. 1 Rehabilitation, City Project No. 08-09, sufficient wastewater funds have previously been budgeted and are available in account 420-6800-57023 (Digester Rehab 1).

Regarding the approval to proceed with bidding the Wastewater Treatment Plant Perimeter Security Fence, City Project 08-11, sufficient wastewater funds have previously been budgeted to cover the estimated construction cost and are available in account 420-6800-57025 (Security Fencing).

SUBMITTED:

Prepared by:

Recommended by:



Marcus L. Fuller
Assistant Director of Public Works

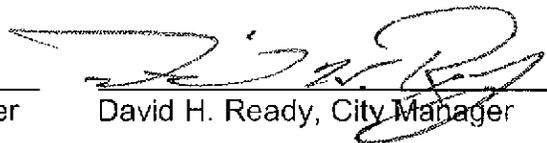


David J. Barakian
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager

Attachments:

1. February 17, 2010, City Council Staff Report
2. City of Palm Springs Wastewater Capital Repair and Rehabilitation Plan
3. City of Palm Springs Wastewater Financial Plan and Rate Study
4. Draft Proposition Public Notice

**ATTACHMENT 1
FEBRUARY 17, 2010, CITY COUNCIL STAFF REPORT
WWTP PERIMETER SECURITY FENCE**



City Council Staff Report

Date: February 17, 2010 CONSENT CALENDAR

Subject: APPROVAL OF PLANS, SPECIFICATIONS AND ESTIMATE (PS&E)
AND AUTHORIZATION TO BID FOR THE WASTEWATER TREATMENT
PLANT PERIMETER SECURITY FENCE, CITY PROJECT 08-11

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

In 2007, the City's consulting engineer for the wastewater treatment plant ("WWTP"), Carollo Engineers, prepared a *WWTP Capital Rehabilitation and Repair Plan*. The Plan recommended a new perimeter fence and security access gate project to improve the overall security of the WWTP. The construction documents (Plans, Specifications and Estimate) are completed and, in accordance with Section 7.03.040 of the Procurement and Contracting Code the Council is required to approve and adopt plans, specifications and working details, and authorize the bid request for all public projects in excess of \$100,000. Approval of this project will allow staff to proceed with this public project, with an estimated cost of approximately \$750,000.

RECOMMENDATION:

Approve the plans, specifications, and working details for the Wastewater Treatment Plant Perimeter Security Fence, City Project 08-11, and authorize staff to advertise and solicit bids.

STAFF ANALYSIS:

On April 26, 2007, Carollo Engineers submitted its final WWTP Capital Rehabilitation and Repair Plan. The plan consisted of several capital project recommendations listed with priority rankings. Under the heading of General Sitework Infrastructure, a site perimeter fence and the installation of a security controlled access entrance gate were listed as Priority 2 ranked projects (those projects recommended for completion on a five year schedule). In a subsequent meeting on June 29, 2007, this project was re-prioritized to Priority 1 status by staff, with a goal of initiating the project within one year.

Currently, the wastewater treatment plant has a chain-link fence surrounding its perimeter, which extends approximately 7,500 feet bordered by Demuth Park, the

Tahquitz Creek Golf Course, and Gene Autry Trail. A more secure perimeter fence is required for the wastewater treatment plant.

In coordination with Veolia, the City's WWTP operator, the City retained Randy Purnel Landscape Architect ("RPLA") to prepare the plans and specifications for this project. On June 18, 2008, the City Council authorized a budget amendment to transfer \$1.2 Million from wastewater fund reserves into a new capital expenditure account for this project. Although pursuant to the City's Zoning Code this project is exempt from architectural review, at that time the City Council requested that staff submit the proposed perimeter fence plans to the Architectural Advisory Committee ("AAC") for review.

On July 21, 2008, the AAC considered the original perimeter security fence plans prepared by RPLA, and the AAC generally preferred the look of an "Omega" steel wire fence as opposed to a standard wrought iron picket fence. The AAC approved the preliminary plans, with a request to restudy the perimeter of the WWTP along Gene Autry Trail, requesting the plans to include additional perimeter landscaping in addition to the new security fencing.

On August 11, 2008, staff presented the AAC with a revised perimeter security fence plan for the Gene Autry Trail frontage, showing set-back of the perimeter fence by approximately 7 feet from the edge of pavement, with an additional 2'-6" bench behind the fence for additional landscaping area. New landscaping of the entire fill slope down into the percolation basin is proposed as part of this project. A mixture of desert landscape shrubs (century plant, feathery cassia, brittlebush, red yucca, lantana, and Texas ranger), and 12 new shoestring acacia trees are proposed in this area. The AAC approved the revised perimeter security fence plan for the Gene Autry Trail frontage at its August 11, 2008, meeting.

The plans call for removal of all existing chain link fencing along the perimeter of the WWTP and Demuth Park (except for the fencing along the backside of the softball field). Existing planting and shrubs growing in and around the existing chain link fence along the north side of the WWTP between the softball field and the tennis courts will be removed and replaced with new desert landscape shrubs (a mixture of Texas ranger and feathery cassia). The existing plantings along the west side of the WWTP, south of the softball field, will remain in place.

The plans call for removal of all existing chain link fencing along the perimeter of the WWTP and the Tahquitz Creek golf course, however, the new fencing will be installed in a way where the existing plantings along the south side of the WWTP will be protected in place. It should be noted, however, that a portion of the perimeter fencing along this area was recently completed as part of the installation of the new storm drain system outletting into the Tahquitz Creek (City Project 07-15), and it was not possible to protect the existing plantings in that area due to the excavation required for the 80" diameter storm drain facility which extends parallel with the south side of the WWTP along the Tahquitz Creek golf course. A new 8' high Omega fence was installed at that time, and

is representative of the same perimeter security fencing to be installed elsewhere with this project.

The only portion of the WWTP to have new chain link fencing installed as part of this project is internal to the WWTP, extending from the end of Vella Road across the vacant WWTP land, south of the new Household Hazardous Waste Facility, and connecting into the perimeter block wall at the east side of the WWTP, adjacent to the commercial center located on Gene Autry Trail, south of the SCE substation. Installation of chain link fencing in this area is recommended, as ultimate plans for this vacant area of the WWTP are unknown, and the fencing may need to be removed as part of a future project in that area.

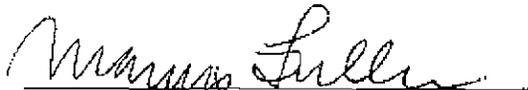
The City's operating agreement with Veolia for the WWTP allows Veolia to propose on all capital projects at the WWTP; however, staff recommended that the City solicit bids through its normal procurement process for this project given the relatively simple scope of the project, and the currently competitive bidding environment whereby the lowest bids are possible. However, Veolia will be submitting a proposal to administer and coordinate construction of this project, given the fact that the scope of this project does include installation of security cameras and other sensitive equipment within the WWTP itself, and that two other WWTP capital projects will be under construction at the same time as this project commences construction. Veolia's proposal to provide construction administration and inspection of this project on behalf of the City will be included as part of the City Council's consideration of award of contract, tentatively scheduled for April 7, 2010.

FISCAL IMPACT:

Sufficient funding is available in account 420-6800-57025 (Security Fencing). This project is being funded entirely with wastewater funds; no general funds are being used.

SUBMITTED:

Prepared by:



Marcus L. Fuller
Assistant Director of Public Works

Recommended by:



David J. Barakian
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager

**ATTACHMENT 2
WASTEWATER CAPITAL REPAIR AND REHABILITATION PLAN**



CITY OF PALM SPRINGS
WASTEWATER TREATMENT PLANT
CAPITAL REHABILITATION AND REPAIR PLAN

February 2010

CITY OF PALM SPRINGS
CAPITAL REHABILITATION AND REPAIR PLAN

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CAPITAL REPAIR AND REPLACEMENT PLAN

1.0 INTRODUCTION

This report summarizes the capital repair and replacement costs for the major process equipment and infrastructure at the City of Palm Springs Wastewater Treatment Plant (Palm Springs WWTP). The purpose of the report is to provide a long-term financial plan and schedule to maintain the City's wastewater treatment needs, to support the projected population base in the service area, and uphold compliance with current regulatory standards.

Carollo Engineers (Carollo) previously completed an Operational Evaluation (April 2006), which documented the age and general condition of the existing treatment facilities. General priority rankings were assigned to WWTP repairs to define a preliminary schedule for repairs. This report provides a more comprehensive rehabilitation plan based on the rankings determined in the original Operational Evaluation. Cost estimates to repair or replace the major equipment items are provided, along with costs to maintain the infrastructure and integrity of the treatment facilities. Rehabilitation costs are projected and scheduled for short-term and long-term projects, defined in five-year increments for a twenty-year plan.

This report also includes an assessment of the WWTP unit processes to identify components or factors that may limit treatment capacity, cause operational problems, or which may influence compliance with the Waste Discharge Requirements (WDR).

The body of this report is organized into the following sections:

- Existing Treatment Facilities - Summarizes the normal process operations.
- Wastewater Flow and Loading Projections - Defines the expected influent wastewater flow and loading to provide design criteria for WWTP capital improvements planning.
- Regulatory Requirements - Overviews the effluent requirements in the current WDR as established at the time of the original WWTP design. Potential changes in WDR requirements are discussed as related to developments in water quality standards.
- Capacity and Reliability - Evaluates the performance of the existing components to meet the WDR should one unit be out of service for repair or maintenance.
- Capital Improvements Rehabilitation and Repair - Summarizes the age of the existing treatment components, with estimated costs and schedule for replacement or rehabilitation, in order to maintain compliance with the WDR.

2.0 BACKGROUND

The City of Palm Springs utilizes Veolia Water North America (Veolia) for contract operation of the WWTP, which began in September 1999. Veolia and the City routinely define capital improvement and maintenance needs, which are budgeted and scheduled as needed. Maintenance projects are typically limited to the urgent or short-term needs. This report is intended to provide the City with a comprehensive and long-term plan.

To prepare this report, Carollo Engineers has conducted several inspections of treatment facilities between October 2006 and April 2009. Veolia operating personnel were interviewed to discuss WWTP operations, and WWTP operating data and records were compiled for review covering the period from October 2004, through September 2006. The objectives of the capital repair and rehabilitation plan were also discussed with Mr. David Barakian, P.E., Director of Public Works, and Mr. Marcus Fuller, Assistant Director of Public Works.

3.0 EXISTING TREATMENT FACILITIES

This section summarizes the existing treatment facilities and the current mode of operation.

The Palm Springs WWTP was originally constructed in 1960 to treat 4.15 million gallons per day (mgd). Two facility expansions were completed in 1979 and 1983, bringing the total WWTP design capacity to 10.9 mgd for average annual flow. The treatment processes consist of preliminary screening, grit removal, primary clarification, trickling filters, and secondary clarification. Treated effluent is disposed of onsite in percolation ponds or is supplied to Desert Water Agency (DWA) for further treatment to meet reuse standards for off-site irrigation. Biosolids from the treatment process are thickened then stabilized by anaerobic digestion and dried with sludge drying beds before final disposal. The design criteria and summary of unit sizing are provided in Table 1.

The process flow diagram and site plan is shown in Figure 1.

Table 1 Existing Treatment Facilities Capital Repair and Replacement Plan City of Palm Springs WWTP	
Average Annual Design Flow (mgd)	10.9
Peak Hour Flow (mgd)	21.8
<u>Mechanical Bar Screen</u>	
Number	1
Channel Width, ft.	6.5
Bar Screen width, ft.	3.2
Clear Spacing, inches	1/2

Table 1 Existing Treatment Facilities Capital Repair and Replacement Plan City of Palm Springs WWTP	
<u>Aerated Grit Chamber</u>	
Number	2
Dimensions (ft.) L x W x D	31x15x10
Volume (cubic feet) each	4,650
<u>Grit Washer</u>	
Number	1
Grit Capacity, ft ³ /hr	40
<u>Primary Clarifiers</u>	
Number	3
Dimensions (ft.) L x W x D (each)	160x32x6.8
Volume (gal) each	260,420
<u>Trickling Filters</u>	
Number	4
Diameter (ft.) each	140
Depth (ft.) each	9.5
Volume (ft ³) each	146,167
<u>Secondary Clarifiers</u>	
Number	6
Dimensions (ft.) L x W x D (each)	2@164x25x11 4@164x25x9.5
Volume (gal) each	2@337,000 4@291,000
<u>Percolation Ponds</u>	
Number	6
Area (acres) total	23.3
<u>Gravity Sludge Thickener</u>	
Number	2
Dimensions (ft.) Dia x D (each)	30x10.5
Volume (gal) each	55,520
<u>Anaerobic Digesters</u>	
Number	2
Dimensions (ft.) Dia x D (each)	
Digester No. 1	65x30
Digester No. 2	85x30
Volume, gals	
Digester No. 1	748,000
Digester No. 2	1,270,000
<u>Sludge Drying Beds</u>	
Number	26
Dimensions (ft) L x W	100x50

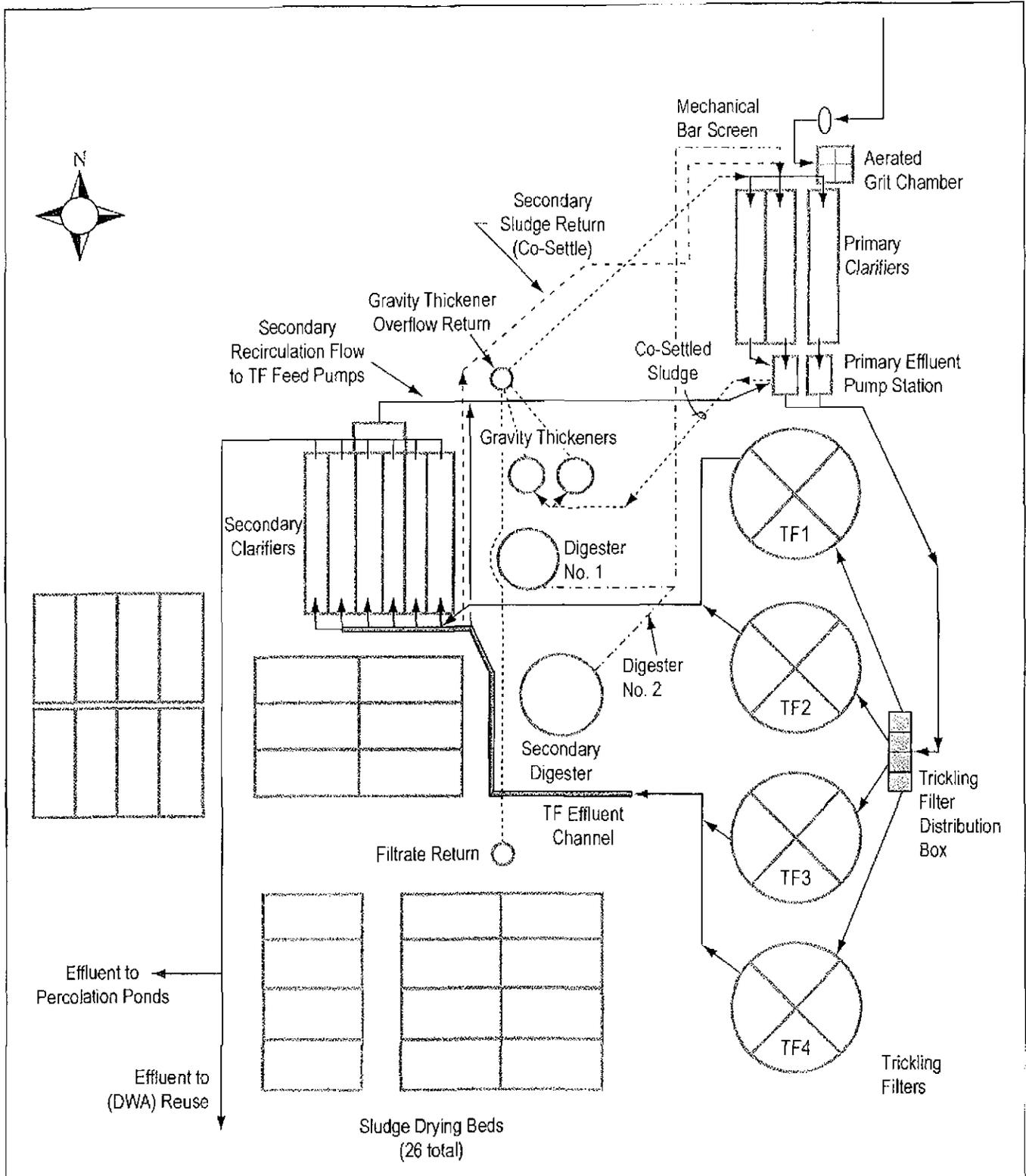


Figure 1
WWTP Flow Schematic
 CITY OF PALM SPRINGS
 CAPITAL REHABILITATION AND REPAIR PLAN

3.1 Preliminary Treatment

Preliminary treatment to remove rags and other large debris consists of a single mechanical bar screen, with half-inch clear spacing. The collected screenings are discharged to a washing unit to remove organic matter and compact the screenings, which are hauled to a landfill for disposal. A manually cleaned bar rack is provided in a bypass channel. The influent flow is measured through a 36-inch Parshall flume downstream of the screen.

Two aerated grit chambers remove inert sand and grit. One chamber has adequate capacity to treat flow; the second chamber provides redundancy to allow units to be taken off-line for maintenance. Three blowers are provided to supply air to the grit chambers and to the airlift grit pumps. One blower usually operates, with the others as standby. The grit is sent to a classifier for washing to remove organic matter. A screw auger transports the grit to a waste bin, where it is collected and hauled to the landfill.

3.2 Primary Clarifiers

Primary settling includes three rectangular clarifiers; each unit is 160 feet long, 32 feet wide, with 6.8-foot water depth. The original traveling bridge sludge collector mechanisms were removed and replaced with non-metallic chain and flight collectors in 2001, to remove sludge and scum. Due to the long basins, two sets of chains and flights were installed, with the primary sludge draw-off from the middle of the basin.

The primary clarifiers are currently operated in co-settling mode. Sludge from the secondary clarifiers is returned to the old bar-minutor channel downstream of the grit chambers, where it is settled with the raw primary sludge. The combined sludge is pumped from the primary clarifiers to the gravity thickener process. Other side streams routed to the primary clarifiers include digester overflow, thickener overflow, and sludge drying bed filtrate return.

3.3 Primary Effluent Pumping Station

Primary effluent with trickling filter effluent recirculation flow is pumped to the flow distribution box for the trickling filters using one of either two available pump stations. The West primary effluent pump station contains three 200HP, 8,000 gpm pumps with electric motors and variable frequency drives (VFDs). The East pump station contains two natural-gas-fired, engine-driven, 4,800 gpm pumps, which reduce the electrical power consumption. A third, 7,200 gpm redundant pump with an electric motor and VFD is provided with the gas-driven pumps. The primary effluent pump station provides the flexibility and capacity to operate the trickling filters at a hydraulic loading rate up to 250 percent of the current plant influent flow rate. Currently, total pumped flow (primary effluent plus recirculation) is approximately 13 mgd (9,000 gpm), and this has been the operational strategy for the past 20 years. The pumps operate by level control in the primary effluent wet well. Trickling filter effluent is recycled from the effluent channel ahead

of the secondary clarifiers, and is combined with the primary effluent in the primary effluent pump station wet well.

3.4 Trickling Filters

Four trickling filters provide biological secondary treatment. The filters are 140-foot diameter each, with 9.5 foot deep rock media. The hydraulically driven rotary distributors have four arms, two operating during normal flow, with all four arms designed to operate during peak wet weather flows.

Trickling Filter #1 was originally installed in 1960, Trickling Filter #2 was originally 1/2 the height, and was added in the 1979 expansion project, along with updating the original rotary distributor on Trickling Filter #1. Trickling Filters #3 and #4 were added in the 1983 WWTP expansion project, at the same time TF#2 was increased to full-height. The trickling filter rotary distributors were converted to "mast type" units. Filters #3 and #4 were converted in 1997, and Filters #1 and #2 were converted in 2001.

The underdrain in Trickling Filter #1 has forced-air mechanical ventilation, with a fan used to exhaust the head space from the headworks. The remaining three trickling filters have open-air vents for convection.

Effluent from Trickling Filters #1 and #2 is directed to the original secondary clarifiers 1 through 4. The addition of Trickling Filters #3 and #4 required construction of a new channel around the southern side of the anaerobic digesters, to the Secondary Clarifier inlet channel and Secondary Clarifiers #5 and #6. The expanded trickling filter effluent channel was equipped with air diffusers to keep solids in suspension.

A fraction of the trickling filter effluent is diverted from the channel ahead of the secondary clarifiers, to recycle back to the Primary Effluent Pump Station, to maintain the desired trickling filter hydraulic loading rate. Currently, all four truckling filters are in operation, and constant recirculation maintains a steady hydraulic loading to the filters at all times.

3.5 Secondary Clarifiers

The WWTP has six rectangular secondary clarifiers, with each unit 164 feet long, 25 feet wide, and 9.5 to 11 feet water depth. Secondary sludge and scum is removed by traveling bridge collectors. Sludge and scum collection for Clarifiers #1 through #4 is accomplished by traveling bridge collectors using suction lift pumps, mounted on the traveling bridges. Clarifiers #5 and #6 use a bridge collector with squeegees that move the sludge to the south end and dump it into a sump in each clarifier, and pumps remove the sludge from the clarifier sumps. Secondary sludge pumps transfer the solids to either the gravity thickener or back to the headworks. As noted, the secondary solids are currently returned to the headworks to co-settle with the primary solids in the primary clarifiers, but they can also be directed to the gravity thickeners.

3.6 Effluent Disposal

During the winter season, treated secondary effluent is discharged into six (6) percolation ponds, with a total area of approximately 23 acres. Originally, eight percolation ponds were constructed with an area of approximately 33 acres. Approximately 10 acres of the original percolation ponds were removed when the land was developed for a golf course. At all times of the year, but more so during the summer irrigation season, the Desert Water Agency (DWA) diverts treated effluent via a 36-inch line, and reclaims the water for irrigation of a City park, local golf courses, and other open areas. The quantity of water reclaimed varies seasonally from about 40% in winter, up to 100% during some summer months.

3.7 Gravity Thickening

The co-settled primary and secondary sludge from the primary clarifiers is pumped to a gravity thickener to increase the solids concentration. Two gravity thickeners are available, each 30 foot diameter and 10.5 feet deep. One unit is operated, and is adequate for the current solids loading. The second unit is off-line as redundant standby. As elutriation water, secondary effluent is blended with the feed solids to maintain the desired overflow rate from the thickeners.

3.8 Anaerobic Digesters

Thickened solids are pumped to two anaerobic digesters for stabilization. Digester No. 1 has a diameter of 65 feet, with a depth of 30 feet, and has a fixed concrete cover. Digester No. 2 is 85 feet in diameter and 30 feet deep, with a floating gas-holding cover. The digesters are designed to be maintained at 95 degrees, as conventional mesophilic anaerobic digesters. Currently, only Digester No. 2 is heated and mixed, but new heating and mixing systems are currently being designed for Digester No. 1. When the upgrades are complete, both digesters will have pump mixing and spiral heat exchangers.

3.9 Sludge Drying

The WWTP includes 26 sludge drying beds, 100 feet long by 50 feet wide. One bed is used to dry debris from the city's street sweeping operation. The other remaining beds are filled with liquid digested sludge from the anaerobic digesters, on a rotating basis. Drainage gates on each drying bed can decant part of the free liquids off the beds, accelerating the drying time. The beds can also be periodically turned to mix and expose the wet solids to the air, for more thorough drying. However, currently the beds are not turned, but the solids are typically retained on the beds ranging from 30 to 120 days, until solar drying achieves approximately 65 percent solids. The moist solids are then transferred with a front-end loader to a sludge storage area, where they are mechanically turned and mixed to expose them to the air, which is a practice that has been effective at accelerating the drying time to achieve up to 90 percent solids.

A mechanical belt filter press is also available on site, adjacent to the solids stockpile area. The belt filter press is used during winter weather or at times when the beds are full.

3.10 Digester Gas Utilization

Digester gas is collected from both digesters and is piped for beneficial use in a number of locations. However, digester gas use is limited to the boiler for digester heating, but is not currently used for this purpose due to moisture content of the gas, which is damaging to the boiler. Excess gas is flared. Palm Springs has engine-driven pumps and a reciprocating gas engine, which could also potentially use digester gas, but are not permitted by AQMD, so now operate on natural gas. The City also has two micro turbines, which also operate on natural gas, but these are not currently in use. The City and Veolia have plans to reduce the plant's electrical energy requirements, through the use of a gas treatment system and fuel cell for electrical generation, as addressed later in this report.

3.11 Odor Control

The headworks odor control system consists of an exhaust fan, which pulls air off the influent sewer, the influent channels, and grit chambers and blows it into the bottom of the #1 trickling filter. In addition, a misting odor control system applies a masking agent in the area of the screening bin and grit classifier. The primary clarifier odor control system consists of venting off-gases through an activated carbon scrubber. The gravity thickener tanks are also covered, with mechanical ventilation to the bottom of the #1 trickling filter.

3.12 Electrical Power Distribution System

The plant's electrical power distribution system includes a main utility power service switchboard, a diesel engine standby generator, and other electrical equipment in the Maintenance Building, as well as underground duct banks and other motor control centers and equipment throughout the plant. An inspection of the existing electrical system was conducted, and descriptions of existing equipment, as well as recommendations for repair and replacement are detailed in a separate report. The report is included as "Appendix B - Electrical Power Distribution System Evaluation." The appendix also includes a technical memorandum dated March 2008, which updates portions of the original electrical report. Recommendations from this appendix are included in the cost summary tables presented later in this report.

4.0 WASTEWATER FLOW AND LOADING

The WWTP operating data were reviewed from October 2004, through September 2006. The influent wastewater characteristics and flow are summarized in this section, which serves as the basis for evaluation of the WWTP capacity and reliability criteria. Future flow projections are also made to compare the WWTP design parameters to the expected operating conditions at build-out in the service area.

4.1 Service Area Population, Wastewater Flow and Loading

Discussions with the City of Palm Springs identified that the WWTP is currently serving an estimated population of approximately 46,000, and City staff provided annual growth estimates as a range of 500 to 1,000 new residents per year.

The City identified 32,500 total accounts from both residential and commercial customers, which are billed as 39,300 equivalent dwelling units (EDU) (Bartel Wells Associates, 2005). The typical flow contribution from one EDU was calculated as 162 gallons per day, using the annual average wastewater flow data from 2004 to 2006. The current estimated population of 46,000 equates to 1.2 people per EDU, and the average flow contribution is 138 gallons per capita day (gpcd).

The Palm Springs WWTP influent flow and wastewater concentrations are summarized in Table 2, compiled from Veolia operating records from 2004 to 2006. The table also presents the Waste Discharge Permit (WDR) capacity and the original treatment plant design criteria, as given to Carollo in an attachment to the 2005 Veolia operating agreement.

Table 2 Wastewater Characteristics Capital Repair and Replacement Plan City of Palm Springs Wastewater Treatment Plant			
Parameter	WWTP Design Criteria	WDR Permit Capacity	2004 to 2006 Operating Data
Wastewater Influent Flow (mgd)			
Annual Average	10.9	10.9	6.37
Max Month			7.00
Max Day			7.85
Min Day			5.24
Peak Hour	21.8	16.7	13 (estimated)
Wastewater Influent Concentrations			
Biochemical Oxygen Demand (BOD), lb/day (mg/L)			
Average	20,000 (227)		11,400 (215)
Max Month			16,400 (280)
Max Day			21,400 (370)
Min Day			3,500 (70)
Total Suspended Solids (TSS), lb/day (mg/L)			
Average	21,500 (236)		12,800 (240)
Max Month			20,433 (350)
Max Day			28,200 (510)
Min Day			3,500 (70)

4.2 Projected Flows

For build-out in the service area, the expected population is 94,195. Using the calculated per capita flow contribution of 138 gpcd, average annual influent flow may reach 13.0 mgd. The City should check customer records and available population data, to monitor the per capita flow contribution. The calculated flow at ultimate build-out will likely exceed the current design capacity of the WWTP at 10.9 mgd. However, at a projected growth rate of only 1,000 people per year (or 138,000 gal/yr), the 10.9 mgd capacity value will not be exceeded for approximately 33 years, or the year 2039.

The City has initiated a flow study with Veolia to document the conditions in the collection system. Historical flow records were approaching 8.5 mgd. However, over the last five years, flows decreased to 6.5 mgd. Influent flow meters were checked and calibrated. At this time, it has been determined that the lower flow rates are the results of recent conversions to water-saving plumbing fixtures. Veolia will continue to conduct additional flow monitoring and investigations of the collection system condition.

4.3 Solids Flows and Loading

Veolia monitors the flow of liquid sludge pumped from the gravity thickeners to the anaerobic digesters. The solids handling data recorded from 2004 to 2006 are summarized in Table 3.

Table 3 Solids Production and Digester Loading Characteristics Capital Repair and Replacement Plan City of Palm Springs Wastewater Treatment Plant		
Parameter	Annual Average	Max Month
Current Solids Production		
Sludge Flow (gal/day)	69,600	110,500
Total Solids (%)	3.5	5.3
Volatile Solids (%)	67	78
Total Dry Solids (lbs/day)	20,320	48,620
Solids Flow Projections for 10.9 mgd WWTP Design Capacity		
Sludge Flow (gal/day)	108,400	172,100
Total Solids (%)	3.5	5.3
Volatile Solids (%)	67	78
Total Dry Solids (lbs/day)	31,520	76,030

The projected volume of liquid sludge and the projected solids loading are reviewed against the design criteria in subsequent section of this report.

5.0 REGULATORY REVIEW

Current and potential new regulatory requirements were reviewed to determine what the near-term effect could be on the Palm Springs WWTP operation. The following is a discussion of specific regulatory requirements that apply to the current wastewater treatment and disposal at the facility.

5.1 Discharge Permit Requirements

The Palm Springs WWTP has a Waste Discharge Requirement (WDR) permit from the California Regional Water Quality Control Board (RWQCB) that was originally issued in 1993 (93-076 / 7A330114012). The general schedule to reissue the WDR was expected in 2003, but the update has not been completed by the RWQCB. During the summer months, the majority of the effluent is accepted by the Desert Water Agency (DWA) and used as a source of reclaimed effluent for irrigation of golf courses. DWA takes some effluent from the plant 365 days per year. They supply several golf courses and take water as necessary to keep their reservoirs full. During summer months (and warm months), the demand for this water is high, and demand decreases during the winter. Likewise, some water goes to the percolation ponds all year, but the amount to percolation changes based on demand for reclaimed water. As DWA expands its reclaimed water system and increases the number of reclaimed water customers, it is expected that nearly 100 percent of the effluent could be accepted by DWA for water re-use during the entire year, and the need for percolation ponds for discharge of effluent will be greatly minimized. The requirements for treated effluent discharged into the percolation ponds, as defined by the WDR are listed in Table 4.

Table 4 Treated Effluent Waste Discharge Requirements Capital Repair and Replacement Plan City of Palm Springs WWTP		
	Monthly Average	Monthly Maximum
Biochemical Oxygen Demand (BOD ₅)	30 mg/L	45 mg/L
Total Suspended Solids (TSS)	30 mg/L	45 mg/L
Settleable Matter	0.3 mL/L	0.5 mL/L
	Annual Average	
Total Dissolved Solids (TDS)	No more than 400 mg/L greater than the level in the water supply	
Sulfate	90 mg/L	
Chlorides	70 mg/L	
Fluoride	1.2 mg/L	

Since the effluent from the Palm Springs WWTP is not discharged directly to surface waters, the requirements of the Federal Clean Water Act (CWA), 40 CFT, Section 303(d), or the California Toxics Rule, do not apply.

5.2 Potential Future Discharge Permit Requirements

The existing WWTP processes are not designed to remove Ammonia (NH₃-N) and Nitrate (NO₃-N) nitrogen compounds. Nitrogen compounds, in high flows and concentrations, potentially may contaminate the groundwater. Nitrate is a parameter specifically listed in the Federal drinking water standards. The RWQCB may add removal of nitrogen compounds in future WDR permits, although a significant schedule for compliance would also likely be included. The City investigated potential changes in the WWTP and the associated costs, to remove NH₃-N and NO₃-N, in an earlier report (Montgomery Watson, 1995). As a follow-on to this report, approximate costs for implementing nutrient removal were re-visited to analyze impacts to this plan.

Four conceptual alternatives for nitrification and denitrification were briefly evaluated, including options to improve nitrification in the existing trickling filters, versus addition of aeration basins or nitrifying/denitrifying filters. Costs for these alternatives ranged from approximately \$25 million to \$35 million to meet a total nitrogen limit of 10 mg/L for a treatment capacity of 10.9 mgd. Since these costs are an order of magnitude higher than other estimated costs for rehabilitation, and since the requirement to remove nutrients will likely be dependent on many currently-undefined factors such as load allocations or potential mass-based credits for effluent sent to reclamation, these speculative costs are not included in the overall capital cost estimates presented later in this plan.

Likewise, effluent limits for total dissolved solids could be more restrictive in the future. Regulators of other groundwater basins in California have imposed limits on salts discharged to the aquifer, resulting in implementation of costly desalination technologies. However, some municipalities have attempted to limit dissolved solids through source control methods or have focused on removing the salts when taking the water from the aquifer through advanced potable water treatment. It is not yet clear what direction will be taken for the groundwater quality within the Colorado River basin, and salt management studies and any new regulations are likely several years away. Therefore, costs for advanced treatment or source control methods are deemed beyond the scope of this plan and are not included in the cost estimates presented herein.

5.3 Biosolids Disposal Requirements

Biosolids generated through the treatment process must be stabilized, at a minimum, in accordance with the Environmental Protection Agency (EPA) criteria, Title 40, Code of Federal Regulation, (CFR), Part 503, and criteria as adopted by the State under the General Order, State Water Resources Control Board, Water Quality Order No. 2000-10-D WQ. The ultimate disposal of the biosolids must also comply with the specific County Ordinances at the point of final reuse or disposal. The biosolids rules, in general, define the final quality of biosolids in terms of conservative pollutants that may accumulate in the environment, and potential pathogens.

The Palm Springs WWTP anaerobic digesters provide initial stabilization of the organic solids. Dewatering and further drying of the solids in the sludge drying beds continues to provide treatment, which typically qualifies the biosolids as "exceptional quality" and Class A, provided they meet analytical testing requirements specified in 40 CFR 503.

6.0 UNIT PROCESS CAPACITY AND RELIABILITY

The individual unit processes at the Palm Springs WWTP are reviewed in this section to assess the capacity and the ability to comply with the WDR. The capacity-limiting process is identified, and the reliability and available redundancy in each part of the WWTP is reviewed. In other words, the overall performance of the WWTP is examined, considering that tanks or components might be taken out of service for maintenance or repairs.

6.1 Headworks and Preliminary Treatment

The headworks area is a hazardous and corrosive environment. As such, the National Fire Protection Association (NFPA), Article 820, defines the headworks area as Class I hazard, from the potential of explosive gasses in the raw sewage. Equipment must operate with a high degree of reliability, under the abrasive and corrosive exposure of the raw wastewater. Operational problems with the headworks equipment may cause raw sewage to back-up in the collection system, flooding the customers or causing contamination from system overflows. In addition, poorly operating headworks equipment will increase the wear and maintenance requirements in the WWTP.

In general, compared to other headworks facilities at similar-sized municipal wastewater treatment plants in California, the Palm Springs WWTP headworks is in relatively poor condition. The design of the main sewer line connecting the collection system to the headworks has a low slope and appears to be surcharged, rather than free-flowing. This condition allows solids to settle in the line, which creates potential flow restrictions and anaerobic conditions, generating odors and causing corrosion of the headworks' concrete. If there is any blockage at the screen in the headworks, this condition worsens. In addition to the issues associated with low velocities, the headworks' screen and grit facilities are a source of odors and create a visual nuisance. The screenings and grit bins are open to the atmosphere and in close proximity to the tennis courts at Demuth Park (across the narrow driveway). At times during the hot summer months, the odors from the headworks area are severe. In addition, the screenings compactor and the grit classifier discharges are open and visible from the park or driveway, so the debris, rags, and plastic, mixed with fecal matter can be seen discharging to the waste bins, which is visually offensive. Ideally, the headworks facility at a WWTP in close proximity to public areas should be entirely enclosed in a building with odor scrubbing or have covered channels with the screening and grit handling equipment and storage bins enclosed. The following paragraphs further evaluate the equipment at the headworks, and later in this plan (Section 7.4.2); alternatives for upgrading or replacing the headworks are discussed.

6.1.1 Bar Screen Equipment

The headworks at the Palm Springs WWTP are configured with a single mechanical bar screen, which must operate continuously. Screenings removed from the influent sewage are discharged into a single washer and compactor unit. When the mechanical screen or the screenings compactor requires service, a manual bar rack in a bypass channel is used to remove the large debris. When extended or unplanned service is required on the mechanical screen or the screenings compactor, operations staff must manually clear the accumulated debris. Operator response is critical, and constant attention is required to keep the manual bar screen clean to avoid a backup or potential overflow of raw sewage. Since the WWTP is not normally staffed over the full 24 hours, additional staff must immediately respond to mechanical screen breakdowns to clean the manual bar rack.

The mechanical bar screen has clear openings of 1/2-inch, compared to 1-inch openings on the manual bar rack. When the mechanical bar screen is out of service, the manual bar rack allows significantly more debris to pass through, which ultimately increases maintenance in the WWTP primary clarifiers, trickling filters, sludge pumping facilities, and digesters. During the site visit for this report, several screening panels were also observed to be missing on the mechanical screen, which lets additional debris pass into the WWTP. The missing screen panels should be replaced as soon as possible. However, even with regular maintenance, rags and other similar material get past the existing mechanical screen. Replacement of the unit should be evaluated to alleviate these problems.

Screenings must be cleaned and dewatered until there are no free liquids, to be acceptable for disposal at the landfill. Screenings removed by the manual bar screen, without the washer compactor, will not likely be permitted at the landfill. Therefore, the screenings from the manual bar rack must be sent to the sludge drying beds to partially drain, prior to disposal. This displaces a sludge drying bed, which is needed for biosolids handling. Raw sewage screenings on a drying bed will also create a significant odor source.

The available open space at the headworks is very limited, with portions of the headworks constructed under the WWTP entrance roadway adjacent to a City park. Addition of a second mechanical bar screen would require relocation of existing tennis courts within the adjacent City-owned park to widen the plant entrance driveway to allow for construction of a new mechanical bar screen.

Addition of two new mechanical bar screens with a second washer compactor is recommended to improve the overall screenings removal efficiency and simplify long-term WWTP maintenance. A second mechanical screen improves safety of operating personnel, eliminating the need to work in a hazardous confined space and reduces the potential of unplanned emergency beak-downs. Also, addition of a redundant washer compactor will produce screenings that are acceptable for disposal at the landfill, eliminating the need to occupy a sludge drying bed with wet screenings. Sludge drying beds, discussed later in this section, are critical for solids handling capacity. Alternatives for improvements to the

headworks area are discussed later in Section 7.0, *Capital Rehabilitation and Repair Requirements*.

6.1.2 Aerated Grit Basins

The WWTP includes two aerated grit chambers, with one basin normally in service at the present flow rates. Three positive displacement blowers are available to supply the air for mixing. The configuration of the tankage and the equipment provides adequate redundancy. Repairs to one grit basin's airlift pumps and one blower are under way, and should be completed as soon as possible to maintain grit system reliability.

6.2 Primary Treatment

Two important factors must be considered when evaluating the efficiency and performance of the primary clarifiers. First, the tanks were constructed with a relatively shallow water depth of only 6.8 feet, and surface loading rates typically are reduced in shallow tanks to provide sufficient hydraulic retention time to settle the sludge. Second, the current process operation mode returns the secondary sludge to co-settle in the primary settling tanks. While co-settling has several process benefits, it also increases the total solids loading to the primary clarifiers. The primary clarifiers must be operated at a lower hydraulic loading rate, to provide longer retention time to allow the light secondary solids to settle.

Even though the above conditions inhibit the process somewhat, the primary clarifier performance appears to be within acceptable operating ranges under most current flows. However, during peak flow and loading periods, TSS removal efficiency appears to decline significantly, which in turn increases the loading to the trickling filters. This has contributed to increasing the plant's overall solids inventory on some occasions, resulting in nearly violating the plant's effluent monthly average and monthly maximum TSS limits. Operations staff should monitor primary clarifier TSS removal as loadings continue to increase, and re-assess or discontinue the co-settling mode of operation in the future.

In addition, when one unit is taken out of service, the primary clarifier surface loading rate is above the recommended values for the loading range of combined primary and secondary sludge. Under conditions when a primary clarifier must be taken out of service, the duration should be minimized, or chemical addition used to maintain clarifier removal efficiency. If the secondary solids are directed to the gravity thickener instead of co-settling, the primary clarifiers could potentially be successfully operated at current surface loading rates. However, since their installation in 2001, all three primary clarifier "chain and flight" sludge removal mechanisms have been taken out of service for extensive adjustments and repairs on approximately five separate occasions each. This level of service reliability is considered very poor for a process of this type. Since there are only three clarifiers, a higher level of reliability is recommended to reduce the risk of violating the plant's effluent TSS limits during peak solids loading periods. Due to the age, depth, and poor reliability of the clarifier mechanisms, the addition of new, deeper primary clarifiers with more reliable circular

mechanisms should be further evaluated. If the plant's headworks is to be replaced with a headworks at a lower water surface (to resolve the issues caused by the flat, surcharged influent sewer), new primary clarifiers and a new primary effluent lift station will also be required, at a lower elevation, in order to accommodate the new hydraulic grade line requirements. This alternative is discussed further in Section 7.0.

The Palm Springs WWTP also accepts septage from commercial haulers serving the surrounding area. Initial estimates reported approximately 300,000 gallons per month of septage received at the headworks. Septage deliveries are recorded, but no samples are taken. However, the septage haulers also discharge upstream of the influent sampler, so the septage load is included with the influent BOD and TSS monitoring. The septage load may impact the primary clarifiers and overall WWTP performance when the facilities are operating at the design loading capacity. A separate septage receiving station is recommended to provide side-stream screening, monitoring, and potentially de-gritting and flow equalization, to minimize impact on the WWTP.

6.3 Primary Effluent Pumping Station

The WWTP has two, fully redundant primary effluent pump stations to lift flows up to the trickling filters, which provides a high degree of redundancy and flexibility for operations. However, these pumps and related equipment require frequent maintenance and are reaching the end of their anticipated useful lives.

The primary effluent pumps are solids-handling pumps, typically used in raw sewage applications. A higher efficiency pump may be available for this continuous, high volume application, to reduce power demand from the electric motor driven pumps, and gas consumption with the engine-driven pumps. As these pumps reach the end of their effective life and are ready for replacement, a higher efficiency pump should be considered to improve efficiency. Together with the headworks and primary clarifier improvements, a new primary effluent pump station is further considered in Section 7.0.

6.4 Secondary Treatment

The capacity and redundancy of the trickling filters and the secondary clarifiers are reviewed in this section to assess the ability to meet the WDR under current and future flow conditions.

6.4.1 Trickling Filters

6.4.1.1 Organic Loading

The Palm Springs WWTP is currently loaded at approximately 58 percent of the design organic loading capacity, and normally achieves excellent effluent quality. Effluent BOD concentrations average less than 10 mg/L, well within the WDR requirements of 30 mg/L.

Trickling filter performance at the design flow of 10.9 mgd was evaluated in a desk-top evaluation to predict the effluent quality. The trickling filters were constructed with multiple units and with sufficient depth of rock media to accommodate the future flow and loading at the design criteria, according to standard performance model equations. Trickling filter performance was also checked with one unit out of service. The four existing trickling filters appear to provide adequate capacity for future flows and the range of loading conditions, with operational flexibility to allow for one unit to be taken off-line for service.

6.4.1.2 Hydraulic Loading

The rotary distributors for the trickling filter are hydraulically driven, propelled by the flow from the distribution nozzles. Several nozzles are placed on the leading side of the arm to slow down the rotation to the desired speed. The hydraulic loading rate is designed to maintain uniform thickness of biomass on the media. If the trickling filters are dosed below the recommended rates, the media and the underdrain can plug, severely impacting removal efficiency and performance.

The primary effluent pumps operate on variable frequency drives, maintaining a reasonably constant 13-mgd pumping rate to the trickling filters. Trickling filter effluent is recycled to the primary effluent wet well, to maintain constant flow. The percentage of trickling filter effluent recycled varies over the diurnal flow range, to makeup the constant flow pumped to the trickling filter. During low flow periods, recycle is high, and at peak hour flows, recycle is lower. The current mode of operation maintains approximately 200 percent dosing rate on the trickling filters. In other words, average trickling filter recycle matches the average daily influent sewage flow. At the current flow rates of 6.5 mgd, the trickling filters are dosed at a constant pumping rate of approximately 13 mgd.

The trickling filter rotary distributors were installed at different times, and are somewhat different in design. While, all distributors have four arms, Trickling Filters 3 and 4 have two-stage arms. The primary arms operate at all flows. The secondary arms have internal baffles in the center column that activate at higher flows. Despite the constant pumping rate, the different arms have slight imbalances in the hydraulic loading rates. During the on-site inspection for this report, the difference in flow between the primary and secondary distributor arms could be observed. In addition, different rotational speed of the distributors was noted on each of the four filters. The speed variance was found to be approximately 25 percent between the different filters. Based on the current flow and loadings at the WWTP, this variance is not critical, and effluent quality is generally within the WDR requirements. However, in the future when the WWTP reaches higher loading, the different hydraulic loading rates may become more pronounced and produce more noticeable differences in removal efficiency.

Technology development with rotary distributors has discovered that a slower rotation provides a higher instantaneous dosing rate. The ability to control dosing, with high flows for brief periods during the day, improves the biomass growth on the media and optimizes

removal efficiency of the trickling filters. Upgrading the trickling filters with new rotary distributors will balance the loading between and within the trickling filters and is further considered in Section 7.0.

6.4.1.3 Snail Removal

Rock media trickling filters inherently grow snails, which can accumulate in excessive amounts if mitigating measures are not taken. Veolia periodically cleans snails that accumulate in the trickling filter effluent channel using the sewer cleaning vacuum truck. If the accumulated snails are not removed from the effluent channel, they may pass throughout the entire WWTP. Snail shells will fill the secondary clarifiers and, since the secondary solids are co-settled, will also fill the primary clarifiers. The snail shells are inert, which ultimately end up in the anaerobic digesters, displacing tank volume required for anaerobic digestion. The abrasive snail shells increase the wear on pumps and compound the work required to clean tanks. Veolia has experienced these issues with the snail shells over the past several years. Minor process adjustments can be made to impact the growth of snails. However, the most effective method is to add a treatment stage to physically collect and remove the shells. The existing secondary sludge line to the gravity thickeners could potentially be modified to add a snail removal stage. The snails are removed using a grit classifier, where the shells are dewatered and hauled to the landfill. This improvement is recommended as a future upgrade.

6.4.2 Secondary Clarifiers

The six rectangular secondary clarifiers appear to have adequate capacity for the current range of flows. Effluent quality typically has TSS concentrations less than 10 mg/L. However, during periods of high influent loading or insufficient solids treatment, TSS concentrations have increased to the 20 to 30 mg/L range.

The traveling bridge sludge collection mechanisms work in pairs. Tanks are typically taken out of service two at a time for inspection and maintenance seasonally, during low flow periods. When the WWTP reaches the design build-out flows, the secondary clarifiers will remain in the acceptable loading ranges when two units are removed from service. The secondary clarifiers appear to offer adequate capacity and flexibility for the future flows. However, the existing underwater portions of the mechanisms are corroded, the sludge pumps and piping need replacement, and the scum skimming is non-functional, so excessive floating debris and duck weed present a maintenance issue. Replacement of these mechanisms and associated sludge and scum handling systems is recommended and discussed in Section 7.0.

6.5 Solids Handling

This section reviews the capacity and redundancy available in the solids handling components of the WWTP. The City's goal is to produce Class A Biosolids, providing the long retention time and dry solids in accordance with EPA, 40 CFR, Part 503, and the

California General Order (No. 2000-10-D WQ). Class A biosolids have the least restrictions for final disposal or reuse and have simplified monitoring requirements, compared to Class B biosolids.

6.5.1 Gravity Thickeners

The co-settled sludge from the primary clarifiers is pumped to the gravity thickeners to increase the solids concentration ahead of anaerobic digestion. Currently, piping to both thickeners carries combined primary and secondary sludge. However, a project is currently underway to reconfigure the piping to allow discharge of separate flow streams to the thickeners to allow flexibility in operation.

One thickener is normally in service. The second thickener serves as an off-line standby, and loading on the gravity thickeners is well within recommended design guidelines under the current flows.

In the future, when the WWTP reaches the design loading, two gravity thickeners will be required. If a thickener must be taken out of service, the solids loading to one tank will exceed the recommended rates. With one thickener in operation, thinner dilute sludge pumped to the anaerobic digesters might degrade the solids stabilization process. Routine thickener maintenance during low-flow periods should, therefore, be scheduled to minimize the time that tanks are taken out of service. As a backup, chemicals can be added to the thickeners to enhance performance when one tank is online. Other thickening alternatives can also be considered, such as a gravity belt thickener, to provide additional capacity and redundancy for operational flexibility.

6.5.2 Anaerobic Digesters

The anaerobic digesters provide an initial degree of solids stabilization prior to sending the digested sludge to the drying beds. The digested sludge dries and dewateres faster than raw sludge and has less odor. In general, the EPA criteria require a 15-day hydraulic retention time in the conventional mesophilic digesters at 95 degrees Fahrenheit. At the current flows, approximately 30 days of hydraulic retention time is provided. At the design flow with both digesters in service, 19 days of hydraulic retention time is provided, which meets the EPA criteria. If a digester must be taken out of service, hydraulic retention time will be reduced to between 12 to 7 days, depending which tank requires maintenance or cleaning and also depending on the time of year (summer sludge flows are lowest).

The sludge drying beds, and subsequent wind-row storage, achieve the Class A stabilization criteria for the final disposal of the biosolids. Either of the anaerobic digesters can be taken out of service for cleaning or maintenance during the summer months, when ambient temperatures can dry the solids within 30 days, without impacting the final quality of the biosolids.

6.5.3 Biosolids Dewatering

Veolia reports that one drying bed can receive approximately 50,000 gallons of digested sludge, filling the bed 14-inches deep, which is currently done two to three times per week at the present WWTP flows. The slide gates on the drying beds allow for decanting of approximately 40-50 percent of the bed volume to decrease the drying time. Assuming 25 beds are in use (one bed is used for street cleaning debris), the drying beds could be filled on an 18-day rotation. At the projected design capacity, beds will be filled on a 12-day rotation.

Veolia prefers to use the sludge drying beds for dewatering due to simplicity and low cost. The capacity and flexibility of the drying beds is affected by operation at the plant's other unit processes. Digester and thickener operations can be modified to produce thicker sludge and help reduce drying time on the beds. The Belt Filter Press (BFP) is available to provide backup dewatering capacity during the winter months or if the beds become full. The BFP is not preferred under the present WWTP loading conditions, because it produces cake (or dewatered "biosolids") at 20 percent solids, which must be handled further to get it to the exceptional quality level produced by the drying beds. Although the BFP requires significantly more operator attention, with electrical power and chemical costs, it is a viable backup alternative for dewatering biosolids when flows reach the design capacity. The BFP has the capacity to dewater 70,000 gallons per day, in an 8-hour shift, which is approximately 140 percent of the capacity provided by the drying beds. However, direct disposal of the 20 percent solids cake will be more costly than the current method of disposal for the very dry cake produced by the drying beds. Several alternatives exist for disposal of this type of material (such as contracted long-distance hauling or privatized composting), and comparison of these alternatives should be conducted in the future as the need arises. Using the combination of BFP and drying beds, the plant's capacity to dewater biosolids appears adequate for projected future buildout flows.

6.6 Effluent Disposal

The original design of the WWTP provided eight percolation ponds over 33 acres. In the 1990s, the City removed approximately 10 acres of percolation ponds as part of its construction of a new public golf course within the adjacent Palm Canyon Wash and Tahquitz Creek, and these ponds are no longer available for effluent disposal. The capacity of the percolation ponds is further discussed in the next section.

DWA has been reclaiming the majority of the City's effluent in the summer months, so the percolation ponds are very lightly used during that period. Throughout the winter months, DWA demand drops; therefore, the City diverts some flow to the percolation ponds for the winter effluent disposal. Recently, DWA demand for effluent has been increasing as their market for recycled water expands. Ultimately, the City expects that all of the WWTP effluent will be sent to DWA year-round. However, the timing of increased demand is uncertain.

6.7 Summary of WWTP Capacity Limiting Unit Process

The mechanical bar screen in the headworks has had issues with rags and other items passing the screen, and it has no mechanical redundancy. It may be difficult to keep up with the design flows using the manual bar rack provided for a bypass; therefore, replacing the current screen and adding a redundant mechanical bar screen and washer/compactor is recommended.

The primary and secondary treatment components appear to have adequate capacity and redundancy to allow units to be taken out of service. The primary clarifiers will have the highest loading rate at the design flow when one unit is taken out of service and appear to be the capacity-limiting process when the plant's solids inventory is high. The City and Veolia should monitor effluent quality and overall WWTP performance in the current operational mode of co-settling the secondary sludge in the primary clarifiers. There is adequate capacity in the secondary clarifiers to separately handle the light secondary solids; however, returning secondary sludge, thickener overflow, and digester overflow streams currently impact the efficiency and performance of the primary clarifiers. The primary clarifiers will operate better if loaded with only primary sludge at the design capacity of the WWTP.

The solids handling components of the WWTP have less capacity and flexibility. The loading rates on the gravity thickeners may be exceeded or the minimum 15-day hydraulic retention time of the anaerobic digesters may not be met if one tank is taken out of service for an extended period. Fortunately, the sludge drying beds and sludge storage area provides sufficient flexibility to meet the regulatory standards for sludge disposal, so construction of additional thickeners or digesters is not required. However, the current projects for improving the thickener feed and digester heating and mixing systems are critical for solids processing reliability.

The WWTP design criteria are compared to current and projected flows in Table 5. The acceptable ranges of design criteria and loadings are listed for comparison of current capacities.

As the table indicates, at the design-loading rate (15.2 gpd/sf), the original design capacity of the effluent percolation ponds far exceeds current and future estimated hydraulic loading to the ponds (4.88 to 7.44 gpd/sf). In addition, the demand for reclaimed water has also increased and will likely continue to increase, thereby further reducing the required disposal volume to the ponds. It appears that with significant diversion of effluent to reclamation, the hydraulic capacity of the ponds will likely be adequate for many more years.

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**Table 5 Summary of Design Criteria - Unit Process Capacity and Reliability
Capital Repair and Replacement Plan
City of Palm Springs WWTP**

Current Maximum Month Average Day Flow		7.0	mgd			
Current Peak Hour Flow		14.0	mgd			
Projected Maximum Month Average Day Flow		10.9	mgd			
Projected Peak Hour Flow		21.8	mgd			
UNIT PROCESS	DESIGN CRITERIA	UNITS	CRITERIA/LIMIT	CURRENT LOADING (ALL UNITS IN SERVICE)	PROJECTED LOADING AT BUILDOUT (ALL UNITS IN SERVICE)	PROJECTED LOADING AT BUILDOUT (ONE UNIT OUT OF SERVICE)
AERATED GRIT						
(1)	Avg. Detention Time	min	5	14	9	5
	Peak Detention Time	min	2	7	5	2
PRIMARY CLARIFIERS						
(2)	Avg. Detention Time	min	120	161	103	69
	Peak Detention Time	min	90	80	52	34
	Avg. Surface Loading	gal/ft ² /day	600 - 800	456	710	1,064
	Peak Surface Loading	gal/ft ² /day	1200 - 1700	911	1,419	2,129
TRICKLING FILTERS						
(3)	Hydraulic Loading	gal/ft ² /day	354	114	177	236
	Organic Loading	lb BOD/1000ft ² /day	23	8	12	17
SECONDARY CLARIFIERS						
(4)	Avg. Detention Time	min	120	360	231	154
	Peak Detention Time	min	90	180	115	77
	Avg. Surface Loading	gal/ft ² /day	600	285	443	655
	Peak Surface Loading	gal/ft ² /day	1200	569	886	1,329
EFFLUENT PERCOLATION PONDS						
	Design Percolation Rate	Gpd/ft ²	15.2			
	Maximum Loading Rate	ac-ft/yr		5,480	8,346	
	Loading of 23 Acres	Gpd/ft ²		4.88	7.44	
	Total Monthly Flow (mg)	minimum	maximum	average		
		37.5	146.8	79.3		
	Ave Daily Loading (gpd/sf)	1.21	4.88	2.64		
SOLIDS FLOW AND LOADING TO ANAEROBIC DIGESTERS						
<i>Current Flow</i>						
	Average Liquid Sludge to Digesters	69,600	gal/day	20,316	1b/day	
	Total Solids Concentration (Ave)	3.5%				
<i>Projected Flow (at 10.9 mgd WWTP Flow Design Capacity)</i>						
	Average Liquid Sludge to Digesters	108,377	gal/day	31,635	1b/day	
SOLIDS HANDLING						
UNIT PROCESS	DESIGN CRITERIA	UNITS	CRITERIA / LIMIT	CURRENT LOADING (ALL UNITS IN SERVICE)	PROJECTED LOADING AT BUILDOUT (ALL UNITS IN SERVICE)	PROJECTED LOADING AT BUILDOUT (ONE UNIT OUT OF SERVICE)
GRAVITY THICKENERS						
(5)	Solids Loading Rate	lb TS/ft ² /day	20	14	22	45
ANAEROBIC DIGESTORS						
(6)	Solids Loading Rate	lb VSS/1000 ft ³ /day	100-300	59	91	145
	Solids Retention Time	day	15-20	29	19	12
Notes:						
1.	Metcalf & Eddy, 2nd Ed, p 327	3.	Metcalf & Eddy, 2nd Ed, p 535	5.	USEPA Design Manual Solids Stabilization Manual	
2.	Metcalf & Eddy, 2nd Ed, p 338	4.	Metcalf & Eddy, 2nd Ed, p 514	6.	Metcalf & Eddy, 4th Ed, p 1513	

7.0 CAPITAL REHABILITATION AND REPAIR REQUIREMENTS

This section provides a summary of the capital rehabilitation and repair requirements for the Palm Springs WWTP, as estimated over the next 20 years. The repairs are presented in the order of the most urgent priorities first, defined within an initial five-year period. The medium and long-term requirements are listed in 10, 15, and 20-year timed periods accordingly.

Replacement of the major process equipment addresses the age of the asset, the time in operation, the service conditions, and the maintenance history. Equipment costs presented herein are the present value for full replacement. At the time of replacement, as identified by the priority, the equipment is assumed to be at the end of the effective life with no appreciable salvage value.

If equipment is no longer manufactured or maintenance parts no longer available, replacement costs were based on providing the upgraded equipment models currently available. Similarly, replacement costs also cover modernized equipment that has been developed through advancements in treatment technologies since the time of the original design and construction. Equipment replacement costs represent the best available technology, currently accepted as the standard of the industry.

Process improvement costs to add capacity or redundancy that were identified in the previous section of this report are listed in the schedule of projects.

Repair and replacement costs also cover the associated WWTP infrastructure, which includes concrete rehabilitation and coating requirements. General cost factors are included for expected rehabilitation needs in the connected piping systems, mechanical systems (heating, ventilating, and air conditioning), as well as electrical power components, and control systems. Costs for infrastructure rehabilitation will restore all facilities, close to the as-new condition.

Cost factors to maintain the grounds, such as roadway pavement, sidewalks, and general building maintenance, are estimated. Also, general assumptions for site security measures, such as fencing and controlled access gates, are listed in the cost estimates.

7.1 Wastewater Collection System

The scope of this report did not cover the repair or rehabilitation needs in the wastewater collection system or the off-site pumping stations. General line item estimates provided by the City are included as a "place holder" for general budgeting, which should be investigated and defined in detail by City staff or others. Collection system rehabilitation typically requires detailed investigation of the sewers and pumping stations. Veolia and the City also identify collection system repairs on an as-needed basis.

7.2 Priority Ranking

Carollo Engineers conducted an evaluation of the Palm Springs WWTP in the Operational Evaluation Report in April 2006. An initial on-site survey was conducted at the time, reviewing plant maintenance reports, preventative maintenance records, and work-order records. A priority ranking order was developed based on the age and condition of the major process equipment. A numerical value of 1 through 4 was assigned to each component. This report uses the same numerical values as the Operational Evaluation Report to assign priorities to the repairs, which corresponded to the following criteria:

Priority 1: Immediate Needs. Equipment in this category is not operable or is clearly operating in a poor condition. Major work is required with replacement of the majority of the equipment. Work should be conducted as soon as possible, to keep in compliance with WDR requirements or to protect the health and safety of the public and WWTP personnel. In addition, projects required to meet other immediate needs, such as energy recovery or fire protection, are included in this priority, as identified by the City or Veolia.

Priority 2: Marginal Condition. Equipment in this category may or may not be operable or it may be running in a marginal condition. These components have been in operation for the majority of the expected service life and can be considered well worn. Some degree of rehabilitation or repair is needed to regain full operability or to reach full efficiency. Repair or replacement items in this category are considered to be necessary within a 5- to 10-year period to maintain treatment efficiency.

Priority 3: Adequate Condition. Within this category, equipment is operational and is efficiently serving its intended function; however, the components show early signs of wear. Following prescribed maintenance procedures should hold the operability in the foreseeable future. Repair or replacement items in this category should be planned for completion within a 10- to 15-year period.

Priority 4: Good Condition. At this category, equipment is operable and/or running and efficiently serving its intended function. The component shows little sign of wear, and ongoing preventive maintenance should retain a high level of operability for the foreseeable future. Repair or replacement items in this category should be planned for beyond 15 years.

In addition to the equipment components, the WWTP infrastructure repair and replacement needs for the structural, mechanical, and electrical components were evaluated and ranked according to the same order.

7.3 Cost Estimating

The cost estimates in the report assume that construction projects will be solicited through contract bidding documents, and an independent general contractor will complete the work. Projects are organized according to the priority, grouped into process areas, assuming that all related work for structural rehabilitation, equipment replacement, mechanical, electrical,

and instrumentation work will be done concurrently. Cost factors totaling 20 percent are included for engineering design, for legal and administration, and for engineering inspection during construction.

The equipment costs provided in this report were obtained from equipment manufacturers, based on replacement costs in 2009 dollars. Equipment line items are reported as total project costs, which include factors for delivery, taxes, and general contractor installation, with associated subcontractors for mechanical and electrical accessories for a complete and operational system.

Costs for the infrastructure rehabilitation were estimated following Carollo Engineers unit cost database. Costs for the related civil work, concrete, structural steel, and all related divisions were estimated. Reported costs represent materials and installation for a completed system.

All costs in this report are in 2009 dollars. To account for inflation and for reference to future cost escalation, estimates can be indexed to the ENR CCI¹ of 9811, January 2009, Los Angeles location factor.

7.4 Priority Findings and Recommendations

The repair and replacement requirements are presented in this section in the order of priority, from the most urgent and short-term requirements (*Priority 1*) to the long-term replacement needs (*Priority 4*). Where estimated or recommended by Carollo, a general description and overview of each repair or replacement project is provided.

The projects identified under each priority are listed with estimated costs in Tables 6 through 9.

Details of the cost estimates for the findings and recommendations are included in Appendix A.

7.4.1 Priority 1 Recommendations

In the Operational Evaluation Report (April 2006), there are no urgent repairs (*Priority 1*) identified for the process areas of the plant. However, more recent investigations at the plant during 2008 and 2009 have identified several process-related upgrades and major electrical upgrades considered to be Priority 1 projects or projects urgently needed to ensure reliability of the treatment system. In addition, several projects are identified by the City to improve the plant's overall energy efficiency.

For the process areas of the plant, the City and Veolia have routinely been completing the most important *capital repair and replacement* projects. Major capital improvements projects already identified and budgeted by the City, to be completed by Veolia are not

¹ Construction Cost Index (CCI) published by Engineering News Record (ENR).

developed in this study. However, the estimated costs for these projects have been provided by the City or Veolia and are included in Table 6 as Priority 1 capital projects. These urgent projects for the plant's process areas include:

- Digester No. 1 (65-foot diameter) interior coating, heating, and mixing upgrade.
- Redundant boiler and gas system repairs (per separate Carollo Technical Memo, dated June 2009).
- Belt press filtrate pump station upgrade.
- Plant reclaimed water pump station upgrade.
- Digester gas treatment system.
- Fuel cell purchase and installation.
- New gas flare.
- Digester No. 2 dome replacement.

In addition to process upgrades, the following civil or collection system projects have also been identified by the City as urgent, and are included in the Priority 1 cost estimate:

- New Perimeter Security Fence and Gates.
- Purchase of Property for Influent Line Easement.
- Water System Upgrade for Fire Protection.
- East Side Storm Drain Line.
- New Septage Receiving Station.
- New FOG Receiving Station.
- New Access Road and Signal.
- WWTP Facility Plan (for detailed planning implementation of Priority 2 projects).

The Priority 1 repairs recommended for the electrical distribution system are described in the "Immediate Time Frame" section of Appendix B - Electrical Power Distribution System Evaluation and the amended letter report from Beecher Engineering, dated March 2008.

Table 6 Priority 1 - Capital Repair and Replacement Projects		
Capital Repair and Replacement Plan		
City of Palm Springs WWTP		
PROJECT	PRIORITY 1 (1- to 5-Year Projects)	ESTIMATED PROJECT COST ⁽¹⁾
Digester 1 Upgrade*	Replace gas compressors with external pumped mixing system, replace digester heat exchanger, and upgrade digester accessories. Repair cracks in digester roof, rehabilitate and coat internal concrete, patch external concrete.	\$1,800,000
Boiler and Gas Piping Repair	Add redundant hot water boiler and replace plugged and corroded digester gas piping between digesters and flare.	\$390,000
Plant Reclaimed Water Pump Station Upgrade*	Replace pump motors, power, and control systems, and add variable frequency drives (VFDs) to the pumps for speed control to match demand and limit starting and stopping of the pumps. Replace the discharge header and valves with new equipment.	\$650,000
New Perimeter Security Fence and Gates*	Replace fence with new barbed-wire chain link fence. Replace gates with card-access controlled motorized gates.	\$1,000,000
Purchase of Property for Influent Line Easement*	Purchase real estate adjacent to headworks for influent line easement.	\$3,000,000
Electrical System Improvements ⁽²⁾	Replace incoming power service and switchgear with new service and consolidate metering. Replace failing duct banks with new electrical duct bank system. Replace obsolete MCCs with new MCC equipment. (see Appendix B for details of electrical upgrades)	\$3,600,000
Water System Upgrade for Fire Protection*	Add new potable water line onto the plant site for improved flow capacity for fire protection.	\$500,000
East Side Storm Drain Line*	Add storm drain line on east side of plant site to convey storm water from area north of plant to drainage channel on south side.	\$1,500,000
Filtrate Pump Station Upgrade*	Upgrade or replace the small submersible pump station used to pump belt press filtrate and drying bed decant water back to the plant headworks.	\$500,000
WWTP Facility Plan*	Complete a facility plan developing and defining the process improvements planned as Priority 2 projects, including the new headworks, primary clarifiers, primary effluent pump station, and odor control facilities, as well as potential future projects.	\$250,000
Septage Receiving Station*	Add septage receiving station to monitor and screen septage from hauling trucks.	\$500,000
Access Road*	Add asphalt access road with traffic signal to allow access to the plant property from Gene Autry Trail in the southeast corner of the plant site.	\$500,000

Table 6 Priority 1 - Capital Repair and Replacement Projects Capital Repair and Replacement Plan City of Palm Springs WWTP		
PROJECT	PRIORITY 1 (1- to 5-Year Projects)	ESTIMATED PROJECT COST ⁽¹⁾
Digester Gas Treatment System*	Install new biogas treatment system to remove hydrogen sulfides, sologans and other impurities from the digester gas, so that it can be used in the boilers and fuel cell without corrosion issues.	\$2,000,000
Fuel Cell	Install fuel cell near existing digesters to convert methane gas from digester process and gas treatment system to electrical power.	\$4,060,000
Gas Flare*	Add new larger capacity flare to replace existing waste gas flare.	\$1,000,000
FOG Receiving Station	Receiving station to accept FOG and food waste from local haulers. Includes receiving station, storage vessels and pumping equipment to pump liquid waste to anaerobic digestion process.	\$1,600,000
Digester No. 2 Dome Replacement	Replace floating steel digester dome with new coated steel dome. Replace digester gas piping and accessories connected to dome.	\$1,050,000
Priority 1 Projects Total		\$23,900,000
Notes: (1) Refer to Appendix A for details of Estimated Project Costs. (2) Refer to Appendix B for details of electrical system improvements. * Projects planned and estimated by the City or by Veolia		

7.4.2 Priority 2 Recommendations

The headworks area is a highly corrosive environment, and equipment is subject to rapid wear. The mechanical bar screen currently in operation was installed in 2001 and is in relatively good condition, although it allows some rags and stringy materials to pass. In addition to the mechanical screen, there is a manually cleaned bar rack, but no redundant mechanical screen. This arrangement is unusual for a plant of this size. Considering the current state of the screening equipment, the treatment plant will operate more efficiently with less risk of overflows and with improved health and safety conditions for the staff, if the bypass manual bar rack is replaced with a redundant mechanical bar screen and screenings compactor. With a redundant mechanical bar screen, one unit will always be in operation with the second unit as a redundant standby. Further, replacing the existing mechanical screen, and having two new mechanical bar screens will significantly improve the ability to perform routine maintenance on the units and will significantly improve reliability of the headworks and reduce pass-through of rags and other debris which cause problems downstream.

The concrete and steel cover plates in the influent channel and the headworks area show signs of corrosion. Although some of this corrosion may have been caused by pre-chlorination (a process no longer practiced at the WWTP), repairs should be conducted to restore the concrete. If concrete corrosion is not addressed, it can reach the internal concrete reinforcing and require extensive costs for repair. Also, corrosion of cover plates and gratings poses a safety hazard. Further, due to the proximity of the headworks to the park, serious consideration should be given to covering the unsightly headworks equipment and dumpsters and containing and treating the strong foul odors from the screening and grit removal processes.

As an alternative to expanding and repairing the existing headworks, the alternative of constructing a new headworks to replace the existing headworks should be further evaluated. This option would also address the issues presented by the flat sewer line bringing influent flow to the plant. This line is surcharged with very slow flow through the last three manholes as it enters the plant, which allows solids to settle and increases odors and corrosion. The City has suggested the addition of a new line to increase the slope. A new headworks can also accommodate such a change. The new headworks alternative was recommended in the 1995 JMM Report and would provide for better odor control and easier maintenance than expanding the existing headworks. Table 7 includes the cost of a new headworks, based on new structures for flow metering, screening and grit removal, and a new building to house the screening and grit washing and handling equipment. Odor control for the new headworks, including covers, fans and a new bulk-media biofilter for the foul air is also included in the cost estimate.

Similar to the plant's headworks, the existing rectangular primary clarifiers and their chain-and-flight mechanisms require frequent maintenance. The primary clarifiers, due to their

relatively shallow design are also the process that limits the plant's overall solids removal capacity. When a primary clarifier is out of service, a frequent condition due to the poor reliability of the mechanisms, the overflow rates in the remaining clarifiers inhibit the settling of solids. Veolia has had recent issues with controlling the solids blankets in these clarifiers. With poor removal rates, solids carried downstream to the trickling filters and secondary clarifiers have resulted in upsets that send high concentrations of solids to Desert Water Agency's off-site filtration plant and to the percolation ponds. Discharging these solids has nearly violated the plant's waste discharge requirements for average and maximum monthly TSS on several occasions.

Due to the critical nature of the primary clarifiers' contribution to solids removal and overall treatment efficiency, construction of new, deeper primary clarifiers with more reliable circular mechanisms was investigated. When the hydraulics of the existing headworks and primary effluent lift station is considered, the addition of a new headworks and primary clarifiers will also likely require the addition of a new primary effluent lift station to pump the primary effluent from the new lower primary clarifiers to the existing trickling filter splitting structure. The new primary effluent pump station would also offer the opportunity to install new, more efficient pumps. This pump station represents the highest use of energy at the plant, therefore significant improvements to efficiency would reduce the plant's overall power consumption.

Table 7 includes costs for a new treatment train, consisting of headworks, two circular primary clarifiers with sludge pump station and odor control, and a new primary effluent lift station. The costs are planning-level costs, estimated based on other recent, similar projects bid and constructed in California. It is assumed that details of the new treatment train will be further developed and defined in a site facility plan, which will consider space requirements, soil conditions, potential future construction needs, etc.

Table 7 also includes the cost of rehabilitation of the submerged portions of the secondary clarifier mechanisms and the sludge pumps and piping located on these mechanisms. According to plant staff, the existing mechanisms are experiencing accelerated corrosion at and below the water surface, and the pumps and piping are corroded in places and require frequent maintenance. Similar travelling bridge mechanisms are still available from major equipment manufacturers and upgrade of these clarifier mechanisms should be considered to improve overall treatment reliability.

Other miscellaneous infrastructure improvements included as Priority 2 include pavement replacement around the site, and paving the drying beds that remain un-paved.

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Table 7 Priority 2 - Capital Repair and Replacement Projects Capital Repair and Replacement Plan City of Palm Springs WWTP		
PROJECT	PRIORITY 2 (5- to 10 Year Planning Period Projects)	ESTIMATED PROJECT COST ⁽¹⁾
New Headworks	New structure for flow metering, screening and grit removal. New building for grit classification, storage and screenings washing, compacting and bin storage. Odor control covers, fans and ducting and bulk media biofilter for odor scrubbing.	\$5,920,000
Circular Primary Clarifiers	Two new circular primary clarifiers (90-foot diameter) with circular clarifier mechanism, new primary sludge pump station. Odor control covers, fans and ducting and bulk media biofilter for odor scrubbing.	\$9,050,000
Primary Effluent Pump Station	New primary effluent pump station with vertical turbine, mixed flow pumps and, covered and scrubbed wet well area. New yard piping and tie-ins with existing trickling filter splitter structure.	\$2,910,000
Secondary Clarifier Upgrades	Replace travelling bridge mechanisms and sludge pumps.	\$2,010,000
General Site Pavement Replacement	Pavement replacement project for all plant roadway and parking area pavement.	\$720,000
Pave Drying Beds	Add asphalt pavement to the floor of drying beds 13-18 and 19-26, to replace the existing sand bottoms in the beds.	\$710,000
<i>Priority 2 Projects Total</i>		\$21,320,000
Notes: (1) Refer to Appendix A for details of Estimated Project Costs.		

7.4.3 Priority 3 Recommendations

Priority 3 projects include projects slated for construction in the period between 10 years and 15 years from the date of this report, and are included in Table 8. To increase digester capacity to correspond to increased loading, if the proposed FOG receiving program is successful and expanded, a new digester is also included in the planning costs. This digester could be a third conventional digester or could be a smaller, acid-phase digester, with associated heating and mixing systems.

In this same time frame, replacement of some of the plant's remaining mechanical equipment is planned. The gravity thickener mechanisms should be scheduled for replacement at this time. The thickeners, like the digesters, are subject to wear and corrosion. Maintenance should be completed during the period ahead of the scheduled replacement to ensure the equipment lasts. The thickener tanks were observed to have protective coatings on the concrete. The condition of the coatings and signs of corrosion should be investigated further. At the time of the thickener mechanism replacement, addition of the trickling filter snail removal system (from the secondary sludge) should also be considered further.

Similarly, the trickling filter mechanisms will have reached the end of their expected useful lives within 10 to 15 years and are scheduled for replacement. Replacement costs include new motorized trickling filter mechanisms, to allow speed control for improved flushing capabilities in the trickling fillers.

7.4.4 Priority 4 Recommendations

The projects listed in this category cover items that appear to be in sound operating condition, but they can be expected to be at the end of the effective service life in approximately 15 to 20 years.

The existing belt filter press that is used for solids dewatering is in relatively sound condition and is expected to last for 15 years or more with proper maintenance. Addition of a centrifuge or screw press for additional dewatering capability under an outdoor canopy will likely be required in the 15- to 20-year period, and costs are included in Table 9 for this addition.

Also included in the Priority 4 projects are a new Administration Building at the treatment plant and three new collection system upsizing projects, as identified by the Sanitary Sewer System Master Plan Update adopted by the City Council on July 15, 2009.

Table 8 Priority 3 - Capital Repair and Replacement Projects Capital Repair and Replacement Plan City of Palm Springs WWTP		
PROJECT	PRIORITY 3 (10- 15-Year Planning Period Projects)	ESTIMATED PROJECT COST ⁽¹⁾
Third Digester	Add third digester with new heating and mixing building and new digested sludge transfer pump station. Includes new gas storage and treatment system, yard piping and site improvements.	\$7,200,000
Trickling Filter Upgrades	Replace the plant's four trickling filter mechanisms with new mechanisms.	\$1,560,000
Gravity Thickener Upgrades	Replace and coat collector mechanisms in gravity thickeners 1 and 2. Replace thickened sludge pumps. Repair internal concrete coatings, repair cover support beams, and cover plates.	\$1,400,000
Priority 3 Projects Total		\$10,160,000
Notes: (1) Refer to Appendix A for details of Estimated Project Costs.		

Table 9 Long Term Capital Repair and Replacement Projects Capital Repair and Replacement Plan City of Palm Springs WWTP		
PROJECT	PRIORITY 4 (Long Term Planning Period)	ESTIMATED PROJECT COST ⁽¹⁾
Administration Building	Demolish existing administration building and replace with new 3000 SF building, including new control room and SCADA workstations.	\$1,560,000
Sludge Centrifuge	Add new sludge centrifuge in the vicinity of the existing sludge dewatering belt press. Cost assumes centrifuge will be installed in a similar outdoor installation with weather canopy and no equipment is required to convey digested sludge or dewatered cake.	\$1,490,000
Indian Canyon Drive Collection System Upsize*	Upsize existing gravity sewer per City's Collection System Master Plan.	\$2,416,000
Palm Canyon Drive Collection System Upsize*	Upsize existing gravity sewer per City's Collection System Master Plan.	\$1,804,000
Crossley Collection System Upsize*	Upsize existing gravity sewer per City's Collection System Master Plan.	\$4,414,000
Priority 4 Projects Total		\$11,684,000
Notes: (1) Refer to Appendix A for details of Estimated Project Costs. * Projects planned and estimated by the City or by Veolia		

8.0 SUMMARY AND RECOMMENDATIONS

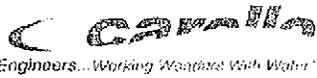
Portions of the City of Palm Springs WWTP are 46 years old. The facilities are currently operating well and meeting the effluent standards in the WDR permit. However, the end of the expected service life is in the foreseeable future for much of the process equipment and the infrastructure. This report provides a general plan to schedule and budget future WWTP repair and rehabilitation requirements so the assets can continue to provide useful service for the next 20 to 30 years. While Veolia Water practices preventative maintenance to ensure the longevity of the infrastructure and plant equipment, these assets are now approaching the time when extensive rehabilitation and replacement will be required.

The overall plan and cost estimates for the short-term and long-term repair requirements are summarized in Table 10.

October 2009

Table 10 Summary – Capital Repair and Replacement Costs Capital Repair and Replacement Plan City of Palm Springs WWTP				
Project	Priority 1 (1-5 years)	Priority 2 (5-10 years)	Priority 3 (10-15 years)	Priority 4 (15-20 years)
Digester No. 1 Rehabilitation	\$1,800,000			
Redundant Boiler Addition and Gas Piping Repair	\$390,000			
Plant Reclaimed Water Pump Station Upgrade	\$650,886			
New Perimeter Security Fence and Gates	\$1,000,000			
Purchase of Property for Influence Line Easement	\$3,000,000			
Electrical System Improvements	\$3,600,000			
Water System Upgrade for Fire Protection	\$500,000			
East Side Storm Drain Line	\$1,500,000			
Fillrate Pump Station Upgrade	\$500,000			
WWTP Facility Plan	\$250,000			
New Septage Receiving Station	\$500,000			
New Access Road with Signalized Access from Gene Autry	\$500,000			
Digester Gas Treatment System	\$2,000,000			
Fuel Cell Purchase and Installation	\$4,060,000			
New Gas Flare	\$1,000,000			
FOG Receiving Station	\$1,600,000			
Digester No. 2 Dome Replacement	\$1,050,000			
New Headworks		\$5,920,000		
Two New Circular Primary Clarifiers with Sludge Pump Station		\$9,050,000		
New Primary Effluent Pump Station		\$2,910,000		
Secondary Clarifier Upgrades		\$2,010,000		
General Sitework Pavement Replacement		\$720,000		
Pavement Replacement in Drying Beds 13-18 and 19-26		\$710,000		
Third Digester (Acid or Conventional)			\$7,200,000	
Trickling Filter Upgrades			\$1,560,000	
Gravity Thickener Upgrades			\$1,400,000	
New Administration Building				\$1,560,000
New Sludge Centrifuge				\$1,490,000
Indian Canyon Drive Collection System Upsize				\$2,416,000
Palm Canyon Drive Collection System Upsize				\$1,804,000
Crossley Road Collection System Upsize				\$4,414,000
PRIORITY TOTAL PROJECT COSTS	\$23,900,000	\$21,320,000	\$10,160,000	\$11,684,000

APPENDIX A – COST ESTIMATES



PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE: October-09

PROJECT COSTS SUMMARY

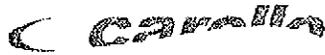
BY: TRT

PROJECT	Priority 1 1-5 Yrs	Priority 2 5-10 Yrs	Priority 3 10-15 Yrs	Priority 4 15-20 Yrs
* Digester No. 1 Rehabilitation	\$1,755,482			
Redundant Boiler Addition and Gas Piping Repair	\$390,000			
* Plant Reclaimed Water Pump Station Upgrade	\$623,886			
* New Perimeter Security Fence and Gates	\$1,000,000			
* Purchase of Property for Influent Line Easement	\$3,000,000			
** Electrical System Improvements	\$3,600,000			
* Water System Upgrade for Fire Protection	\$500,000			
* East Side Storm Drain Line	\$1,500,000			
* Filtrate Pump Station Upgrade	\$500,000			
* WWTP Facility Plan	\$250,000			
* New Septage Receiving Station	\$500,000			
* New Access Road with Signalized Access from Gene Autry	\$500,000			
* Digester Gas Treatment System	\$2,000,000			
Fuel Cell Purchase and Installation	\$4,060,000			
* New Gas Flare	\$1,000,000			
* FOG Receiving Station,	\$1,600,000			
Digester No. 2 Dome Replacement	\$1,050,000			
New Headworks		\$5,920,000		
Two New Circular Primary Clarifiers With Sludge Pump Station		\$9,050,000		
New Primary Effluent Pump Station		\$2,910,000		
Secondary Clarifier Upgrades		\$2,010,000		
General Sitework Pavement Replacement		\$720,000		
Pavcment Replacement in Drying Beds 13-18 and 19-26		\$710,000		
Third Digester (Acid or Conventional)			\$7,200,000	
Trickling Filter Upgrades			\$1,560,000	
Gravity Thickener Upgrades			\$1,400,000	
New Administration Building				\$1,560,000
New Sludge Centrifuge				\$1,490,000
* Indian Canyon Drive Collection System Upsize				\$2,416,000
* Palm Canyon Drive Collection System Upsize				\$1,804,000
* Crossley Road Collection System Upsize				\$4,414,000
PRIORITY TOTAL PROJECT COSTS***	\$23,829,368	\$21,320,000	\$10,160,000	\$11,664,000
GRAND TOTAL				\$67,000,000

* Projects planned and estimated by the City or Veolia.

** Cost based on Memorandum from Beecher Engineering (March 2008).

*** All costs estimated by Carollo are based on 2008 costs and include 20% for Engineering, Legal and Administration.



Engineers...Working Wonders With Water™

PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE : October-09

PRIORITY 1 PROJECTS - 1-5 YEAR SCHEDULE

BY : TRT

DESCRIPTION	QTY.	UNIT	UNIT PRICE	INSTALL ADJ.	TOTAL
BOILER AND PIPING UPGRADES					
New Boiler	1	LS	\$120,000	1.30	\$156,000
Engine and Equipment Demolition	1	LS	\$20,000	1.00	\$20,000
New Circulation Pump, Power and Controls	1	LS	\$25,000	1.00	\$25,000
Hot Water Piping Upgrades	1	LS	\$25,000	1.00	\$25,000
Gas Piping Replacement and Upgrades	1	LS	\$25,000	1.00	\$25,000
Subtotal					\$251,000
PROJECT TOTAL**				1.56	\$390,000
DIGESTER GAS TREATMENT SYSTEM¹	1	LS	\$2,000,000	1.00	\$2,000,000
PROJECT TOTAL***					\$2,000,000
FUEL CELL PURCHASE AND INSTALLATION²	1	LS	\$2,600,000	1.56	\$4,060,000
PROJECT TOTAL**					\$4,060,000
FOG AND FOOD WASTE RECEIVING STATION³	1	LS	\$1,600,000	1.00	\$1,600,000
PROJECT TOTAL***					\$1,600,000
DIGESTER NO. 2 DOME REPLACEMENT					
Clean digester	1	LS	\$30,000	1.00	\$30,000
Demolish existing dome	1	LS	\$50,000	1.00	\$50,000
Dome and connected equipment	1	LS	\$410,000	1.30	\$533,000
Coating	1	LS	\$60,000	1.00	\$60,000
Subtotal					\$673,000
PROJECT TOTAL**				1.56	\$1,050,000
TOTAL PRIORITY 1 PROJECT COSTS ESTIMATED BY CAROLLO					\$9,100,000

¹Based on estimate of \$1.7 million from Veolia, plus allowance for redundancy

²Based on 2008 Carollo fuel cell project - total project costs for WWTP fuel cell

³Based on estimate by Veolia of similar system in Florida

**Project Totals based on Carollo's cost estimating database include 30% Estimating Contingency plus 20% for E.L.A.

***Project Totals based on planning costs provided by the City or Veolia are assumed to include contingencies and E.L.A.



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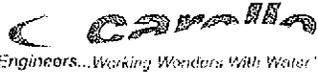
PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE: October-09

PRIORITY 2 PROJECTS - 5-10 YEAR SCHEDULE

BY: TRT

DESCRIPTION	QTY.	UNIT	UNIT PRICE	INSTALL ADJ.	TOTAL
NEW HEADWORKS¹					
Headworks Structure	1	LS	\$3,500,000	1.00	\$3,500,000
Screenings/Grit Building	1	LS	\$640,000	1.00	\$640,000
Connecting Piping	1	LS	\$130,000	1.00	\$130,000
Odor Control Fans/Piping	1	LS	\$310,000	1.00	\$310,000
Electrical	1	LS	\$350,000	1.00	\$350,000
Subtotal					\$4,930,000
PROJECT TOTAL*				1.2	\$5,920,000
TWO NEW CIRCULAR PRIMARY CLARIFIERS WITH SLUDGE PUMP STATION¹					
Primary Clarifier Structure	2	LS	\$2,100,000	1.00	\$4,200,000
Primary Clarifier Mechanism	2	LS	\$280,000	1.00	\$560,000
Primary Clarifier Covers	2	LS	\$375,000	1.00	\$750,000
Odor Control Fans/Piping	1	LS	\$310,000	1.00	\$310,000
Odor Control Scrubber (for Headworks also)	1	LS	\$825,000	1.00	\$825,000
Sludge Pump Station	1	LS	\$410,000	1.00	\$410,000
Sludge Pumps / Piping	1	LS	\$250,000	1.00	\$250,000
Electrical	1	LS	\$240,000	1.00	\$240,000
Subtotal					\$7,545,000
PROJECT TOTAL*				1.2	\$9,050,000
NEW PRIMARY EFFLUENT PUMP STATION					
Primary Effluent Pump Station	1	LS	\$630,000	1.00	\$630,000
Vertical Turbine Pumps	4	EA	\$120,000	1.30	\$624,000
Piping	1	LS	\$300,000	1.00	\$300,000
Electrical	1	LS	\$310,000	1.00	\$310,000
Subtotal					\$1,864,000
PROJECT TOTAL**				1.56	\$2,910,000
SECONDARY CLARIFIER UPGRADES					
Demolition	1	LS	\$90,000	1.00	\$90,000
Travelling Bridge Collectors	3	EA	\$180,000	1.50	\$810,000
Electrical	1	LS	\$340,000	1.00	\$340,000
Leak Repairs in Gallery and Piping	1	LS	\$50,000	1.00	\$50,000
Subtotal					\$1,290,000
PROJECT TOTAL**				1.56	\$2,010,000



PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE : October-09

PRIORITY 2 PROJECTS - 5-10 YEAR SCHEDULE

BY : TRT

DESCRIPTION	QTY.	UNIT	UNIT PRICE	INSTALL ADJ.	TOTAL
GENERAL SITEWORK PAVEMENT REPLACEMENT Entire WWTP Road Area	71000	SF	\$6.5	1.00	\$461,500
Subtotal					\$461,500
PROJECT TOTAL**				1.56	\$720,000
PAVING DRYING BEDS Pave 14 Drying Beds	70000	SF	\$6.5	1.00	\$455,000
Subtotal					\$455,000
PROJECT TOTAL**				1.56	\$710,000
TOTAL PRIORITY 2 PROJECT COSTS					\$21,320,000

¹Based on prices from projects bid in California in 2007/2008

*Project Totals based on recent bid costs include 20% for Engineering, Legal and Administration

**Project Totals based on Carollo's cost estimating database include 30% Estimating Contingency plus 20% for E.L.A.



PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE : October-09

PRIORITY 3 PROJECTS - 10-15 YEAR SCHEDULE

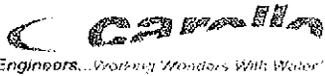
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DESCRIPTION	QTY.	UNIT	UNIT PRICE	INSTALL ADJ.	TOTAL
THIRD DIGESTER (Acid or Conventional)¹	1	LS	\$6,000,000	1.00	\$6,000,000
Subtotal					\$6,000,000
PROJECT TOTAL*				1.2	\$7,200,000
TRICKLING FILTER UPGRADES					
Replace Rotary Distributor Mechanisms	4	EA	\$160,000	1.30	\$832,000
Rehabilitate Concrete and Center Column bases	4	EA	\$30,000	1.00	\$120,000
Miscellaneous Items	1	LS	\$50,000	1.00	\$50,000
Subtotal					\$1,002,000
PROJECT TOTAL**				1.56	\$1,560,000
GRAVITY THICKENER UPGRADES					
Replace Sludge Collector Mechanisms	2	EA	\$110,000	1.30	\$286,000
Replace Thickened Sludge Pumps	4	EA	\$50,000	1.00	\$200,000
Rehabilitate Concrete/New Covers	1	LS	\$380,000	1.00	\$380,000
Miscellaneous Items	1	LS	\$30,000	1.00	\$30,000
Subtotal					\$896,000
PROJECT TOTAL**				1.56	\$1,400,000
TOTAL PRIORITY 3 PROJECT COSTS					\$10,160,000

¹Based on prices from projects bid in California in 2007/2008

*Project Totals based on recent bid costs include 20% for Engineering, Legal and Administration

**Project Totals based on Carollo's cost estimating database include 30% Estimating Contingency plus 20% for E.L.A.



PALM SPRINGS WWTP
CAPITAL REPAIR AND REPLACEMENT COSTS

DATE : October-09

PRIORITY 4 PROJECTS - 15-20 YEAR SCHEDULE

BY : TRT

DESCRIPTION	QTY.	UNIT	UNIT PRICE	INSTALL ADJ.	TOTAL
NEW SLUDGE CENTRIFUGE					
Centrifuge Pad and Sun Cover	1	LS	\$200,000	1.00	\$200,000
Centrifuge Equipment	1	LS	\$450,000	1.20	\$540,000
Conveyor	1	LS	\$90,000	1.30	\$117,000
Misc. Mechanical & Electrical	1	LS	\$100,000	1.00	\$100,000
Subtotal					\$957,000
PROJECT TOTAL**				1.56	\$1,490,000
NEW ADMINISTRATION BUILDING					
Demolition	1	LS	\$50,000	1.00	\$50,000
New building	3000	SF	\$300	1.00	\$900,000
Misc. Mechanical & Electrical	1	LS	\$50,000	1.00	\$50,000
Subtotal					\$1,000,000
PROJECT TOTAL**				1.56	\$1,580,000
INDIAN CANYON DR COLLECTION SYSTEM UPSIZE¹	1	LS	\$2,416,000	1.00	\$2,416,000
PROJECT TOTAL***					\$2,416,000
PALM CANYON DR COLLECTION SYSTEM UPSIZE¹	1	LS	\$1,804,000	1.00	\$1,804,000
PROJECT TOTAL***					\$1,804,000
CROSSLEY ROAD COLLECTION SYSTEM UPSIZE¹	1	LS	\$4,414,000	1.00	\$4,414,000
PROJECT TOTAL***					\$4,414,000
TOTAL PRIORITY 4 PROJECT COSTS					\$11,684,000

¹Project priority, costs and details to be confirmed by the City

**Project Totals based on Carollo's cost estimating database include 30% Estimating Contingency plus 20% for E.L.A.

***Project Totals based on planning costs provided by the City or Veolia are assumed to include contingencies and E.L.A.

**APPENDIX B – ELECTRICAL POWER DISTRIBUTION SYSTEM
EVALUATION**

City of Palm Springs
Wastewater Treatment Plant
Electrical Power Distribution System Evaluation
FINAL REPORT



April 2007

PURPOSE

On October 26, 2006, the City of Palm Springs Wastewater Treatment Plant was visited to determine the condition of the existing electrical power distribution equipment and infrastructure. The purpose of this report is to summarize these conditions and provide recommendations for immediate repair and replacement along with future repair and replacement within the next 5, 10, 15 and 20 year time frames.

INSPECTION SUMMARY (BY AREA)

Administration Building

The existing Administration Building includes an electrical room which houses the original plant Square D main switchboard. The gear has been in service since approximately 1960. Directly to the left of the main switchboard equipment is a Square D Model 4 motor control section, manufactured in the late 1970's/early 1980's.

Based on discussions with Staff, there are no significant maintenance problems with either the switchboard or motor control center equipment located in this area. Visually, both pieces of equipment appear to be in good condition and no evidence of corrosion or deterioration is visually evident. Due to the age of the equipment, particularly the switchboard, replacement parts may be difficult to obtain in the future if a failure occurs. Replacement of switchboard components, such as a circuit breaker, will likely require a field retrofit of the internal compartment mounting frame to accommodate the installation of a modern molded case circuit breaker.

Directly across and facing the switchboard and motor control center equipment are a heating furnace and hot water heater. This mechanical equipment includes water and natural gas connections, which are not permitted to occupy electrical rooms based on present day National Electrical Code (NEC) requirements. Since the facility was likely constructed prior to any such NEC constraints, there is no immediate requirement to retrofit the installation at this time. Any future replacement or addition of electrical equipment within this room, however, will require that present-day NEC requirements be considered.

Within the electrical room, there are various locations where subsequent electrical installations are blocking ready access to the switchboard equipment. These subsequent installations appear to have been installed recently and are in violation of NEC clearance requirements for the switchboard equipment.

The switchboard includes a utility power metering section which appears to have been the original plant main incoming section. During subsequent plant expansion work, the main utility service metering was relocated to another area within the plant. The utility meter socket in this switchboard is exposed and there are unused openings in the compartment front door.

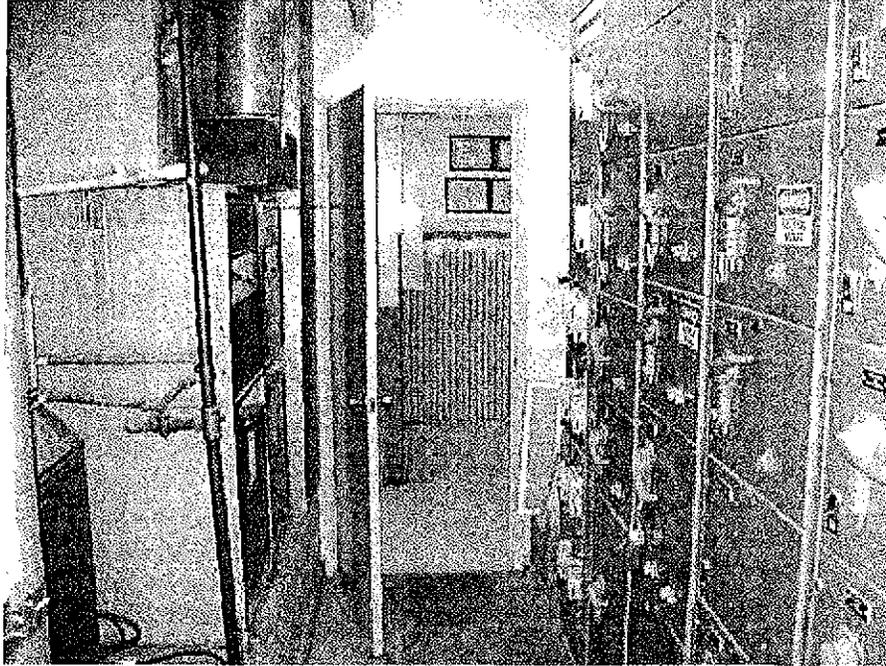


Figure 1 – Furnace and Water Heater in Administration Bldg. Electrical Room



Figure 2 – Switchboard Front Access Interference in Administration Bldg.



Figure 3 – Exposed Meter Socket and Unused Openings in Administration Bldg. Switchboard

Headworks

A NEMA 3R, Westinghouse Five Star outdoor motor control center is located in the Headworks Area (manufactured in 1982). Staff has reported that there are no significant maintenance problems with the motor control center equipment. The equipment appears to be in good condition based on visual inspection.

Clearance between the front of the motor control center and blower equipment does not meet NEC requirements. Full opening of a motor control center enclosure door is impeded by the blower equipment housekeeping pad.



Figure 4 – Headworks Motor Control Center Door Interference

West Secondary Pump Station Variable Frequency Drive Building

The equipment consists of two General Electric variable frequency drives, operated in conjunction with motor contactors to allow for “switching” of the two drives over three pumps. The drive and contactor system was installed in 1982.

Staff has reported that maintenance problems associated with the drive equipment are rare, primarily due to the infrequent use of the equipment. According to Staff, power costs for operating the equipment are significant and use of the East Secondary Pump Station engine-driven pumps is the normal operating condition for the facility.

The variable frequency drive equipment appears to be in good condition based on visual inspection and the interior of the room is clean. The drive system is installed along one wall of the building, with the opposite wall set up for future installation of an identical drive line-up. This is evidenced by conduit stub-ups along the opposite wall floor.

The drive system technology is outdated and replacement parts for internal power and control electronics will likely require custom fabrication. Should a circuit board failure occur, replacement lead time will likely cause the equipment to be out of service for an extended period of time. Costs associated with custom-fabrication of internal electronic parts and circuit boards are unknown but will likely be significant.

The motor contactor switching compartment contains various motor contactors mounted on a common backplane within a single cabinet. Since all three of the pumps obtain primary power from this cabinet, a single failure within the compartment may prevent operation of all three West Secondary Pump Station pumps.

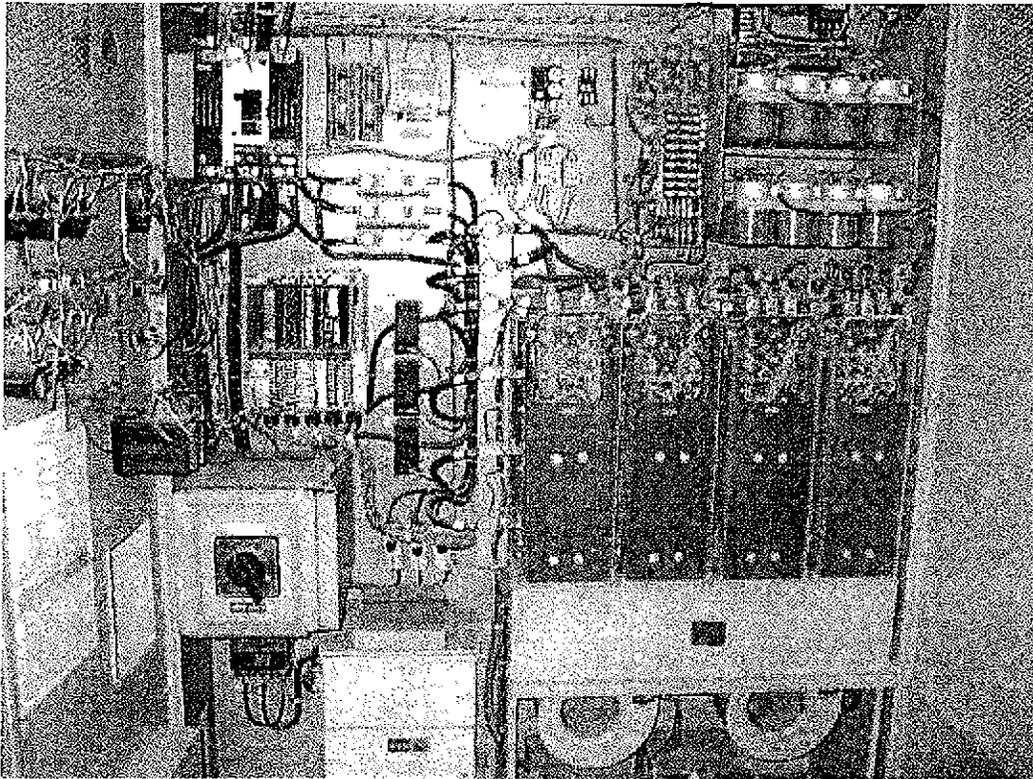


Figure 5 – West Secondary Pump Station Variable Frequency Drive

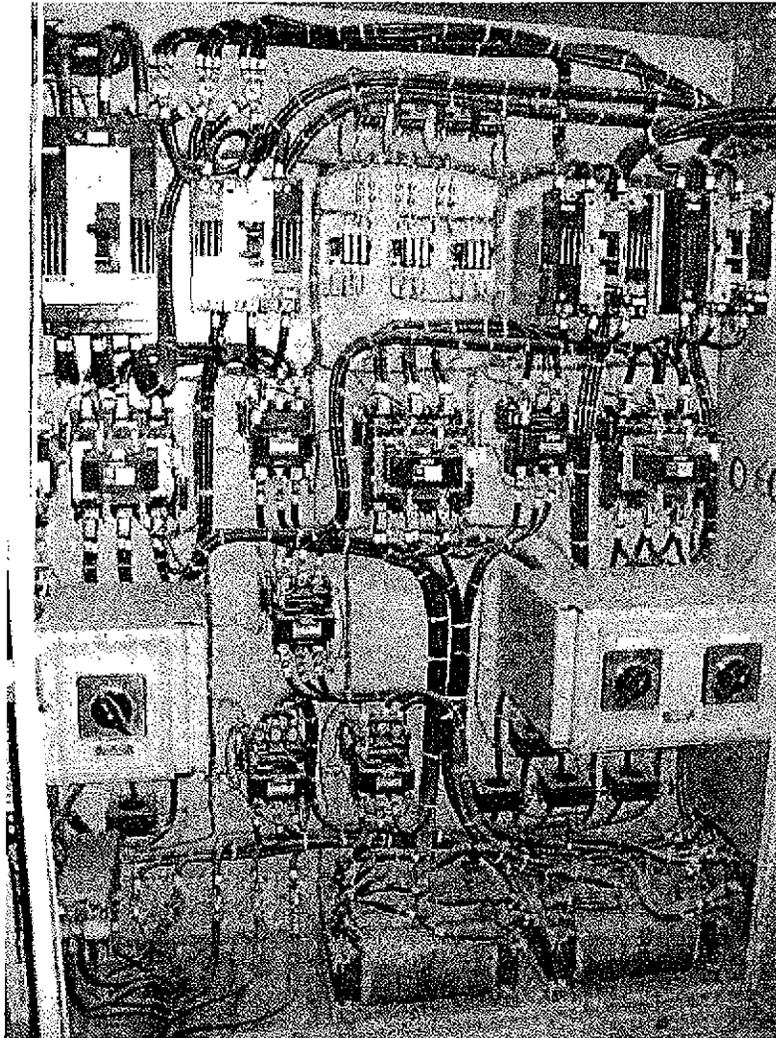


Figure 6 – West Secondary Pump Station Motor Contactor “Switching” Compartment

Maintenance Building

The main utility power service switchboard is located in this building. The main switchboard is rated for 1600 amperes at 480 volts, Square D “Power Style” (manufactured in 1978). Connected to the main switchboard is an ASCO automatic transfer switch with a 285kW Caterpillar diesel engine-driven standby generator. Also connected to the main switchboard is a gas engine cogeneration unit which is located in the Energy Recovery Building. The standby source feed from the automatic transfer switch is configured to only provide standby power to motor control center “IMCC”, also

located within the Maintenance Building. The cogeneration source is configured for a “buy/sell” power agreement with Southern California Edison. Presently, the cogeneration unit is not operational, due to AQMD concerns, and according to Staff, no plans currently exist to re-commission the cogeneration system.

The power distribution equipment located in this area appears to be in good condition based on visual inspection and Staff have not encountered any major maintenance issues other than parts availability for motor control center “#1MCC”. The motor control center is a Square D, Model 4. Staff has reported that compartment plug-in units are not readily available and experience has shown that only used replacement parts are commercially available.

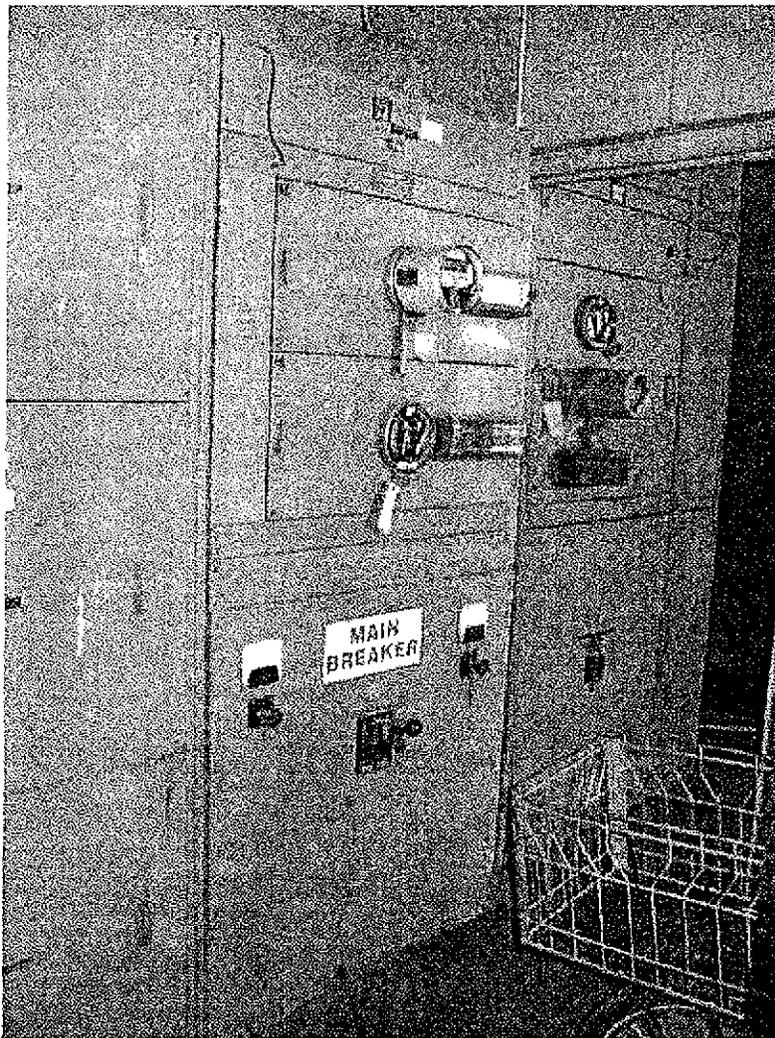


Figure 7 – Main Service Switchboard at Maintenance Building

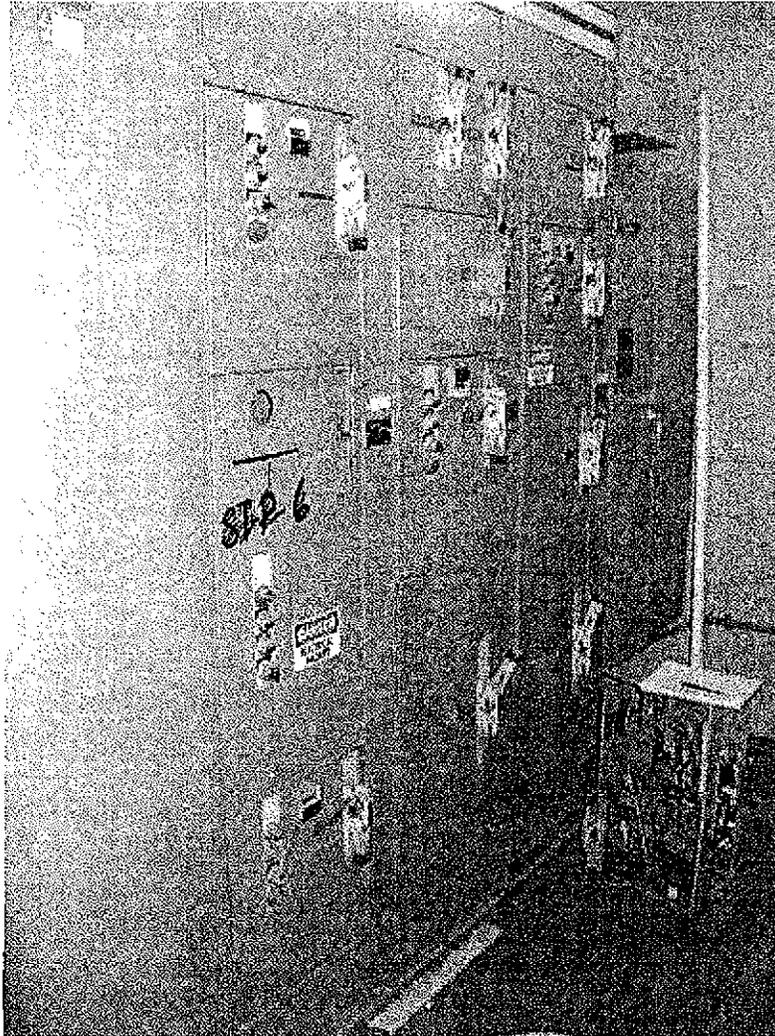


Figure 8 – Motor Control Center “#1MCC” at Maintenance Building

Solids Equipment Motor Control Center Room

The motor control center in this room is a Westinghouse Five Star (manufactured in 1982). The motor control center is in good condition based on visual inspection and no significant maintenance problems have been reported by Staff.

High pressure sodium lighting fixtures are currently installed within this room. The lighting level is quite low and the light quality is poor due to the H.I.D. lamps.

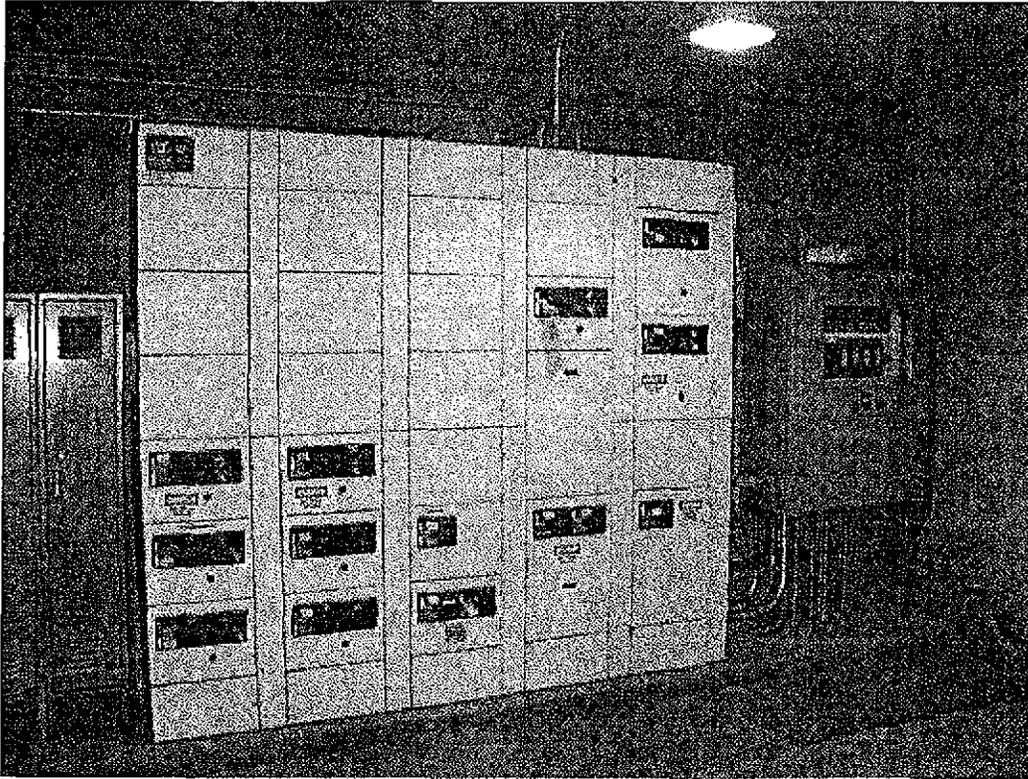


Figure 9 – Solids Equipment Motor Control Center

Secondary Gallery

There are two motor control centers located within this area; one in the “upper” level of the gallery and one in the “lower” level of the gallery (2MCC-A).

The “upper” level motor control center is a Square D Model 4 (manufactured in 1978) and is housed in a NEMA 3R enclosure. The equipment is in good condition based on visual inspection with the exception of the lower portion of the enclosure. There is evidence of minor flooding within the area around the equipment which has caused significant rusting of the equipment exterior around the bottom. The motor control center is missing wireway covers along the top. Also, the monorail in the area is routed through the dedicated front access space for the motor control (based on National Electrical Code clearance requirements).



Figure 10 – Secondary Gallery “Upper” Level Motor Control Center

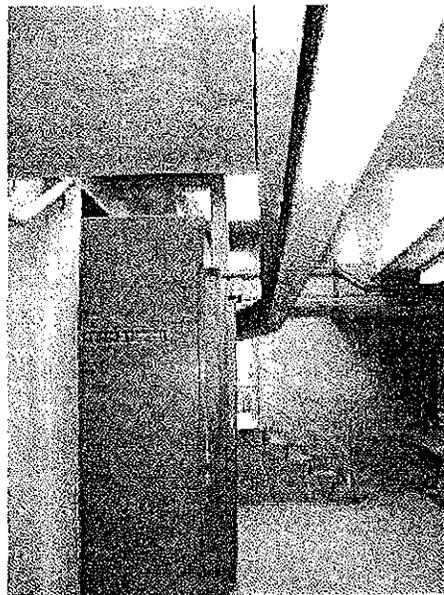


Figure 11 – Secondary Gallery “Upper” Level Motor Control Center Monorail Conflict

The “lower” level motor control center (2MCC-A) is a Westinghouse Five Star (manufactured in 1982). The exterior enclosure has drip marks which appear to be originating from leaks around an overhead access hatch. The moisture from this overhead leak is beginning to cause corrosion of the motor control center enclosure and top-mounted entrance conduits.

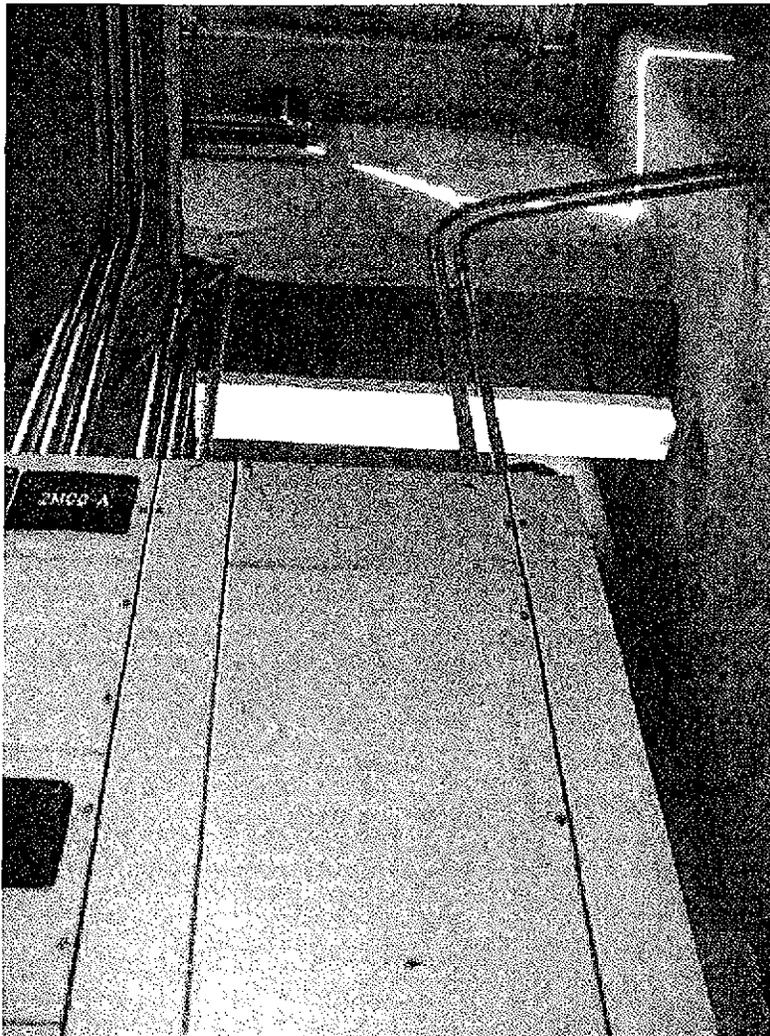


Figure 12 – Secondary Gallery “2MCC-A” Overhead Leak Evidence

Energy Recovery Building

There are several pieces of electrical power distribution equipment located in this area including an RSE-Sierra outdoor metering switchboard, Caterpillar G398, 225kW gas engine-driven generator and two motor control centers (MCC-B-E and MCC-B), both Westinghouse Five Star (manufactured in 1982).

According to Staff, the cogeneration system has not been operational for some time and no plans exist to re-commission the system. The cogeneration engine and outdoor metering switchboard appear to be in good visual condition.

There is an existing storage cage located directly in front of the motor control center equipment which violates National Electrical Code clearance requirements. Also, there is aftercooler gas piping located within the same room as the motor control centers. NFPA 820 requires that any room which contains gas handling equipment be classified as a Hazardous Location. Electrical equipment located within a Hazardous Location is required to be housed in a NEMA 7 enclosure and be fitted with EYS conduit seals for all conduits entering/exiting the Hazardous Location. The existing motor control centers have NEMA 1 enclosures, which are not suitable for installation in a Hazardous Location.



Figure 13 – Energy Recovery Building Front Access Space Conflict

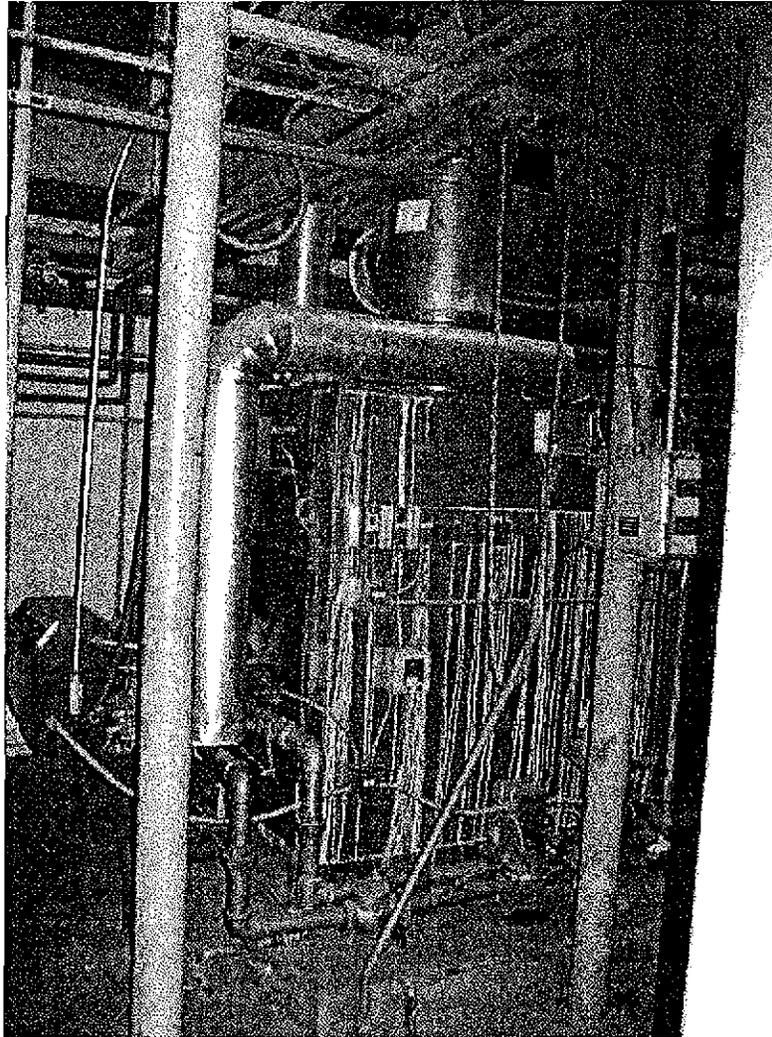


Figure 14 – Energy Recovery Building Gas Handling Equipment

East Secondary Pump Station

The East Secondary Pump Station includes motor control center “3MCC-A” which consists of both Westinghouse Five Star (manufactured in 1982) and Square D Model 4 (manufactured in 1978) equipment. The motor control center equipment has significant internal and external corrosion caused by water intrusion from top mounted conduits.

Staff have installed an internal plastic shield in the far right motor control center PLC compartment to mitigate failures from water intrusion.

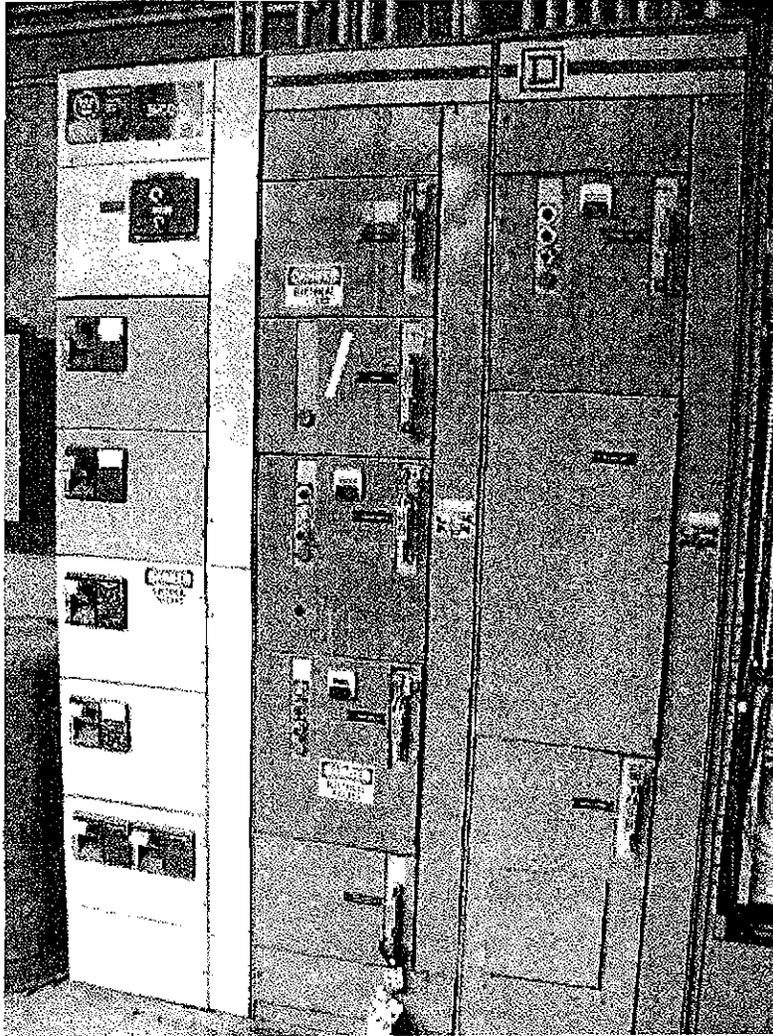


Figure 15 – “3MCC-A” Located in the East Secondary Pump Station

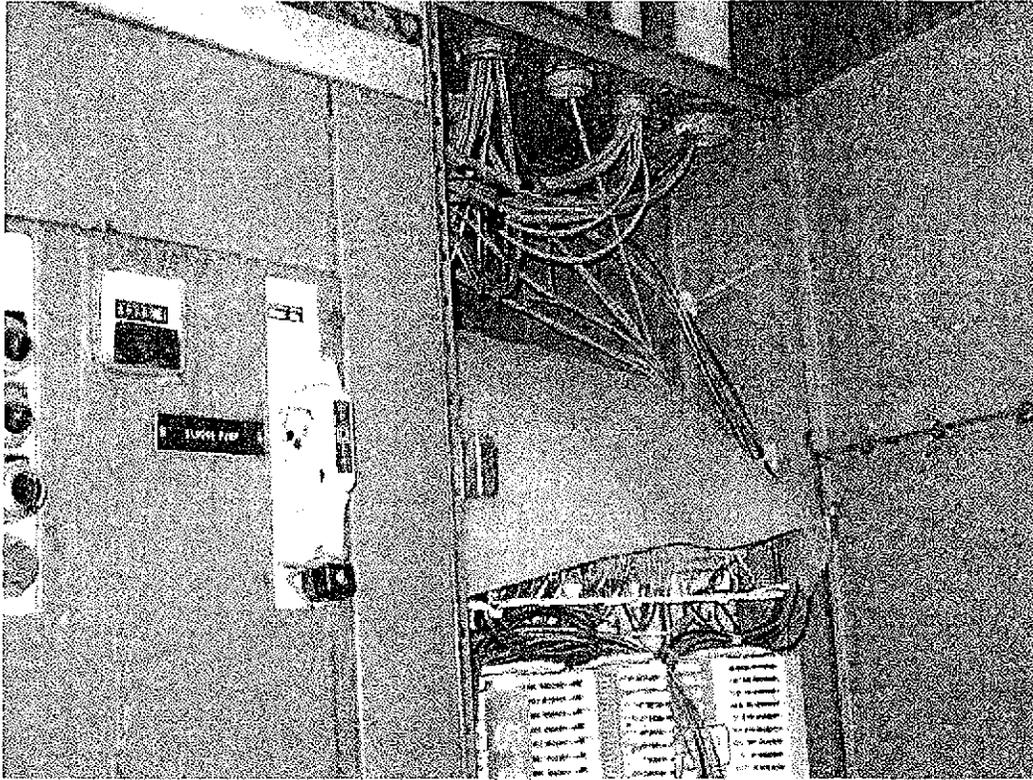


Figure 16 – “3MCC-A” PLC Compartment Water Intrusion Shield

Underground Electrical Ductbank System

Reoccurring conductor failures within the existing underground electrical ductbank system were reported by Staff. In most repair situations, wholesale removal of the failed conductors was not possible due to the conductors being “frozen” within the underground conduit system. This led to the installation of a conductor “patch” to replace the failed portion of the conductor run, with wire nut splices utilized within the existing underground pullboxes. Pullboxes which were inspected are relatively small with the internal space significantly crowded with existing conductors and cable. Staff reported that there have been multiple underground wiring failures addressed within the past year of facility operation.

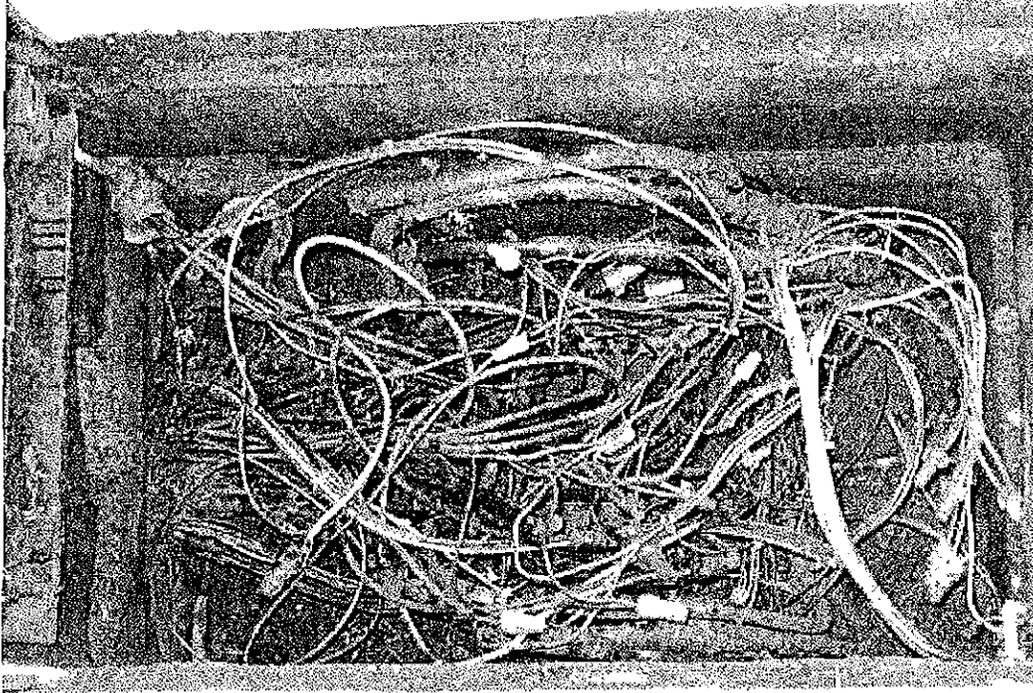


Figure 17 – Underground Ductbank System Pullbox Interior

Repair and Replacement Recommendations

Immediate Time Frame

1. Install cover on unused utility metering socket at Administration Building switchboard.
2. Install plugs and covers for all unused motor control center and switchboard door compartment openings for entire facility.
3. Add seal to access hatch located directly above “2MCC-A” to prevent water leaking on top of motor control center equipment.
4. Obtain spare bucket plug-in units for Square D Model 4 motor control center equipment to facilitate future repairs and maintenance. Staff has reported that these plug-in units are only commercially available as refurbished, used equipment.
5. Install missing wireway covers on “Upper” level motor control center within Secondary Gallery.

6. Modify routing of conduits which enter the top of the East Secondary Pump Station motor control center. It is recommended that these conduits be re-routed to the side of the motor control center with an open bottom pullbox to allow for water drainage before entering the motor control center.
7. Retain the services of an electrical testing firm to perform comprehensive testing of all existing power distribution equipment (i.e. motor control centers and switchboards, existing grounding system and conductors. Testing activities should be specified to follow NETA recommendations.

Five-Year Time Frame

1. Modify the blower pad location at the Headworks to comply with National Electrical Code clearance requirements and allow full opening of the motor control center enclosure doors.
2. Wholesale replacement of the underground electrical ductbank and wiring system. It is recommended that alternative ductbank routes be designed to allow for concurrent operation of the existing underground ductbanks with the newly installed ductbanks to minimize impacts to plant operation.
3. Replace variable frequency drive and switching equipment at the West Secondary Pump Station Variable Frequency Drive Building with modern variable frequency drive equipment. It is recommended that dedicated variable frequency drives be provided for each of the West Secondary Lift Pumps. (This project should be coordinated with supplying emergency standby power to the West Secondary Pump Station. A detailed study of standby power requirements and availability should be conducted, but such a study was beyond the scope of this evaluation).
4. Replace existing high pressure sodium lighting fixtures with fluorescent fixtures in Solids Equipment Motor Control Center Room.
5. Relocate storage cage within Energy Recovery Building to comply with National Electrical Code front clearance requirements for electrical equipment.
6. Install gas detection equipment with interior and exterior alarm horns and lights at the Energy Recovery Building. Presently, the use of NEMA 1 motor control centers is "grandfathered" in since NFPA 820 was adopted as a code well after the initial construction of the facility. The use of gas detection and alarming is recommended as a personnel safeguard but is not required by code unless significant modifications are made to the area.

Beyond Five-Year Time Frame

1. Relocate mechanical equipment (i.e. water heater and furnace) out of the electrical room at the Administration Building.
2. Simplify the power distribution system by removing all power distribution equipment associated with the non-operational cogeneration system. This is

recommended to save long-term maintenance costs and enhance system reliability by removing unused portions of the power system. This recommendation is only valid provided that a long-term decision is made to not commission the existing cogeneration system equipment.

3. Relocate the monorail at the Secondary Gallery to comply with National Electrical Code clearance requirements for electrical equipment.

Technical Memorandum

2008 Digester No.1 Improvements Project

Electrical Power Distribution System Analysis

Prepared for:
City of Palm Springs
March 2008

Prepared by:
Beecher Engineering
and Carollo Engineers

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1.0 Purpose

The purpose of this memorandum is to evaluate electrical load connection alternatives for new digested sludge mixing and recirculation pumping equipment included as part of the "2008 Digester No.1 Improvements Project". As part of this memorandum, existing electrical power distribution equipment identified in the "Electrical Power Distribution System Evaluation Report" (April 2007) shall be evaluated for replacement provided that a replacement "opportunity" exists as part of this project.

2.0 Projected New Electrical Load Requirements

The following new electrical loads are anticipated for the "2008 Digester No.1 Improvements Project":

- Digester No.1 Mixing Pump – 60 hp
- Digester No.1 Recirculation Pump – 5 hp

3.0 Existing Electrical System Tie-In Analysis

Existing motor control center MCC-D is located in the Thickened Sludge Pumping Station, which is located directly to the north of existing Digester No.1. With regard to new conduit feeder lengths, this existing motor control center is a logical choice for connection of the new Digester No.1 equipment due to its proximity to Digester No.1. Additionally, as stated in the "Electrical Power Distribution System Evaluation Report", MCC-D is in relatively good condition and replacement parts are still commercially available from Eaton Cutler-Hammer.

With regard to electrical capacity, existing motor control center MCC-D currently has the following estimated connected load:

Existing Connected Load	Load	Full-Load Amps
Collector	1/2 hp	1 ampere
Collector	1/2 hp	1 ampere
Sump Pump	3/4 hp	1.4 amperes
Sump Pump	3/4 hp	1.4 amperes
Thickened Sludge Pump	7-1/2 hp	11 amperes
Thickened Sludge Pump	7-1/2 hp	11 amperes
Thickened Sludge Pump	15 hp	11 amperes
Thickener Scum Pump LCP	7-1/2 hp	11 amperes
Panelboard	10 kVA	12 amperes
Make-up Water Pump	5 hp	7.6 amperes
Make-up Water Pump	5 hp	7.6 amperes
Make-up Water Pump	5 hp	7.6 amperes
TOTAL ESTIMATED CONNECTED LOAD	65 kVA	78 amperes

Assuming that the new Digester No.1 equipment loads are connected to this motor control center, the estimated total connected load will be 130 kVA. Based on 2008 National Electrical Code requirements, the feeder supplying motor control center MCC-D shall be capable of supplying 125% of the largest motor full-load amperes (FLA) plus the sum of all other electrical motors and loads connected to the motor control center. The main motor control center feeder required ampere rating is calculated as follows:

Largest Motor FLA (Digester No.1 Mixing Pump)	77 amperes
125% of Largest Motor FLA	96.2 amperes
Sum of Existing Motor FLAs	78 amperes
Added Digester No.1 Recirculation Pump FLA	7.6 amperes
TOTAL MAIN FEEDER AMPACITY RATING	182 amperes

The existing main circuit breaker rating at MCC-D is 225 amperes. The upstream feeder circuit breaker for this motor control center (located at 1MCC-West in the Maintenance Building), however, has a rating of 175 amperes. Per IEEE Standard 1015 (i.e. "Blue Book"), molded-case circuit breakers shall be rated to supply a continuous load not in excess of 80% of the circuit breaker rating. Thus, the maximum continuous load that can be supplied by MCC-D is 80% of 175 amperes or 140 amperes.

Therefore, assuming that all of the existing and new electrical loads at MCC-D can simultaneously operate, the existing electrical system infrastructure is not adequately sized to support connection of the new Digester No.1 electrical loads at MCC-D.

During a recent meeting with Operations personnel, the following "maximum demand" load constraints were discussed for existing MCC-D:

- The existing 15 hp Thickened Sludge Pump is abandoned and will likely be replaced by a new 7-1/2 hp pump to match the other two.
- Two (2) Thickened Sludge Pumps can simultaneously operate with the planned third pump serving as a standby.
- Only one (1) Make-up Water Pump operates at any given time.
- The Thickener Scum Pump LCP has two (2) 7-1/2 hp pumps connected, of which only one (1) operates at any given time (i.e. Lead/Standby configuration).
- The existing panelboard is relatively "lightly" loaded. It was agreed that a load factor of 5kVA is adequate.

Based on this discussion, the following existing equipment "maximum demand" load was calculated for MCC-D:

Existing Connected Load	Load	Full-Load Amps
Collector	1/2 hp	1 ampere
Collector	1/2 hp	1 ampere
Sump Pump	3/4 hp	1.4 amperes
Sump Pump	3/4 hp	1.4 amperes
Thickened Sludge Pump	7-1/2 hp	11 amperes
Thickened Sludge Pump	7-1/2 hp	11 amperes
Thickener Scum Pump LCP	7-1/2 hp	11 amperes
Panelboard	5 kVA	6 amperes
Make-up Water Pump	5 hp	7.6 amperes
TOTAL ESTIMATED CONNECTED LOAD	35 kVA	42 amperes

Adding the new Digester No.1 equipment loads to MCC-D yields a "maximum demand" load of 100 kVA. The "maximum demand" ampacity for MCC-D is calculated as follows:

Largest Motor FLA (Digester No.1 Mixing Pump)	77 amperes
125% of Largest Motor FLA	96.2 amperes
Sum of Existing Motor FLAs	42 amperes
Added Digester No.1 Recirculation Pump FLA	7.6 amperes
TOTAL MAIN FEEDER AMPACITY RATING	146 amperes

Thus, including only the "maximum demand" load still yields a calculated total ampacity value for the MCC-D main feeder which exceeds the upstream 175 ampere main circuit breaker rating (i.e. $80\% \times 175A = 140A$).

Therefore, in order to utilize existing motor control center MCC-D for connection of the new Digester No.1 electrical loads, the main feeder conductors and underground conduits serving MCC-D and upstream feeder circuit breaker at existing 1MCC-West will need to be upgraded.

Currently there is a 600 ampere automatic transfer switch (ATS) feeding 1MCC-West, which is also rated 600 amperes. In order to determine if the new Digester No.1 equipment can be connected to MCC-D (which is fed from 1MCC-West), a "clamp-on" current meter should be connected to the main feeder between the existing ATS and 1MCC-West with maximum demand load connected to 1MCC-West operating. While performing this measurement, existing Digester No.1 gas compressor equipment which will be eliminated as part of the Digester No.1 upgrade work should be kept "off". This measurement will provide an accurate reading on the amount of amperage drawn by 1MCC-West during "maximum loading" conditions, minus the existing Digester No.1 gas compressor equipment that will be eliminated. In order for 1MCC-West to handle connection of the new Digester No.1 equipment (via

MCC-D), this reading cannot exceed 376 amperes (i.e. $600A \times 80\% = 480A$; $480A - 104A$ for new Digester No.1 equipment = 376A). If the measured value during this test exceeds 376 amperes then 1MCC-West will need to be replaced.

As stated in the "Electrical Power Distribution System Evaluation Report", 1MCC is Square D Model 4 equipment, which is obsolete. Staff has reported that replacement parts for this motor control center are not commercially available. Thus, in order to increase the size of the feeder circuit breaker serving MCC-D, field-retrofitting of the existing 1MCC equipment with modern circuit breaker equipment and associated hardware will likely be required.

4.0 Electrical System Upgrade Alternatives

Based on the analysis above, connection of the new Digester No.1 electrical loads to the existing electrical system is not recommended unless some degree of existing equipment modification is performed. Proposed below are four alternatives for upgrading the existing plant electrical distribution system:

Alternative 1: Utilize (E)MCC-D with Field-Retrofitting of (E)1MCC-West

This alternative will include the following elements:

- Replace existing MCC-D main underground feeder conductors and conduit from 1MCC-West
- Field retrofit existing 1MCC-West feeder circuit breaker feeding MCC-D with a minimum 225 ampere rated feeder circuit breaker; this breaker will be a "modern" circuit breaker, "field-fitted" to work in the obsolete 1MCC-West equipment
- Addition of new starter equipment at MCC-D for new Digester No.1 electrical loads

This alternative includes the "minimum" level of upgrade required for connection of the new Digester No.1 equipment. It should be understood, however, that the existing 1MCC-West equipment is beyond its useful service life and will likely require wholesale replacement in the near future (i.e. less than five years). Thus, modification to the MCC-D feeder breaker and underground conductors and conduit will likely be a "short term" upgrade that will only be utilized until 1MCC-West is replaced.

Alternative 2: Utilize (E)MCC-D in Conjunction with New 1MCC (East and West)

This alternative will include the following elements:

- Replace existing MCC-D main underground feeder conductors and conduit from 1MCC-West
- Replace existing 1MCC-East and 1MCC-West with new motor control center equipment
- Addition of new starter equipment at MCC-D for new Digester No.1 electrical loads

This alternative takes advantage of a replacement "opportunity" for the obsolete 1MCC-East and 1MCC-West equipment. Rather than incur the likely "throw away" cost for retrofitting existing 1MCC-West to provide adequate power supply to existing MCC-D, a wholesale replacement of the 1MCC-East and 1MCC-West equipment would be implemented.

Alternative 3: Partial Plant Electrical System Upgrade

This alternative includes replacement of all existing electrical system distribution equipment which is currently beyond its useful service life (i.e. Square D and RSE Sierra equipment for which replacement parts are no longer available). Below is a list of the equipment identified for replacement as part of this alternative:

- Main Service Switchboard (located in Maintenance Bldg)
- 1MCC-East and 1MCC-West (located in Maintenance Bldg)
- 2MCC (located in Secondary Clarifier Gallery)
- 3MCC (located in Secondary Pump Station)
- 4MCC (located in Administration Bldg)
- Existing 1MCC Automatic Transfer Switch
- Existing 285kW Diesel Standby Generator

Included with this replacement will be new underground electrical ductbanks, which will be constructed to replace existing underground electrical ductbanks.

Alternative 4: Complete Plant Electrical System Upgrade

This alternative includes replacement of all existing electrical system distribution equipment. This includes the equipment listed in "Alternative 3" plus the following Westinghouse "Five Star" motor control center equipment, which was manufactured in 1982:

- MCC-A (located at Headworks)
- MCC-B (located at Energy Recovery Bldg)
- MCC-B-E (located at Energy Recovery Bldg)
- MCC-D (located at Thickened Sludge Pump Station)
- 2MCC-A (located in Secondary Clarifier Gallery)
- Variable Frequency Drives (located in Secondary Pump Station)

Although replacement parts are still commercially available for these motor control centers, the equipment has been in service for 26 years and is approaching the end of its useful service life. It is anticipated that within five years, new replacement parts for this equipment will no longer be commercially available.

Included with this replacement will be new underground electrical ductbanks, which will be constructed to completely replace existing underground electrical ductbanks.

5.0 Cost Estimates

Planning-level cost estimates for the four (4) alternatives, based on recent similar work at other facilities, are presented below:

Alternative 1: Utilize (E)MCC-D with Field-Retrofitting of (E)1MCC-West	
Replacement of Existing MCC-D Main Feeder/Conduit:	\$50,000
Field-Replacement of Existing 1MCC-West Feeder Breaker:	\$15,000
Addition of New Starter Equipment at MCC-D:	\$10,000
Contingency	\$25,000
TOTAL ESTIMATED COST – Alternative 1:	\$100,000

Alternative 2: Utilize (E)MCC-D in Conjunction with New 1MCC (East and West)	
Replacement of Existing MCC-D Main Feeder/Conduit:	\$50,000
Field-Replacement of Existing 1MCC-West Feeder Breaker:	\$15,000
Addition of New Starter Equipment at MCC-D:	\$10,000
Provide New 1MCC	\$100,000
Contingency	\$55,000
TOTAL ESTIMATED COST – Alternative 2:	\$230,000

Alternative 3: Partial Plant Electrical System Upgrade	
Provide New Main Switchboard and ATS:	\$100,000
Provide New 800kW Standby Generator:	\$400,000
Provide New 1MCC:	\$100,000
Provide New 2MCC:	\$60,000
Provide New 3MCC:	\$60,000
Provide New 4MCC:	\$60,000
Provide New Underground Ductbanks:	\$600,000
Addition of New Starter Equipment at MCC-D:	\$10,000
Contingency:	\$400,000
TOTAL ESTIMATED COST – Alternative 3:	\$1,790,000

Alternative 4: Complete Plant Electrical System Upgrade	
Provide New Main Switchboard and ATS:	\$100,000
Provide New 800kW Standby Generator:	\$400,000
Provide New 1MCC:	\$100,000
Provide New 2MCC:	\$60,000
Provide New 3MCC:	\$60,000
Provide New 4MCC:	\$60,000
Provide New MCC-A:	\$60,000
Provide New MCC-B:	\$80,000
Provide New MCC-B-E:	\$40,000
Provide New MCC-D:	\$60,000
Provide New 2MCC-A:	\$40,000
Provide New Secondary PS VFDs:	\$400,000
Provide New Underground Ductbanks:	\$700,000
Contingency:	\$600,000
TOTAL ESTIMATED COST – Alternative 4:	\$2,760,000

6.0 Recommendations

As the cost estimates indicate, there is a large gap between the estimated cost for the “minimum” upgrade effort proposed in “Alternative 1” versus the long-term upgrade proposed in “Alternative 4”. Assuming that continued operation of the Treatment Plant is planned for at least ten or more years, the upgrade effort proposed in “Alternative 4” is likely inevitable due to the age of the existing electrical system equipment, whether the upgrades are implemented during one project or over a series of projects.

The only benefit to implementing the “Alternative 4” upgrades in a series of multiple projects is to lessen the immediate impact on capital improvement funding sources. By phasing the projects over time, capital improvement budget planning can be spread over a longer time period.

However, from a constructability and overall cost standpoint, there are benefits to implementing all of the electrical system upgrades as part of a single project. Some of the benefits include:

- All new equipment will be from a single manufacturer, making long-term maintenance and part replacement more efficient and cost-effective.
- The entire plant electrical power distribution system can be comprehensively master-planned, reducing the risk of “throw away” work during subsequent projects due to unforeseen process upgrades, expansions and field conditions.
- Enhanced plant electrical reliability is achieved in the shortest time frame since all equipment and interconnections will be new.

Based on the age and condition of the existing electrical system equipment and underground wiring, coupled with the benefits stated above, "Alternative 4" is recommended.

Alternatively, planning and design of the comprehensive system upgrades could be undertaken and portions of the work phased as budgeting allows. However, this approach may cost more over the long-term and would not realize the benefits listed above.

**ATTACHMENT 3
WASTEWATER FINANCIAL PLAN AND RATE STUDY**



City of Palm Springs



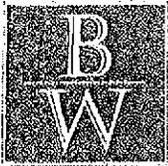
Wastewater Financial Plan and Rate Study

February 13, 2010



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

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February 13, 2010

City of Palm Springs
3200 East Tahquitz Canyon Way
Palm Springs, CA 92263

Attn: Marcus Fuller, Assistant Director of Public Works/Assistant City Engineer

Re: Wastewater Financial Plan & Rate Study

Bartle Wells Associates is pleased to submit the attached Wastewater Financial Plan & Rate Study. The study develops a financial plan and rate recommendations supporting the long-term operating and capital needs of the City's sewer enterprise.

The City's sewer rates have not been increased since 1993 and remain among the lowest in the state with a residential rate equal to \$10.36 per month, less than one-third of the California statewide average. However, the wastewater enterprise faces substantial financial challenges going forward, particularly related to the capital needs of the City's aging wastewater treatment facilities. A recently completed engineering evaluation of the City's wastewater treatment plant by Carollo Engineers identifies \$67 million of capital repair and replacement projects needed over the next 20 years including \$45 million of high priority projects needed in the next 10 years.

Cash flow projections developed in the report indicate the need to phase in sewer rate increases over the next three years to a level of \$20 per month per home, followed by small annual rate adjustments of roughly \$1 per month in subsequent years to a future monthly rate of \$35 in 20 years. After the initial three-year phase-in, the small future annual rate adjustments are needed to keep revenues in line with cost inflation and provide funding to complete the 20-year wastewater capital improvement program.

The proposed rate increases are designed to recover the City's costs of providing sewer service, including funding necessary improvements to the City's aging wastewater treatment plant, while maintaining long-term financial health. With the proposed rates increases, the City's projected 20-year rate of \$35 per month per home will a) remain below the *current* statewide average of approximately \$36.50, and b) remain below half of the estimated future statewide average.

I enjoyed working with the City on this assignment and appreciate the input and cooperation received from City staff throughout the project.

Very truly yours,

BARTLE WELLS ASSOCIATES

Alex T. Handlers, CIPFA
Vice President

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EXECUTIVE SUMMARY

Background & Objectives

The City of Palm Springs is a full-service City located approximately 110 miles east of Los Angeles in Riverside County, California. The City has a 2009 population of 47,600 and has experienced 12% growth over the last decade.

The City provides wastewater service residential and commercial accounts within the City and adjacent areas. The City's wastewater utility is a self-supporting enterprise that is funded primarily by revenues derived from sewer service charges. The City's sewer rates have not been increased since 1993 and are among the lowest in the state. The City's current residential rate of \$124.32 per year (\$10.36 per month) is less than one-third of the California statewide average.

A recently-completed engineering evaluation of the City's aging wastewater treatment plant by Carollo Engineers identifies \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years, including over \$45 million (current \$) of high-priority projects needed within the next 10 years. In order to proactively address these substantial capital needs, the City retained Bartle Wells Associates to develop a long-term financial plan and rate recommendations supporting the City's sewer enterprise operating and capital programs. Basic objectives of our study include:

- Conduct an independent review of the City's sewer rates and finances
- Evaluate financing alternatives for capital improvement needs;
- Develop long-range cash flow projections identifying the long-term operating and capital revenue requirements of the wastewater system;
- Recommend sewer rate increases needed to recover the cost of providing service and maintain the sewer enterprise's long-term financial health;
- Phase in necessary rate adjustments over time, to minimize the annual impact on ratepayers;
- Assist the City with the Proposition 218 rate-increase process and rate implementation.

Summary of Findings & Recommendations

The wastewater enterprise has accumulated significant fund reserves while maintaining low rates, partially due to a high level of connection fee revenues collected in recent history coupled with a comparatively lower level of capital expenditures. However, the wastewater enterprise faces a number of financial challenges that are driving the need for rate increases including:

- **Capital Needs** - As noted above, a recently-completed engineering evaluation of the City's aging wastewater treatment plant by Carollo Engineers identifies \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years. These projects include over \$45 million (current \$) of high-priority improvements needed over the next 10 years. The City has already funded about \$5 million of these projects leaving approximately \$62 million of remaining capital needs. Accounting for 3% annual construction cost inflation and including a minimal amount for collection system improvements, the City is facing average annual capital expenditures in the \$5 million range over the next decade. Based on the 2009 Budget, wastewater enterprise revenues currently generate less than \$1 million per year leaving a major annual funding shortfall.
- **Operating Cost-Inflation** - The City's wastewater operating and maintenance costs have increased over the years. In particular costs for contractual operations with Veolia, which

represent almost 75% of total operating and maintenance costs, have increased significantly in recent years. The City has also experienced increased costs for utilities, vehicle maintenance, insurance, and other expenses. The City also faces potential new operating requirements related to new or upgraded equipment and facilities that will be constructed as part of the capital improvement program.

- **Reimbursement for City-Provided Wastewater Support Services** - The City provides a range of services required for the operation and administration of the wastewater system. These services include financial management, engineering, administration, legal, billing, customer service, planning and inspection, and other support functions. The City has not been fully recovering these operating costs from the wastewater enterprise due to historical interpretation of Section 205(e) of the City's Municipal Code which states: *The City may not collect for its own general fund in-lieu taxes, fees or charges from the Department of Transportation, Wastewater Division for administration or any other purposes.*

It is our opinion that the intent of the language was to prevent the City from using the wastewater enterprise to subsidize other non-wastewater-related General Fund operations, as a number of other California cities had done, particularly via in-lieu fees prior to the passage of Proposition 218 in November 1996. It is also our opinion that City's General Fund is entitled to reimbursement for all costs incurred in support of the wastewater enterprise and that any such interfund transfer is a direct reimbursement, and is not an in-lieu tax, fee, or charge.

Financial & Rate Projections

Long-term cash flow projections were developed to evaluate the wastewater enterprise's financial position over the next 20 years and project rate increases needed to support the enterprise's long-term operating and capital needs. The financial projections are based on the City's 2009/10 Budget and a number of assumptions detailed in the report. Because the City's wastewater capital needs are spread over the next 10-20 years, the base case projections are designed to fund all projects on a pay-as-you-go basis.

The cash flow projections indicate the need for rate increases over the next three years as summarized below. The rate increases are phased in over three years to minimize the annual impact on ratepayers. With the projected rate increases the City's rates are expected to remain in the lower-to-middle range of regional agencies and will be roughly half of the California statewide average.

3-YEAR RESIDENTIAL SEWER RATE PROJECTION			
Current Rate Per EDU	Projected Rates Effective July 1		
	2010	2011	2012
\$10.36	\$14.00	\$17.00	\$20.00

Small annual rate adjustments of roughly \$1 per month projected for future years.

The projections also indicate the need for small annual rate increases every year thereafter to a) keep revenues in line with cost inflation, and b) provide adequate funding for wastewater system capital needs over the next 20 years. Based on the financial projections, after the initial phase-in of rate increases over the next three years, the City's monthly residential sewer rate would gradually increase by roughly \$1 per month each year to a monthly rate of approximately \$35 in 20 years.

Debt Financing

Alternative financial projections were developed to evaluate if debt financing could mitigate the level of rate increases. The alternative projections assumed \$8 million of debt financing to help fund Priority 1 capital needs in the first 5-years, and an additional \$10 million of debt financing each 5-year period going forward. This would result in debt service payments gradually escalating to roughly \$3 million per year over the next 15-20 years.

The analysis indicates that debt could be strategically used to result in a more gradual phase in of rate increases, especially in the near term. For example, sewer rates could be gradually increased to a level equal to \$20 per month over 5 years, as opposed to over 3 years if capital improvements are funded entirely on a pay-as-you-go basis. At the same time, debt would also result in the need for higher rate increases over the longer-term, particularly after completion of the 20-year capital program when the City would need to generate about \$3 million more per year for debt service until debt was gradually retired.

If the City opts to pursue debt financing to help fund a portion of its capital program, it is recommended the City maximize the use of state-subsidized funding programs such as the Clean Water State Revolving Fund Loans (SRF Loans). The SRF Loan program currently offers 20-year loans with interest rates in the 2.5% range. Under the program, the first debt service payment is not due until one year after the loan-funded project is complete. If conventional financing is ever used, the City should evaluate the cost-effectiveness of using bonds, Certificates of Participation, or bank loans to determine the lowest-cost option.

Minimum Fund Reserve Target

This report recommends that the City adopt a minimum fund reserve target for the wastewater enterprise equal to a) 50% of annual operating and maintenance costs, plus b) \$2 million for emergency capital repairs. Fund reserves provide a financial cushion for dealing with a) emergencies, b) unanticipated expenses, and c) mismatches in the timing between revenues and expenses. It is important for agencies that recover sewer billings on the tax rolls to maintain adequate reserves to fund operations for the time between the semi-annual payments from the County. It is acceptable for reserves to drop below the target level on a temporary basis provided action is taken to achieve the target over the longer run.

1 WASTEWATER RATE STUDY

1.1 Background & Objectives

The City of Palm Springs is a full-service City located approximately 110 miles east of Los Angeles in Riverside County, California. The City has a 2009 population of 47,600 and has experienced 12% growth over the last decade.

The City provides wastewater service to residential and commercial accounts within the City and adjacent areas. The City's wastewater utility is a self-supporting enterprise that is funded primarily by revenues derived from sewer service charges. The City's sewer rates have not been increased since 1993 and are among the lowest in the state. The City's current residential rate of \$10.36 per month is less than one-third of the California statewide average.

A recently-completed engineering evaluation of the City's aging wastewater treatment plant by Carollo Engineers identifies \$67 million of capital repair and replacement projects needed over the next 20 years, including over \$45 million of high-priority projects needed in the next 10 years. In order to proactively address these substantial financial requirements, the City retained Bartle Wells Associates to develop a long-term financial plan and rate recommendations supporting the operating and capital needs of the City's sewer enterprise. Basic objectives of our study include:

- Conduct an independent review of the City's sewer rates and finances
- Evaluate financing alternatives for capital improvement needs;
- Develop long-range cash flow projections identifying the long-term operating and capital revenue requirements of the wastewater system;
- Recommend sewer rate increases needed to recover the cost of providing service and maintain the sewer enterprise's long-term financial health;
- Phase in necessary rate adjustments over time, to minimize the annual impact on ratepayers;
- Assist the City with the Proposition 218 rate-increase process and rate implementation.

1.2 Wastewater System

The City's wastewater system includes roughly 230 miles of sewer pipelines, five pump stations, and a wastewater treatment plant. The treatment plant is permitted at 10.9 million gallons per day (mgd) of average dry weather flow (ADWF) capacity. Current wastewater flows are estimated at 6.5 mgd based on inflows at the treatment plant.

The City owns the wastewater system and contracts out operations to Veolia West Operating Services, Inc. ("Veolia"), previously named Veolia Water North America Operating Services, Inc. Historically, the City began contracting out operations in 1999 to US Filter Operating Services, Inc., which was acquired by Veolia in 2004. Veolia operates and maintains the City's wastewater collection system and treatment plant. The City provides financial and operational oversight and is responsible for coordinating engineering studies and implementation of the wastewater capital improvement program.

1.3 Current Wastewater Rates

Table 1 shows a schedule of current sewer service charges. The City charges for sewer service based on each customer's estimated wastewater discharge as denoted by equivalent dwelling units or EDUs.

An EDU is a standardized unit of measurement that represents the wastewater flow and loadings generated by a typical residential customer. All residential dwelling units are assigned 1 EDU and pay the same annual service charge.

The current rate per residence or EDU is \$124.32 per year, equivalent to a monthly rate of \$10.36. The City's sewer rates are among the lowest in the state and are less than one-third of the California statewide average. Customers located outside City boundaries pay rates that are 150% of inside-City rates.

Commercial and industrial customers are assigned EDUs based on the number of commercial plumbing fixture units per account with 1 EDU equivalent to approximately every 10.2 commercial fixture units. A fixture unit is a measure of flow capacity assigned to various plumbing fixtures, such as sinks and toilets, used in plumbing design. The amount of wastewater generated per commercial plumbing fixture unit is typically much higher, often twice as high, as sewer flow per residential fixture unit. Commercial customers pay a minimum charge equal to 1 EDU.

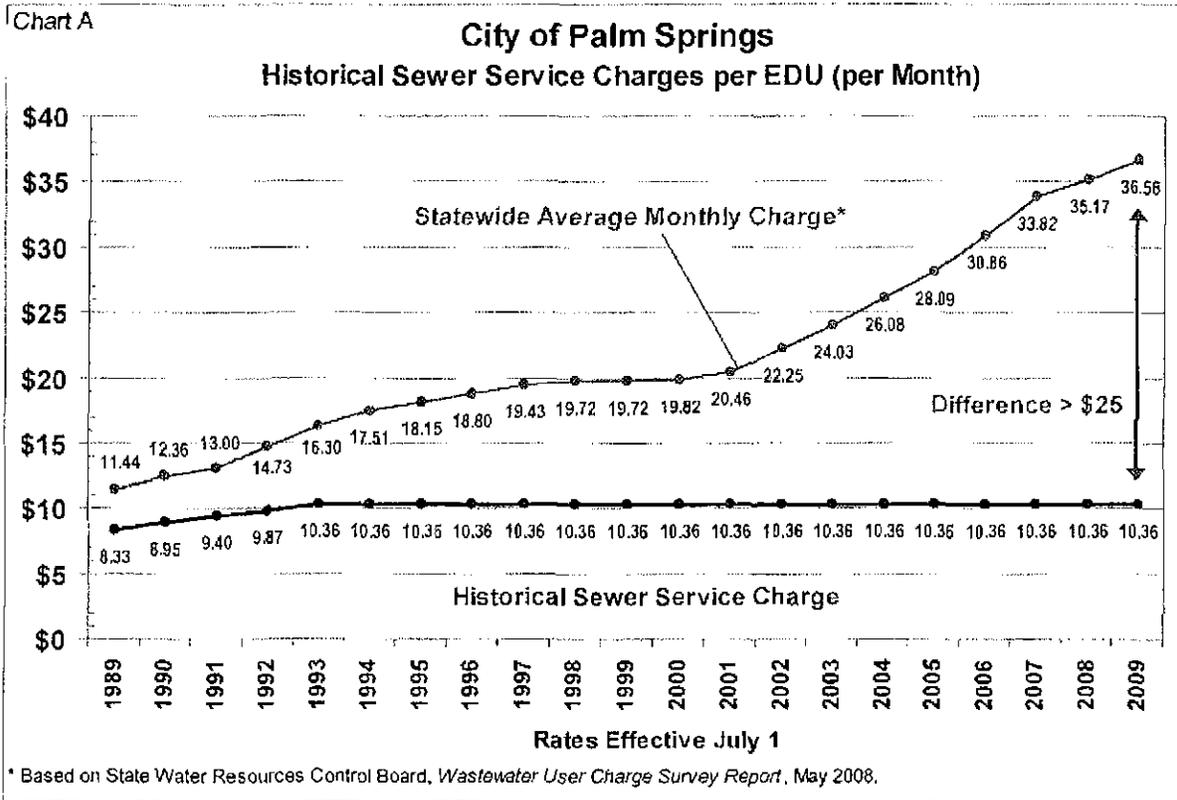
TABLE 1 - SEWER SERVICE CHARGES		
<i>Rates Effective Since July 1, 1993</i>		
Customer Class	Monthly Charge	
Residential	\$10.36	Per unit
Commercial & Industrial	1.02	Per fixture unit
	10.36	Minimum charge
Hotel - Rooms Without Kitchens	10.36	Base charge +
	3.53	Per room
Hotel - Rooms With Kitchens	6.81	Per room
Mobile Home Parks	10.36	Per unit +
	1.02	Per fixture unit
Recreational Vehicle Parks	2.54	Per space +
	1.02	Per fixture unit
Septage Dumping Fee (for loads up to 1,000 gallons)		
Within City limits	35.00	Per load
Outside City limits	70.00	Per load
Properties Adjacent to City	Rates for customers outside of City limits are 150% of the standard established rates	
Sewer Permit Fee		
For discharging septage at the City's Wastewater Treatment Plant	1,000.00	Per application

1.4 Billing

Most customers are billed for sewer service on the annual property tax rolls collected by Riverside County. The County is on the Tector Plan and provides the City with 100% of its annual sewer billings, regardless of actual tax delinquencies. Several hundred parcels are billed separately; these properties are owned by tax-exempt or governmental agencies that do not pay property taxes to the County. The operating contract with Veolia was recently expanded to include sewer billing.

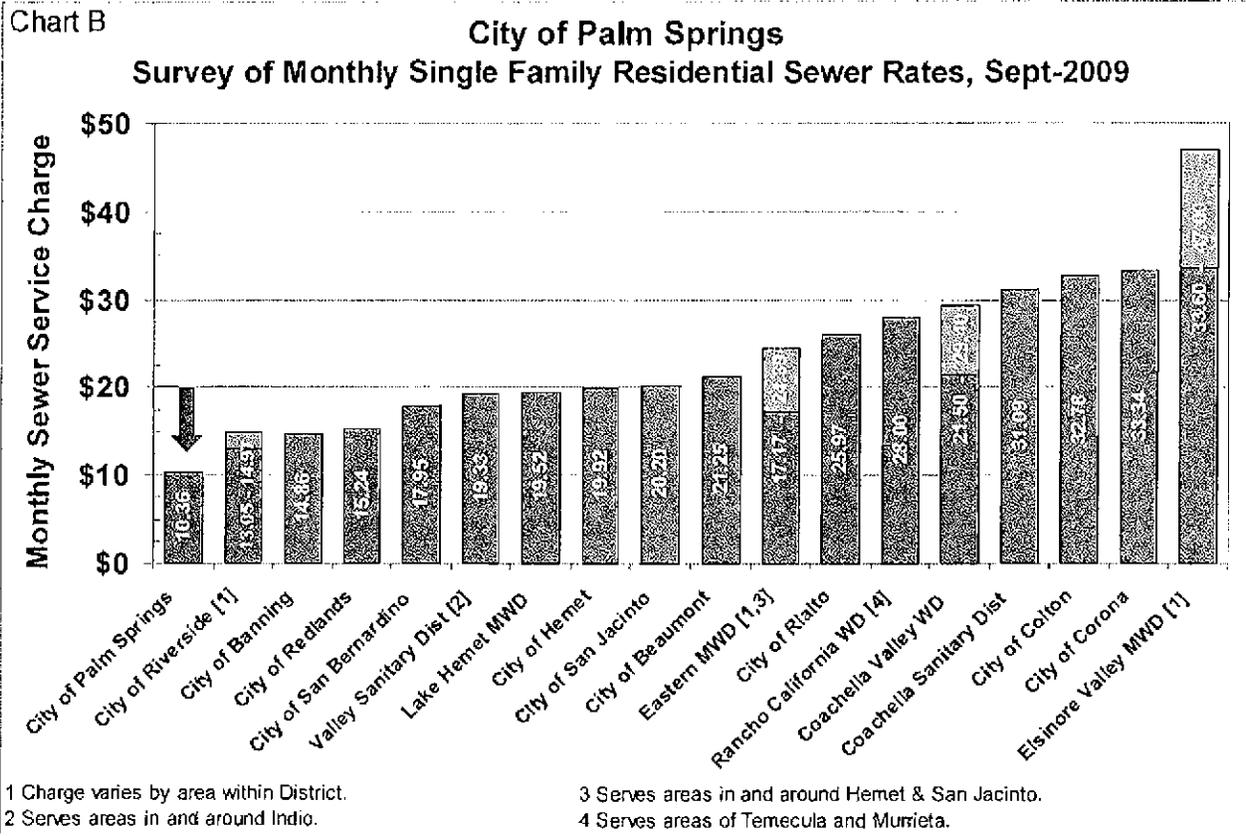
1.5 Historical Sewer Rates

Chart A below shows a 20-year history of the City's sewer rates per residence or EDU. Rates were last adjusted on July 1, 1993 and have not been increased in over 16 years. The chart also compares the City's historical rates to the California statewide average. Due to many years of no rate increases, the City's rates have gradually fallen further and further behind the statewide average; current rates are less than one-third of the statewide average.



1.6 Regional Sewer Rate Survey

As shown on the following chart, the City's residential sewer rate is the lowest of 18 regional agencies surveyed and is less than the half of the regional average, which itself is low compared to other areas of California. The information is presented for informational purposes only and does not necessarily reflect the relative cost-effectiveness of each agency. Rates can vary widely from agency to agency based on a wide range of factors.



1.7 Wastewater Customers

Table 2 estimates the total number of sewer EDUs billed by the City based on annual sewer service charge revenues divided by the rate per home or EDU. According to the data, the City currently provides sewer service to a little over 43,800 EDUs.

TABLE 2 - ESTIMATED SEWER EDUS BASED ON REVENUES				
	2005/06	2006/07	2007/08	2008/09*
Annual sewer service charge revenues	\$4,696,544	\$4,807,701	\$5,023,253	\$5,449,473
Annual rate per EDU	\$124.32	\$124.32	\$124.32	\$124.32
Estimated sewer billing EDUs	37,778	38,672	40,406	43,834

* Note: The City completed an audit of new sewer connections in 2009 resulting in a nearly 10% increase in sewer revenue as a result of high development activity and construction of new housing over the previous four year period.

The City has a predominantly residential customer base. Based on historical data, residential dwelling units – including single family homes, condominiums, apartments and a limited number of mobile homes – account for roughly 95% of all customers and roughly 80% of total billable EDUs. The City also provides sewer service to roughly 1,100 commercial and industrial customers, and over 130 hotels which have a total of over 7,000 guest rooms.

1.8 Historical Wastewater Enterprise Finances

Table 4 shows a 4-year financial history of the sewer enterprise based on audited financial statements. The table does not include depreciation, which is a non-cash accounting entry. In recent years the wastewater enterprise has run budget surpluses and accrued fund reserves while maintaining low rates. This is partly due to a few temporary financial factors including:

- A high level of development activity and corresponding sewer connection charges recovered in recent years. Development has subsequently slowed.
- Deferral of significant capital improvements in recent years resulting in a level of capital funding that was substantially lower than needed going forward.

	Audited 2005/06	Audited 2006/07	Audited 2007/08	Audited 2008/09
Revenues				
Charges for service	4,726,801	5,193,833	5,069,841	5,523,608
Sewer connection & main charges	1,702,118	2,262,208	937,268	483,204
Interest income & gains/losses	<u>342,598</u>	<u>813,086</u>	<u>789,375</u>	<u>460,231</u>
Total revenues	6,771,517	8,269,127	6,796,484	6,467,043
Expenses				
Contractual operating & other services	2,479,340	3,529,658	3,806,809	4,283,626
Utilities	n/a	n/a	181,585	209,047
Personnel services & administration	29,873	22,188	28,874	104,672
Cash paid for capital acquisitions	<u>383,124</u>	<u>1,106,524</u>	<u>1,804,541</u>	<u>1,431,640</u>
Total expenses	2,892,337	4,658,370	5,821,789	6,028,985
Revenues less expenses	3,879,180	3,610,757	974,695	438,058

Source: Based on Audited Financial Statements.

Some notable changes include:

- Sewer service charge revenues have increased by over 15% over the past four years due to a high level of construction activity that resulted in the addition of new EDUs.
- The City has collected a substantial amount of connection fees in recent years, averaging roughly \$2 million per year from 2003/04 to 2006/07, a period of high growth. However, the amount of connection fee revenues has significantly declined in the past two years as development activity has slowed. Development is expected to remain at historically low levels in upcoming years as the overall economy affects the demand for new residential and commercial development.
- Operating and maintenance expenses have increased primarily due to a) an amended contract with Veolia that took effect in 2006/07, b) higher costs for utilities and chemicals, which are variable costs that are passed through to the City pursuant to the contract with Veolia, and c) other miscellaneous increases including costs for vehicle maintenance and operation, insurance, and the addition of billing and auditing functions to Veolia's contract.
- Over the past four years, capital expenditures varied from under \$400,000 in 2005/06 to \$1.8 million in 2007/08, and have averaged about \$1.2 million per year. Capital expenditures in recent years have been substantially lower than the levels identified in Carollo Engineers' recent analysis. Revenues generated by current rates will not be adequate to fund the capital needs of the wastewater enterprise.

1.9 Fund Reserves

As shown on Table 5, as of June 30, 2009, the wastewater enterprise had about \$5.4 million in net reserves available for operations. This level of operating reserves is equal to approximately one year of operating and maintenance expenses, in line with other financially healthy utility agencies.

Capital reserves on June 30, 2009 included approximately \$1.8 million in funds encumbered on previously budgeted capital projects and approximately \$6.0 million in reserves designated and budgeted for future capital improvements.

TABLE 4 - FUND RESERVES AS OF JUNE 30, 2009	
Cash & Receivables	
Cash	\$14,185,387
Accounts Receivable	333,248
Sanitation Accts Receivable	5,825
Accrued Interest Receivable	<u>62,494</u>
Subtotal	14,586,954
Less Accounts Payable & Encumbered or Designated Reserves	
Accounts Payable	1,276,604
Accrued Wages Payable	131
Reserve for Encumbrances ¹	1,845,086
Designated for Future Projects ²	<u>6,048,965</u>
Subtotal	9,170,786
Net Cash Available for Operations	5,416,168
<p>1 Includes funds reserved for awarded contracts or purchase orders but not expended as of 06/30/09 2 Includes funds budgeted for various capital improvement projects not yet initiated. Source: Based on information provided by City of Palm Springs Finance Department.</p>	

1.10 Minimum Fund Reserve Target

Maintaining adequate fund reserves is an important component of prudent financial management. Fund reserves provide a financial cushion for dealing with a) emergencies, b) unanticipated expenses, and c) mismatches in the timing between revenues and expenses. Agencies that recover sewer billings on the tax rolls need to maintain adequate reserves to fund operations for the time between the semi-annual payments from the County.

It is recommended that the City adopt a minimum fund reserve target for the wastewater enterprise equal to a) 50% of annual operating and maintenance costs, plus b) \$2 million for emergency capital repairs. A fund reserve target provides long-term policy guidance for financial planning. It is acceptable for reserves to drop below the target on a temporary basis provided action is taken to achieve the target over the longer run.

1.11 Capital Improvement Plan

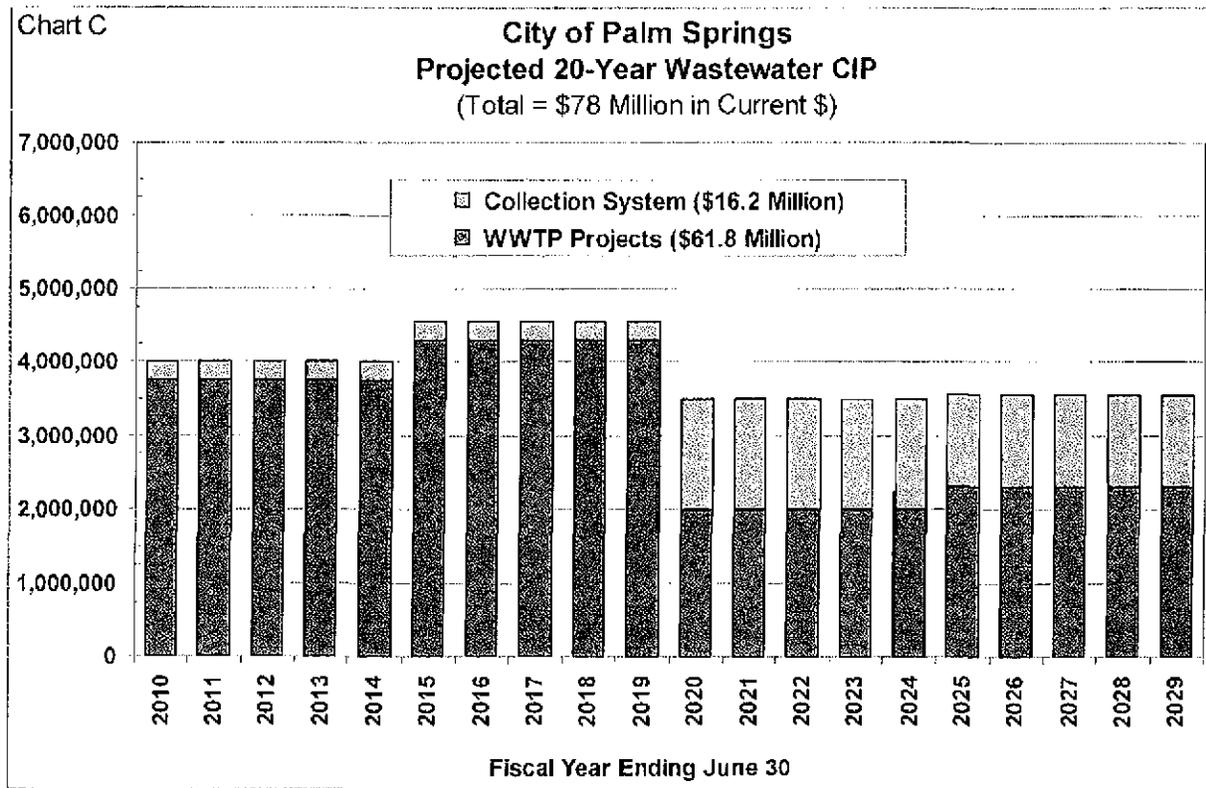
A recently-completed engineering evaluation of the City's aging wastewater treatment plant by Carollo Engineers identifies over \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years, including over \$45 million of high-priority projects needed in the next 10 years. These improvements are summarized on Table 6, which breaks out capital costs into 5-year

increments corresponding with the level of priority recommended by Carollo Engineers. The City has already funded about \$5.7 million of these projects leaving approximately \$62 million of remaining capital needs.

TABLE 5 - WWTP CAPITAL REPAIR & REPLACEMENT COSTS (CURRENT \$)				
Project Description	Priority 1 1-5 Years	Priority 2 5-10 Years	Priority 3 10-15 Years	Priority 4 15-20 Years
PRIORITY 1				
Digester No. 1 Rehabilitation	\$1,800,000	Funds budgeted in 2009/10		
Redundant Boiler Addition and Gas Piping Repair	390,000			
Plant Reclaimed Water Pump Station Upgrade	651,000	Completed in 2009		
New Perimeter Security Fence and Gates	1,000,000	Funds budgeted in 2009/10		
Purchase of Property for Influent Line Easement	3,642,000	Completed in 2008		
Electrical System Improvements	3,600,000			
Water System Upgrade for Fire Protection	500,000			
East Side Storm Drain Line	1,500,000	Completed in 2009		
Filtrate Pump Station Upgrade	500,000			
WWTP Facility Plan	250,000			
New Septage Receiving Station	500,000			
New Access Rd w/ Signalized Access fr Gene Autry	500,000			
Digester Gas Treatment System	2,000,000	\$1.0 million included in 2009/10 Budget		
Fuel Cell Purchase and Installation	4,060,000	\$3.0 million included in 2009/10 Budget		
New Gas Flare	1,000,000			
FOG Receiving Station	1,600,000			
Digester No. 2 Dome Replacement	<u>1,050,000</u>			
Subtotal	24,543,000			
Less Projects Previously Funded	<u>(5,793,000)</u>			
Remaining Priority 1 Funding Needs	18,750,000			
Priority 1 Average Annual Funding (Remaining)	3,750,000			
PRIORITY 2				
New Headworks		\$5,920,000		
Two New Circular Primary Clarifiers With Sludge Pump Station		9,050,000		
New Primary Effluent Pump Station		2,910,000		
Secondary Clarifier Upgrades		2,010,000		
General Sitework Pavement Replacement		720,000		
Pavement Replacement in Drying Beds 13-18 and 19-26		<u>710,000</u>		
Subtotal		21,320,000		
Priority 2 Average Annual Funding		4,264,000		
Priority 3 Average Annual Funding				
Third Digester (Acid or Conventional)			\$7,200,000	
Trickling Filter Upgrades			1,560,000	
Gravity Thickener Upgrades			<u>1,400,000</u>	
Subtotal			10,160,000	
Priority 3 Average Annual Funding			2,032,000	
Priority 4 Average Annual Funding				
New Administration Building				\$1,560,000
New Sludge Centrifuge				1,490,000
Indian Canyon Drive Collection System Upsize				2,416,000
Palm Canyon Drive Collection System Upsize				1,804,000
Crossley Road Collection System Upsize				<u>4,414,000</u>
Subtotal				11,684,000
Priority 4 Average Annual Funding				2,336,800
Subtotal by Priority	24,543,000	21,320,000	10,160,000	11,684,000
Cumulative Total	24,543,000	45,863,000	56,023,000	67,707,000
Cumulative Annual Average	4,909,000	4,586,000	3,735,000	3,385,000
Source: Carollo Engineers; Palm Springs Wastewater Treatment Plant Capital Repair & Replacement Costs; Oct-2009.				

The City owns approximately 230 miles of sanitary sewer pipelines, some of which were installed over 50 years ago. Although the City has required minimal budgeting for maintenance of its sewer collection system in recent years, it is recommended that the City budget substantially more in future years as various pipelines reach the end of their useful lives. Conservatively if only 1% of the City's sewer collection system requires replacement in any given year, the City will need to replace over 2 miles of pipelines, with an expected cost of \$1 - \$2 million annually. The financial plan developed in this report assumes the City continues funding collection system repairs and improvements at a low level of \$250,000 annually for the next 10 years, as it addresses higher priority capital improvement projects. For long-term planning purposes only, the report also assumes the City increases funding for collection system repairs and replacements to an average of \$1.25 to \$1.5 million per year during the subsequent decade.

Table 7 on the following page shows a 20-year capital improvement plan (CIP) that includes a) Carollo Engineers' cost estimates for the wastewater treatment plant improvements, plus b) an estimate of costs for future collection system repairs, replacements, and improvements. Table 7 shows costs in current dollars. These costs are shown graphically on Chart C.



For financial planning purposes, Table 8 projects the future cost of projects by escalating current cost estimates at the annual rate of 3% to account for estimated construction cost inflation. With cost inflation, the 20-year CIP totals almost \$104 million including approaching \$50 million of projects slated for the next 10 years. These cost-inflated amounts are incorporated into the long-term cash flow projections.

TABLE 6 - WASTEWATER SYSTEM 20-YEAR CIP (CURRENT \$)

YEARS 1 - 10	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Wastewater Treatment Plant Improvements¹										
Priority 1 Projects	3,750,000	3,750,000	3,750,000	3,750,000	3,750,000					
Priority 2 Projects						4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Collection System Repairs & Replacements²										
Capital Improvements	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,550,000	4,550,000	4,550,000	4,550,000	4,550,000
<i>Cumulative</i>	4,000,000	8,000,000	12,000,000	16,000,000	20,000,000	24,550,000	29,100,000	33,650,000	38,200,000	42,750,000
YEARS 11 - 20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Wastewater Treatment Plant Improvements¹										
Priority 3 Projects	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000					
Priority 4 Projects						2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Collection System Repairs & Replacements²										
Capital Improvements	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Total	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,550,000	3,550,000	3,550,000	3,550,000	3,550,000
<i>Cumulative</i>	3,500,000	7,000,000	10,500,000	14,000,000	17,500,000	21,050,000	24,600,000	28,150,000	31,700,000	35,250,000
<p>¹ Based on Carollo Engineers, <i>Palm Springs Wastewater Treatment Plant Capital Repair and Replacement Costs</i>; updated October 2009; assumes average annual expenditures for each 5-year Priority period and excludes previously funded projects.</p> <p>² Source: Placeholder estimate.</p>										

TABLE 7 - WASTEWATER SYSTEM 20-YEAR CIP (FUTURE \$)										
YEARS 1 - 10	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cost Escalator	1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	1.305
Wastewater Treatment Plant Improvements¹										
Priority 1 Projects	3,750,000	3,863,000	3,978,000	4,098,000	4,221,000					
Priority 2 Projects						4,985,000	5,134,000	5,288,000	5,447,000	5,611,000
Collection System Repairs & Replacements²										
Capital Improvements	250,000	258,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000
Total	4,000,000	4,121,000	4,243,000	4,371,000	4,502,000	5,275,000	5,433,000	5,595,000	5,764,000	5,937,000
<i>Cumulative</i>	<i>4,000,000</i>	<i>8,121,000</i>	<i>12,364,000</i>	<i>16,735,000</i>	<i>21,237,000</i>	<i>26,512,000</i>	<i>31,945,000</i>	<i>37,540,000</i>	<i>43,304,000</i>	<i>49,241,000</i>
YEARS 11 - 20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Cost Escalator	1.344	1.384	1.426	1.469	1.513	1.558	1.605	1.653	1.702	1.754
Wastewater Treatment Plant Improvements¹										
Priority 3 Projects	2,688,000	2,768,000	2,852,000	2,937,000	3,025,000					
Priority 4 Projects						3,583,000	3,691,000	3,802,000	3,916,000	4,033,000
Collection System Repairs & Replacements²										
Capital Improvements	2,016,000	2,076,000	2,139,000	2,203,000	2,269,000	1,947,000	2,006,000	2,066,000	2,128,000	2,192,000
Total	4,704,000	4,844,000	4,991,000	5,140,000	5,294,000	5,530,000	5,697,000	5,868,000	6,044,000	6,225,000
<i>Cumulative</i>	<i>4,704,000</i>	<i>9,548,000</i>	<i>14,539,000</i>	<i>19,679,000</i>	<i>24,973,000</i>	<i>30,503,000</i>	<i>36,200,000</i>	<i>42,068,000</i>	<i>48,112,000</i>	<i>54,337,000</i>
<p>1 Based on Carollo Engineers, Palm Springs Wastewater Treatment Plant Capital Repair and Replacement Costs; updated October 2009; assumes average annual expenditures for each 5-year Priority period and excludes previously funded projects.</p> <p>2 Source: Placeholder estimate.</p>										

1.12 Cost Reimbursement for Wastewater Support Services

The City provides a range of services required for the operation and administration of the wastewater system. These services include financial management, engineering, administration, legal, billing, customer service, planning and inspection, and other support functions. The City has been recovering a very limited amount of these operating costs from the wastewater enterprise due to one interpretation of Section 205(c) of the City's Municipal Code which states: *The City may not collect for its own general fund in-lieu taxes, fees or charges from the Department of Transportation, Wastewater Division for administration or any other purposes.*

It is our opinion that the intent of the language was to prevent the City from using the wastewater enterprise to subsidize other non-wastewater-related General Fund operations, as a number of other California cities had done, particularly via in-lieu fees, prior to the passage of Proposition 218 in November 1996. We believe that the City is entitled to reimbursement for actual costs incurred in support of the wastewater enterprise and that any such interfund transfer is a direct reimbursement, and should not be considered an in-lieu tax, fee, or charge. Most Cities in California require their utility enterprises to fully reimburse their General Funds for any costs incurred on behalf of their utilities.

1.13 Cash Flow & Rate Projections

Long-term cash flow projections were developed to project wastewater enterprise revenue requirements and rates over the next 20 years. The financial projections are based on the City's 2009/10 Budget and incorporate a number of slightly conservative assumptions listed on Table 9.

Due to the distribution of capital funding needs over the next 10 to 20 years, the cash flow projections assume all capital projects are funded on a pay-as-you-go basis. Actual capital funding needs may vary from year to year. For example, instead of funding \$4 - \$5 million of projects every year, the sewer enterprise may need to fund \$2 million one year and \$7 million the next. The projected rate increases will allow the City to do this assuming fund reserves can be accumulated during years of lower-than-average capital expenditures, and drawn down during years of higher levels of funding.

Table 10 presents 20-year financial and rate projections of the sewer enterprise. The rate projections are designed to fund the wastewater enterprise's operating and capital programs while maintaining minimum fund reserve targets. The projections assume that the sewer enterprise will run deficits through 2011/12, including a planned drawdown of encumbered capital fund reserves, as the City transitions to a higher level of capital improvement funding while rate increases are gradually phased in over three years.

TABLE 8 - CASH FLOW ASSUMPTIONS

GENERAL ASSUMPTIONS

- 1 Assumes the City bills 43,800 Equivalent Dwelling Units (EDUs) as of July 1, 2009.
- 2 Growth is projected at 100 new EDUs per year including combined residential and commercial development.
- 3 Sewer Facility Fees are projected to remain at the current level of \$3,000 per EDU.
- 4 Interest rate on investments projected to gradually increase from 0.75% in 2009/10 to 2% over the following 3 fiscal years.

REVENUE ASSUMPTIONS

- 1 Sewer service charge revenues for each year are calculated based on the number of existing EDUs at the beginning of the fiscal year, plus one half of new EDUs that connect during the year, multiplied by the projected rate per EDU.
- 2 Future sewer connection fee revenues are based on the projected number of new EDUs each year multiplied by the fee per EDU.
- 3 Interest earnings estimated based on beginning fund balances multiplied by the projected annual interest rate.

EXPENSE ASSUMPTIONS

- 1 Contractual wastewater operating costs are based on the 2009/10 Budget and escalate at the annual rate of 6% (accounting for cost inflation, growth, and new operating and maintenance needs related to capital improvements) for the first 10 years, and 5% for the subsequent 10 years.
- 2 Insurance expenses based on 2009/10 Budget and escalate at the annual rate of 6%.
- 3 Other operating and maintenance costs based on 2009/10 Budget and escalate at the annual rate of 4%.
- 4 Includes \$150,000 of direct cost reimbursements to the General Fund beginning 2010/11 for wastewater administration and other services provided by the City in support of the wastewater enterprise. This level of funding is based on the 2004 Citywide Cost Allocation Study.
- 5 Projections do not include net savings from new cogeneration facilities; the amount of savings would be relatively minor and could be offset by new equipment and other purchases.
- 6 WWTP capital improvement expenses based on *Carollo Engineers, Palm Springs Wastewater Treatment Plant Capital Rehabilitation and Repair Plan, October 2009* with 3% cost inflation.
- 7 Collection system repairs & replacements estimated at \$250,000 per year escalating at the annual rate of 3% for the next 10 years. Collection system funding projected to increase to the level of \$1.25 - \$1.5 million (current \$) adjusted for 3% cost inflation in the outer 10 years.

Table 9 - Sewer Enterprise Cash Flow Projections (Years 11 - 20)											
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Esc.
Monthly Rate per EDU	\$26.00	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.50	\$34.00	\$35.00	
Beginning EDUs	44,800	44,900	45,000	45,100	45,200	45,300	45,400	45,500	45,600	45,700	
New Connections, EDUs	100	100	100	100	100	100	100	100	100	100	
Est. Growth %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Sewer Facility Fee per EDU	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Interest Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Beginning Fund Balance	\$8,002,000	\$8,921,000	\$9,316,000	\$9,692,000	\$10,026,000	\$10,293,000	\$10,387,000	\$10,350,000	\$10,425,000	\$10,583,000	
+ Reserved for CIP Projects	0	0	0	0	0	0	0	0	0	0	
REVENUES											
Sewer Service Charges	13,993,000	14,024,000	14,596,000	15,170,000	15,747,000	16,326,000	16,907,000	17,765,000	18,625,000	19,215,000	
Sewer Connection Fees	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Interest Income	160,000	178,000	186,000	194,000	201,000	206,000	208,000	207,000	209,000	212,000	
Other	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Total Revenues	14,468,000	14,517,000	15,097,000	15,679,000	16,263,000	16,847,000	17,430,000	18,287,000	19,149,000	19,742,000	
EXPENSES											
Operating & Maintenance											
Contractual Operating Services	6,531,000	6,858,000	7,201,000	7,561,000	7,939,000	8,336,000	8,753,000	9,191,000	9,651,000	10,134,000	5.0%
Personnel Costs	152,000	158,000	164,000	171,000	178,000	185,000	192,000	200,000	208,000	216,000	4.0%
Electricity	341,000	355,000	369,000	384,000	399,000	415,000	432,000	449,000	467,000	486,000	4.0%
Other Contractual Services	222,000	231,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	316,000	4.0%
Direct Cost Reimb to Gen'l Fund	213,000	222,000	231,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	4.0%
Insurance	1,191,000	1,251,000	1,314,000	1,380,000	1,449,000	1,521,000	1,597,000	1,677,000	1,761,000	1,849,000	5.0%
Vehicle Repair & Maintenance	165,000	172,000	179,000	186,000	193,000	201,000	209,000	217,000	226,000	235,000	4.0%
Other Operating Expenses	30,000	31,000	32,000	33,000	34,000	35,000	36,000	37,000	38,000	40,000	4.0%
Subtotal	8,845,000	9,278,000	9,730,000	10,205,000	10,702,000	11,223,000	11,770,000	12,344,000	12,947,000	13,580,000	
Capital/Other Non-Operating											
WWTP Capital Improvements	2,688,000	2,768,000	2,852,000	2,937,000	3,025,000	3,583,000	3,691,000	3,802,000	3,916,000	4,033,000	
Encumbered WWTP Capital Improvements	0	0	0	0	0	0	0	0	0	0	
Collection System Repairs/Repls	2,016,000	2,076,000	2,139,000	2,203,000	2,269,000	1,947,000	2,006,000	2,066,000	2,128,000	2,192,000	
Subtotal	4,704,000	4,844,000	4,991,000	5,140,000	5,294,000	5,530,000	5,697,000	5,868,000	6,044,000	6,225,000	
Total Expenses	13,549,000	14,122,000	14,721,000	15,345,000	15,996,000	16,753,000	17,467,000	18,212,000	18,991,000	19,805,000	
Revenues Less Expenses	919,000	395,000	376,000	334,000	267,000	94,000	(37,000)	75,000	158,000	(63,000)	
Ending Fund Balance	8,921,000	9,316,000	9,692,000	10,026,000	10,293,000	10,387,000	10,350,000	10,425,000	10,583,000	10,520,000	
+ Reserved for CIP Projects	0	0	0	0	0	0	0	0	0	0	
Minimum Fund Reserve Target											
50% O&M + \$2M emergency capital	6,422,500	6,639,000	6,865,000	7,102,500	7,351,000	7,611,500	7,885,000	8,172,000	8,473,500	8,790,000	

The cash flow projections indicate the need for rate increases over the next three years as summarized on Table 10 below. The projections assume across-the-board increases with rates for all customer classes escalating by the same percentage each year. The initial necessary rate increases are phased in over three years to minimize the annual impact on ratepayers. Table 11 on the following page shows a long-term 20-year rate projection.

TABLE 10 - PROJECTED MONTHLY SEWER SERVICE CHARGES					
Customer Class	Billing Unit	Effective Date July 1			
		Current	2010	2011	2012
Residential	Per unit	\$10.36	\$14.00	\$17.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98
	Minimum charge	10.36	14.00	17.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00
	Per room	3.53	4.77	5.79	6.81
Hotel - Rooms With Kitchens	Per room	6.81	9.20	11.17	13.14
Mobile Home Parks	Per unit +	10.36	14.00	17.00	20.00
	Per fixture unit	1.02	1.38	1.68	1.98
Recreational Vehicle Parks	Per space +	2.54	3.43	4.17	4.91
	Per fixture unit	1.02	1.38	1.68	1.98
Septage Dumping Fee For loads up to 1,000 gallons					
Within City limits	Per load	35.00	47.30	57.44	67.58
Outside City limits	Per load	70.00	94.59	114.86	135.13
Properties Adjacent to City Rates for customers outside of City limits are 150% of the standard established rates					
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,640.93	1,930.51
For discharging septage at the City's Wastewater Treatment Plant					

Small annual rate increases of roughly \$1 per month per residence or EDU projected for future years.

The projections also indicate the need for small annual rate increases every year thereafter to a) keep revenues in line with cost inflation, and b) provide adequate funding for wastewater system capital needs through completion of the 20-year capital improvement program. Based on the financial projections, after the initial phase-in of rate increases over the next three years, the City's monthly residential sewer rate would gradually increase by roughly \$1 per month each year to a monthly rate of approximately \$35 in 20 years.

Chart D shows historical monthly sewer rates along with the initial 3-year phase in of rate increases to a level of \$20 per month. With the projected rate increases, the City's sewer rates are projected to remain in the lower-to-middle range of regional agencies and will be roughly half of the statewide average. From a longer-term perspective, the projected rate increases over the next three years result in a sewer rate that is equal to the 1993 rate escalated at the annual rate of 3.52%.

Chart E shows a long-term projection of sewer rates. As shown on the chart, the City's 20-year projected sewer rate of \$35 per month is lower than the current statewide average and will remain below half of the estimated future statewide average.

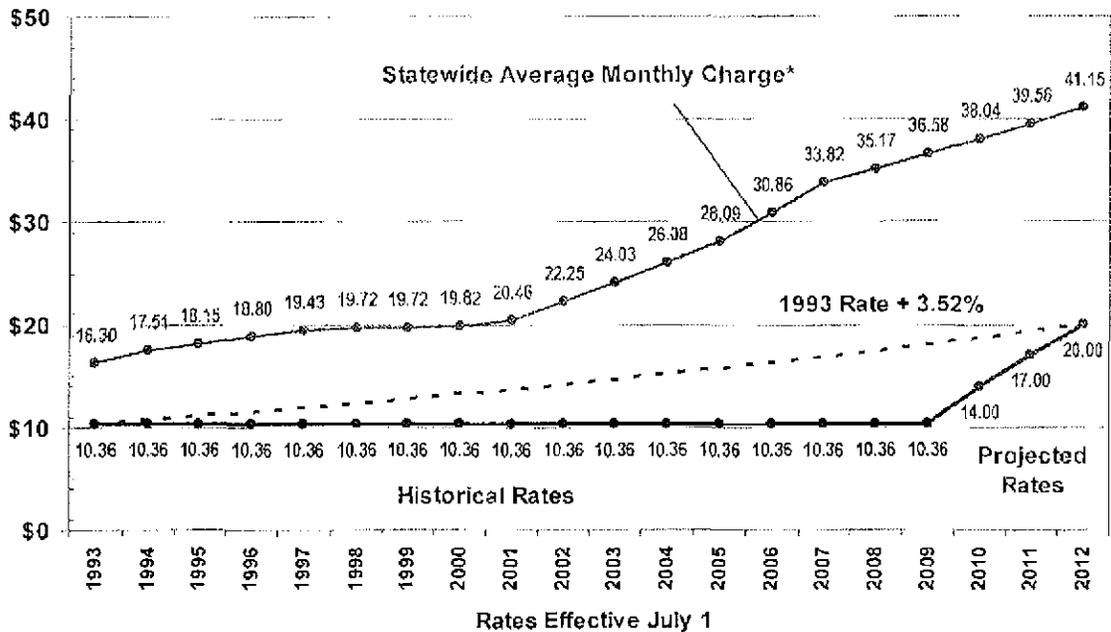
TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		Current	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	Per unit	\$10.36	\$14.00	\$17.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00	\$26.00
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58
	Minimum charge	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
	Per room	3.53	4.77	5.79	6.81	7.15	7.49	7.83	8.17	8.51	8.85
Hotel - Rooms With Kitchens	Per room	8.81	9.20	11.17	13.14	13.80	14.46	15.12	15.78	16.44	17.10
Mobile Home Parks	Per unit -	10.36	14.00	17.00	20.00	21.00	22.00	23.00	24.00	25.00	26.00
	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58
Recreational Vehicle Parks	Per space -	2.54	3.43	4.17	4.91	5.18	5.41	5.66	5.91	6.16	6.41
	Per fixture unit	1.02	1.38	1.68	1.98	2.08	2.18	2.28	2.38	2.48	2.58
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	35.00	47.30	57.44	67.58	70.96	74.34	77.72	81.10	84.48	87.86
Outside City limits	Per load	70.00	94.60	114.88	135.16	141.92	148.68	155.44	162.20	168.96	175.72
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>											
Sewer Permit Fee	Per application	1,000.00	1,351.35	1,640.93	1,930.51	2,027.04	2,123.57	2,220.10	2,316.63	2,413.16	2,509.69
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Residential	Per unit	\$26.00	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00
Commercial & Industrial	Per fixture unit	2.58	2.58	2.68	2.78	2.88	2.98	3.08	3.23	3.38	3.48
	Minimum charge	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00
Hotel - Rooms Without Kitchens	Base charge +	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00
	Per room	8.85	8.85	9.19	9.63	9.57	10.21	10.55	11.06	11.57	11.91
Hotel - Rooms With Kitchens	Per room	17.10	17.10	17.78	18.42	19.08	19.74	20.40	21.39	22.39	23.04
Mobile Home Parks	Per unit -	26.00	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00
	Per fixture unit	2.58	2.58	2.68	2.78	2.88	2.98	3.08	3.23	3.38	3.48
Recreational Vehicle Parks	Per space -	6.41	6.41	6.88	6.91	7.16	7.41	7.66	8.03	8.40	8.65
	Per fixture unit	2.58	2.58	2.68	2.78	2.88	2.98	3.08	3.23	3.38	3.48
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	87.86	87.86	91.24	94.62	98.00	101.38	104.76	108.13	111.50	114.88
Outside City limits	Per load	175.72	175.72	182.48	189.24	196.00	202.76	209.52	216.28	223.04	229.79
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>											
Sewer Permit Fee	Per application	2,509.69	2,509.69	2,606.22	2,702.75	2,799.28	2,895.81	2,992.34	3,137.13	3,281.92	3,376.45
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

Chart D

City of Palm Springs Historical & Projected Sewer Service Charges per EDU (per Month)

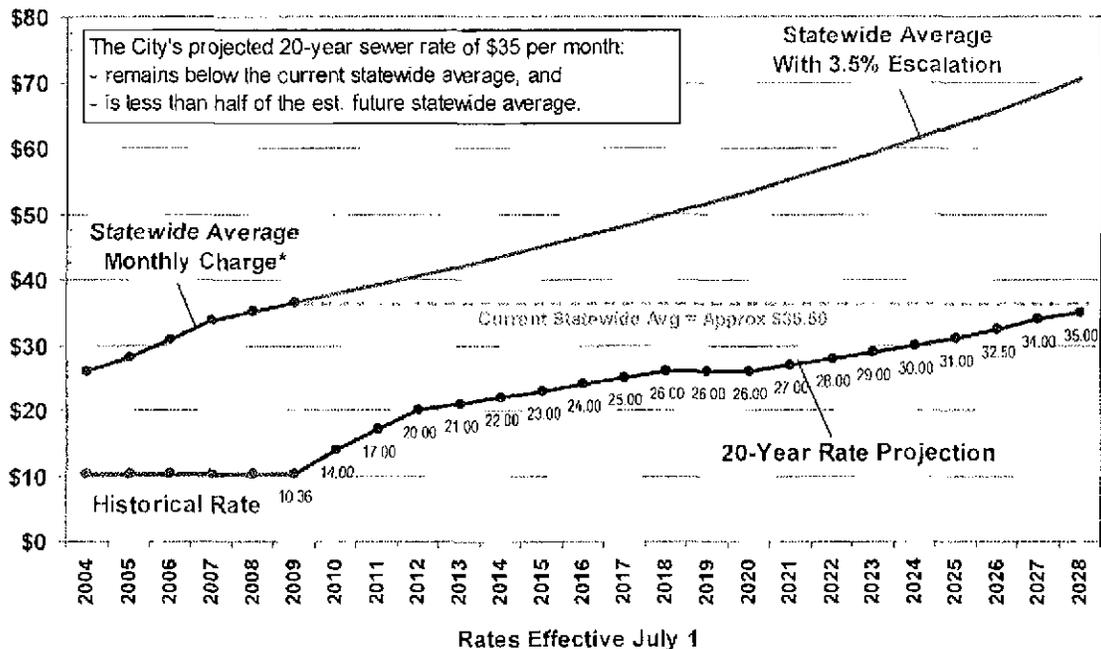


* Based on State Water Resources Control Board, Wastewater User Charge Survey Report, May 2008, plus 4% projected increases.

Small annual rate increases of roughly \$1 per month per residence or EDU projected for future years.

Chart E

City of Palm Springs 20-Year Projected Sewer Service Charges per EDU (per Month)



* Based on State Water Resources Control Board, Wastewater User Charge Survey Report, May 2008.

1.14 Debt Financing

Alternative financial projections were developed to evaluate if debt financing could mitigate the level of rate increases. The alternative projections assumed \$8 million of debt financing to help fund Priority 1 capital needs in the first 5-years, and an additional \$10 million of debt financing each 5-year period going forward. This would result in debt service payments gradually escalating to roughly \$3 million per year over the next 15-20 years based on estimated annual debt service of approximately \$800,000 per each \$10 million of projects financed.

The analysis indicates that debt could be strategically used to result in a more gradual phase in of rate increases, especially in the near term. For example, sewer rates could be gradually increased to a level equal to \$20 per month over 5 years, as opposed to over 3 years if capital improvements are funded entirely on a pay-as-you-go basis. At the same time, debt would also result in the need for higher rate increases over the longer-term, particularly after completion of the 20-year capital program when the City would need to generate about \$3 million more per year for debt service until debt was gradually retired.

If the City ever opts to pursue debt financing to help fund a portion of its capital program, it is recommended the City first pursue the lowest-cost financing options such as the use of state-subsidized funding programs including Clean Water State Revolving Fund Loans (SRF Loans). If conventional financing is ever needed, the City should evaluate the cost-effectiveness of using bonds, Certificates of Participation, or bank loans to determine the lowest-cost option.

A summary of basic sewer-revenue-supported financing options is listed below. Debt financing estimates for SRF Loans and bond/COPs are included in Appendix A.

- **State Revolving Fund (SRF) Loan Program** – The Clean Water State Revolving Fund Loan program administered by the State Water Resources Control Board offers 20-year fixed-rate loans for eligible wastewater projects. The program can currently be used to fund up to \$50 million of projects per year. The interest rate is set at roughly one half of the state's general obligation bond rate; current interest rates are approximately 2.5%. Another advantage of the SRF Loan program is that the first debt service payment is not due until one year after the project is completed, giving agencies more time to get their rates in place to support debt repayment. The program does not fund the replacement of facilities that were previously grant-funded. Debt repayment is typically secured by an agency's legal pledge to raise rates and fees as needed to repay debt service.
- **Other Grant & Loan Programs** – There are a number of other state and federal funding programs available to fund projects that meet each program's eligibility requirements. Grants are hard to come by and often only provide a relatively small amount of funding if awarded; wastewater grants are generally only available to small agencies serving economically disadvantaged areas. Most other subsidized loan programs offer interest rates that are higher than the SRF Loan program.
- **Revenue Bonds & COPs**– Revenue bonds and Certificates of Participation (COPs) are the most common types of debt financing used by utility enterprises, such as water and wastewater agencies. Although there are some technical differences between bonds and COPs, both function almost exactly the same from the issuer's standpoint. Debt repayment is secured by an agency's binding legal pledge to raise rates and charges necessary to repay debt and achieve a specified debt service coverage ratio. Revenue bonds and COPs are typically issued with terms of up to 30 years and offer relatively low tax-exempt municipal interest rates. Current interest rates vary by the underlying credit quality of the issuing agency. For financial planning purposes, the average

annual interest rate is estimated at 5.25% for a 25-year revenue bond or COP, and 5% for a 20-year bond.

- **Bank Loans, Private Placements, Leases, & Lines of Credit** – Bank loans, private placements, and leases typically offer slightly higher interest rates than bonds, but also have lower costs of issuance. This generally makes bank loans a cost-effective option for smaller borrowings, historically under \$5 million. Currently, only a very limited number of banks are considering making loans with terms extending 15-20 years. Interest rates can vary from month to month. The interest rate for a 20-year bank loan is currently estimated at 5.75%. Short-term bank loans and lines of credit are sometimes used to provide interim financing that will eventually be taken out with long-term debt. For example, agencies with limited fund reserves may use a line of credit to fund project design and preliminary engineering costs prior to issuing long-term bonds when construction bids are received. The legal covenants securing loans and lines of credit are generally similar to those of bonds or COPs.

1.15 Proposition 218

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of “property related fees”. In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
- **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.

- **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
- No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges shall be classified as "assessments" which are governed by Article 13D Section 4.

Proposition 218 requires that the City ensure that its wastewater rates reasonably reflect the cost of providing service to each customer. It is our opinion that rates can recover costs for operations, capital needs, debt service, administration, as well as costs related to the prudent long-term operational or financial management of the utility enterprise, such as maintaining adequate fund reserves and planning for contingencies. While Proposition 218 places a number of limitations on the City's rates, we believe that the City retains substantial latitude to determine actual utility charges provided they do not exceed the cost of providing service.

1.16 AB3030

AB3030, which added Section 53756 to the California Government Code, went into effect on January 1, 2009. The new code clarifies that agencies that provide water, sewer, or refuse collection service may authorize a) automatic rate adjustments for inflation, and/or b) automatic rate pass throughs for wholesale water charge increases. Pursuant to AB3030, these automatic increases cannot exceed five years and must be clearly defined in the Prop. 218 notice, such as by a formula explaining how the adjustment will be calculated. Additionally, notice of any automatic increase must be sent to ratepayers at least 30 days prior to implementation. If applicable, the City should consult with its legal counsel to ensure compliance with all legal requirements including AB3030.

1.17 Multi-Year Rate Increase

In order to minimize the effort and cost of going through the Proposition 218 process year after year, it is recommended that the City pursue a multi-year wastewater rate increase. Ideally, the City can adopt a long-term maximum rate pursuant to the Proposition 218 process. This would give the City flexibility to implement sewer rate adjustments as needed for a number of years.

One option would be a two-pronged approach of adopting:

- The proposed 3-year rate increase that would phase in sewer rates to the equivalent of \$20 per month over the next 3 fiscal years; and
- Subsequent future annual rate adjustments not to exceed 5% per year (or alternatively \$1 per month) through the maximum monthly rate of \$35 per home or EDU, the projected level needed to complete the wastewater system's 20-year capital improvement needs. By adopting a specific 20-year maximum allowable rate, the provisions of AB3030 might not apply and the City may be able to gradually adjust future rates pursuant to whatever guidelines it sets provided that rates do not exceed the cost of providing service as mandated by Proposition 218.

At a minimum, the City should consider adopting a 3-year rate increase. Regardless of the multi-year approach used, the City will always maintain the flexibility to collect sewer rates that are below the not-to-exceed levels adopted pursuant to Proposition 218 process.

Appendix A

Financial & Rate Projections with Partial Debt Financing

TABLE A1 - SRF LOAN DEBT SERVICE ESTIMATES PER \$10M	
	Standard SRF Loan
SRF Loan Proceeds	\$10,000,000
ESTIMATED ANNUAL SRF LOAN PAYMENT	
SRF Loan Amount	
SRF Project Funding ¹	10,000,000
Accrued Interest During Construction ²	150,000
Accrued Interest for One Year After Project Completion ³	<u>305,000</u>
Total SRF Loan Amount	10,455,000
Loan Terms	
Term (years)	20
Interest Rate ^{4,5}	3.00%
Annual SRF Loan Payment	703,000
<i>Debt Service Reserve Fund Requirement = Annual Debt Service</i>	
<p>1 Some costs may not be eligible for SRF Loan funding & would require another funding source. 2 Assumes steady gradual drawdown of loan funds over one year. 3 First debt service payment due one year following completion of project. 4 Interest rate estimated for financial planning purposes; actual rate may vary. 5 Annual interest rate as of October 2009 is approximately 2.5%.</p>	

TABLE A2 - REVENUE BOND DEBT SERVICE ESTIMATES PER \$10M				
Repayment Term		20 Years	25 Years	30 Years
Funding Target		\$10,000,000	\$10,000,000	\$10,000,000
Total Debt Issue		\$11,340,000	\$11,270,000	\$11,240,000
Project Funding		\$10,000,000	\$10,000,000	\$10,000,000
Issuance Costs & Reserve Requirement				
Underwriter Discount	1.00%	\$113,400	\$112,700	\$112,400
Bond Insurance	0.75%	136,500	153,700	174,000
Debt Service Reserve Fund		910,000	819,800	773,400
Issuance Costs		175,000	175,000	175,000
Rounding		<u>5,100</u>	<u>8,800</u>	<u>5,200</u>
Total		1,340,000	1,270,000	1,240,000
Financing Terms				
Term (Years)		20	25	30
Est. Future Interest Rate		5.00%	5.25%	5.50%
Annual Debt Service				
Gross Annual Debt Service		910,000	819,800	773,400
Less Interest on Reserve Fund	3.00%	<u>(27,300)</u>	<u>(24,600)</u>	<u>(23,200)</u>
Net Annual Debt Service		882,700	795,200	750,200
<i>Financing costs and interest rates estimated for financial planning purposes.</i>				

Table A3 - Sewer Enterprise Cash Flow Projections with Debt (Years 1 - 10)

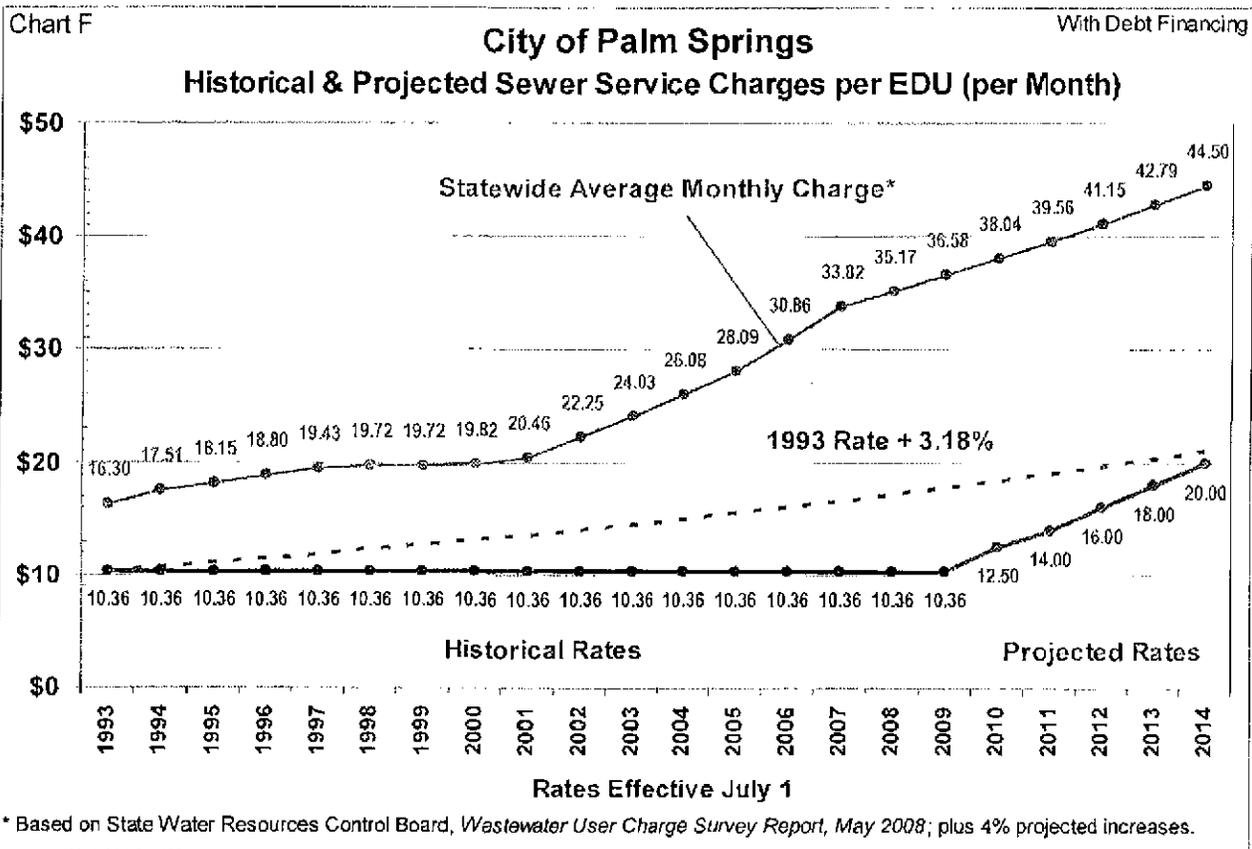
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Esc.
Monthly Rate per EDU	\$10.36	\$12.50	\$14.00	\$16.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	
Beginning EDUs	43,800	43,900	44,000	44,100	44,200	44,300	44,400	44,500	44,600	44,700	
New Connections, EDUs	100	100	100	100	100	100	100	100	100	100	
Est. Growth %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Sewer Facility Fee per EDU	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Interest Rate	0.75%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Beginning Fund Balance	\$5,416,000	\$5,299,000	\$5,766,000	\$5,270,000	\$6,217,000	\$7,911,000	\$5,950,000	\$5,912,000	\$6,016,000	\$6,241,000	
+ Reserved for CIP Projects	6,049,000	3,000,000	0	0	0	0	0	0	0	0	
REVENUES											
Sewer Service Charges	5,451,000	6,593,000	7,400,000	8,477,000	9,558,000	10,644,000	11,201,000	11,761,000	12,323,000	12,888,000	
Sewer Connection Fees	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Interest Income	86,000	83,000	86,000	105,000	124,000	158,000	119,000	118,000	120,000	125,000	
Other	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Total Revenues	5,852,000	6,991,000	7,801,000	8,897,000	9,997,000	11,117,000	11,635,000	12,194,000	12,758,000	13,328,000	
Debt Proceeds	0	0	8,000,000	0	0	10,000,000	0	0	0	0	
EXPENSES											
Operating & Maintenance											
Contractual Operating Services	3,682,000	3,903,000	4,137,000	4,385,000	4,648,000	4,927,000	5,223,000	5,536,000	5,868,000	6,220,000	6.0%
Personnel Costs	103,000	107,000	111,000	115,000	120,000	125,000	130,000	135,000	140,000	146,000	4.0%
Electricity	230,000	239,000	249,000	259,000	269,000	280,000	291,000	303,000	315,000	328,000	4.0%
Other Contractual Services	150,000	156,000	162,000	168,000	175,000	182,000	189,000	197,000	205,000	213,000	4.0%
Direct Cost Reimb to Gen'l Fund	50,000	150,000	156,000	162,000	168,000	175,000	182,000	189,000	197,000	205,000	4.0%
Insurance	671,000	711,000	754,000	799,000	847,000	898,000	952,000	1,009,000	1,070,000	1,134,000	6.0%
Vehicle Repair & Maintenance	112,000	116,000	121,000	126,000	131,000	136,000	141,000	147,000	153,000	159,000	4.0%
Other Operating Expenses	20,000	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000	4.0%
Subtotal	5,018,000	5,403,000	5,712,000	6,037,000	6,382,000	6,748,000	7,134,000	7,543,000	7,976,000	8,434,000	
Debt Service	0	0	320,000	640,000	640,000	1,040,000	1,440,000	1,440,000	1,440,000	1,440,000	
Capital/Other Non-Operating											
WWTP Capital Improvements	701,000	863,000	10,000,000	1,000,000	1,000,000	15,000,000	2,800,000	2,800,000	2,800,000	2,800,000	
Encumbered WWTP Capital Improvements	3,049,000	3,000,000	0	0	0	0	0	0	0	0	
Collection System Repairs/Repts	250,000	258,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000	
Subtotal	4,000,000	4,121,000	10,265,000	1,273,000	1,281,000	15,290,000	3,099,000	3,107,000	3,117,000	3,126,000	
Total Expenses	9,018,000	9,524,000	16,297,000	7,950,000	8,303,000	23,078,000	11,673,000	12,090,000	12,533,000	13,000,000	
Revenues Less Expenses	(3,166,000)	(2,533,000)	(496,000)	947,000	1,694,000	(1,961,000)	(38,000)	104,000	225,000	328,000	
Ending Fund Balance	5,299,000	5,766,000	5,270,000	6,217,000	7,911,000	5,950,000	5,912,000	6,018,000	6,241,000	6,569,000	
+ Reserved for CIP Projects	3,000,000	0	0	0	0	0	0	0	0	0	
Minimum Fund Reserve Target	4,509,000	4,701,500	4,856,000	5,018,500	5,191,000	5,374,000	5,567,000	5,771,500	5,988,000	6,217,000	
50% O&M + \$2M emergency capital											
Debt Service Coverage	-	-	6.53	4.47	5.65	4.20	3.13	3.23	3.32	3.40	

Table A3 - Sewer Enterprise Cash Flow Projections with Debt (Years 11 - 20)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Esc.
Monthly Rate per EDU	\$25.00	\$26.00	\$27.00	\$28.00	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00	\$38.00	
Beginning EDUs	44,800	44,900	45,000	45,100	45,200	45,300	45,400	45,500	45,600	45,700	
New Connections, EDUs	100	100	100	100	100	100	100	100	100	100	
Est. Growth %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Sewer Facility Fee per EDU	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Interest Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Beginning Fund Balance	\$5,569,000	\$6,769,000	\$6,899,000	\$7,089,000	\$7,318,000	\$7,565,000	\$8,091,000	\$7,750,000	\$7,901,000	\$8,528,000	
+ Reserved for CIP Projects	0	0	0	0	0	0	0	0	0	0	
REVENUES											
Sewer Service Charges	13,455,000	14,024,000	14,595,000	15,170,000	15,747,000	16,870,000	17,998,000	19,131,000	20,269,000	20,862,000	
Sewer Connection Fees	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Interest Income	131,000	135,000	138,000	142,000	146,000	151,000	162,000	155,000	158,000	171,000	
Other	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Total Revenues	13,901,000	14,474,000	15,049,000	15,627,000	16,208,000	17,336,000	18,475,000	19,601,000	20,742,000	21,348,000	
Debt Proceeds	10,000,000	0	0	0	0	10,000,000	0	0	0	0	
EXPENSES											
Operating & Maintenance											
Contractual Operating Services	6,531,000	6,858,000	7,201,000	7,561,000	7,939,000	8,336,000	8,753,000	9,191,000	9,551,000	10,134,000	5.0%
Personnel Costs	152,000	158,000	164,000	171,000	178,000	185,000	192,000	200,000	208,000	216,000	4.0%
Electricity	341,000	355,000	369,000	384,000	399,000	415,000	432,000	449,000	467,000	486,000	4.0%
Other Contractual Services	222,000	231,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	316,000	4.0%
Direct Cost Reimb to Gen'l Fund	213,000	222,000	231,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	4.0%
Insurance	1,191,000	1,251,000	1,314,000	1,380,000	1,449,000	1,521,000	1,597,000	1,677,000	1,761,000	1,849,000	5.0%
Vehicle Repair & Maintenance	165,000	172,000	179,000	186,000	193,000	201,000	209,000	217,000	226,000	235,000	4.0%
Other Operating Expenses	30,000	31,000	32,000	33,000	34,000	35,000	36,000	37,000	38,000	40,000	4.0%
Subtotal	8,845,000	9,278,000	9,730,000	10,205,000	10,702,000	11,223,000	11,770,000	12,344,000	12,947,000	13,580,000	
Debt Service	1,840,000	2,240,000	2,240,000	2,240,000	2,240,000	2,640,000	3,040,000	3,040,000	3,040,000	3,040,000	
Capital/Other Non-Operating											
WWTP Capital Improvements	11,000,000	750,000	750,000	750,000	750,000	11,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Encumbered WWTP Capital Improvements	0	0	0	0	0	0	0	0	0	0	
Collection System Repairs/Repls	2,016,000	2,076,000	2,139,000	2,203,000	2,269,000	1,947,000	2,006,000	2,066,000	2,128,000	2,192,000	
Subtotal	13,016,000	2,826,000	2,889,000	2,953,000	3,019,000	12,947,000	4,006,000	4,066,000	4,128,000	4,192,000	
Total Expenses	23,701,000	14,344,000	14,859,000	15,398,000	15,961,000	26,810,000	18,816,000	19,450,000	20,115,000	20,812,000	
Revenues Less Expenses	200,000	130,000	190,000	229,000	247,000	526,000	(341,000)	151,000	627,000	535,000	
Ending Fund Balance	6,769,000	6,899,000	7,089,000	7,318,000	7,585,000	8,091,000	7,750,000	7,901,000	8,528,000	9,064,000	
+ Reserved for CIP Projects	0	0	0	0	0	0	0	0	0	0	
Minimum Fund Reserve Target											
50% O&M + \$2M emergency capital	6,422,500	6,639,000	6,865,000	7,102,500	7,351,000	7,611,500	7,885,000	8,172,000	8,473,500	8,790,000	
Debt Service Coverage	2.75	2.32	2.37	2.42	2.46	2.32	2.21	2.39	2.56	2.56	

TABLE A4 - PROJECTED MONTHLY SEWER SERVICE CHARGES							
Customer Class	Billing Unit	Effective Date July 1					
		Current	2010	2011	2012	2013	2014
Residential	Per unit	\$10.36	\$12.50	\$14.00	\$16.00	\$18.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98
	Minimum charge	10.36	12.50	14.00	16.00	18.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	12.50	14.00	16.00	18.00	20.00
	Per room	3.53	4.26	4.77	5.45	6.13	6.81
Hotel - Rooms With Kitchens	Per room	6.81	8.22	9.21	10.53	11.85	13.17
Mobile Home Parks	Per unit +	10.36	12.50	14.00	16.00	18.00	20.00
	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98
Recreational Vehicle Parks	Per space +	2.54	3.06	3.43	3.92	4.41	4.90
	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98
Septage Dumping Fee For loads up to 1,000 gallons							
Within City limits	Per load	35.00	42.23	47.30	54.06	60.82	67.58
Outside City limits	Per load	70.00	84.46	94.60	108.11	121.62	135.13
Properties Adjacent to City Rates for customers outside of City limits are 150% of the standard established rates							
Sewer Permit Fee	Per application	1,000.00	1,206.60	1,351.40	1,544.50	1,737.60	1,930.70
For discharging septage at the City's Wastewater Treatment Plant							

Small annual rate increases of roughly \$1-\$2 per month per residence or EDU projected for future years.



Small annual rate increases of roughly \$1-\$2 per month per residence or EDU projected for future years.

TABLE A5 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES WITH PARTIAL DEBT FINANCING

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		Current	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	Per unit	\$10.36	\$12.50	\$14.00	\$16.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00
Commercial & Industrial	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38
	Minimum charge	10.38	12.50	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	12.50	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00
	Per room	3.53	4.26	4.77	5.46	6.13	6.81	7.15	7.48	7.83	8.17
Hotel - Rooms With Kitchens	Per room	6.81	8.22	9.21	10.53	11.85	13.17	13.83	14.49	15.15	15.81
Mobile Home Parks	Per unit -	10.36	12.50	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00
	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38
Recreational Vehicle Parks	Per space +	2.54	3.06	3.43	3.82	4.41	4.60	5.15	5.40	5.85	5.90
	Per fixture unit	1.02	1.23	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	35.00	42.23	47.30	54.06	60.82	67.58	70.96	74.34	77.72	81.10
Outside City limits	Per load	70.00	84.46	94.60	108.12	121.64	135.16	141.92	148.68	155.44	162.20
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>											
Sewer Permit Fee	Per application	1,000.00	1,208.58	1,351.35	1,544.40	1,737.45	1,930.50	2,027.03	2,123.56	2,220.09	2,316.62
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Residential	Per unit	\$25.00	\$26.00	\$27.00	\$28.00	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00	\$38.00
Commercial & Industrial	Per fixture unit	2.48	2.58	2.68	2.78	2.88	3.08	3.28	3.48	3.68	3.78
	Minimum charge	25.00	26.00	27.00	28.00	29.00	31.00	33.00	35.00	37.00	38.00
Hotel - Rooms Without Kitchens	Base charge +	25.00	25.00	27.00	29.00	29.00	31.00	33.00	35.00	37.00	38.00
	Per room	8.51	8.85	9.19	9.53	9.87	10.55	11.23	11.91	12.59	12.93
Hotel - Rooms With Kitchens	Per room	16.47	17.13	17.79	18.45	19.11	20.43	21.75	23.07	24.39	25.05
Mobile Home Parks	Per unit -	25.00	26.00	27.00	28.00	29.00	31.00	33.00	35.00	37.00	38.00
	Per fixture unit	2.48	2.58	2.68	2.78	2.88	3.08	3.28	3.48	3.68	3.78
Recreational Vehicle Parks	Per space -	6.15	6.40	6.65	6.90	7.15	7.64	8.13	8.62	9.11	9.36
	Per fixture unit	2.48	2.58	2.68	2.78	2.88	3.08	3.28	3.48	3.68	3.78
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	84.46	87.86	91.24	94.62	98.00	104.76	111.52	118.28	125.04	128.42
Outside City limits	Per load	168.96	175.72	182.48	189.24	196.00	209.52	223.04	236.56	250.08	256.84
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 100% of the standard established rates</i>											
Sewer Permit Fee	Per application	2,413.15	2,509.85	2,606.21	2,702.74	2,799.27	2,992.32	3,185.37	3,378.42	3,571.47	3,668.00
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

**ATTACHMENT 4
DRAFT PROPOSITION 218 NOTICE**



City of Palm Springs
 3200 East Tahquitz Canyon Way
 Palm Springs, CA 92262

NOTIFICATION OF PUBLIC HEARING ON PROPOSED SEWER RATE INCREASES

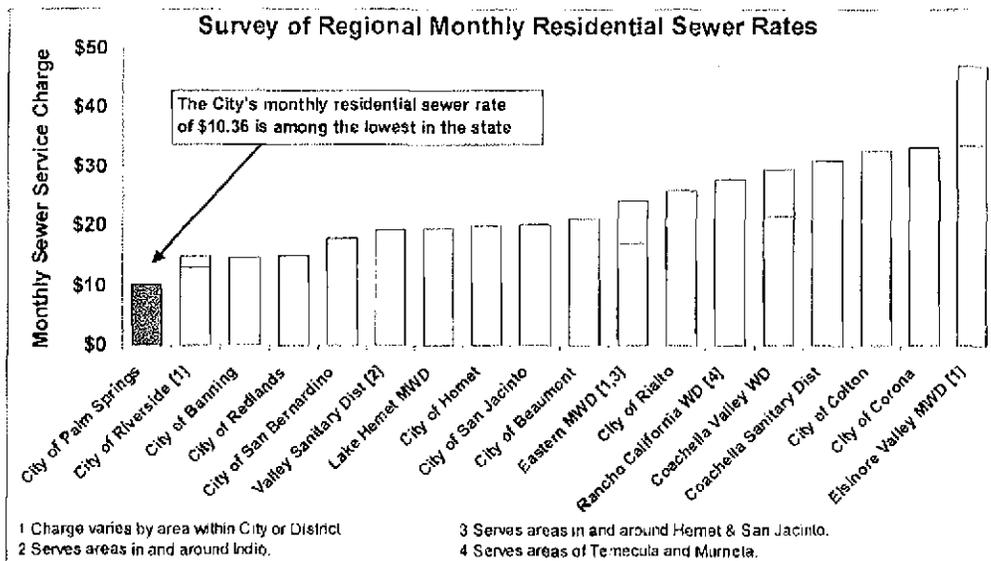
Dear Property Owner,

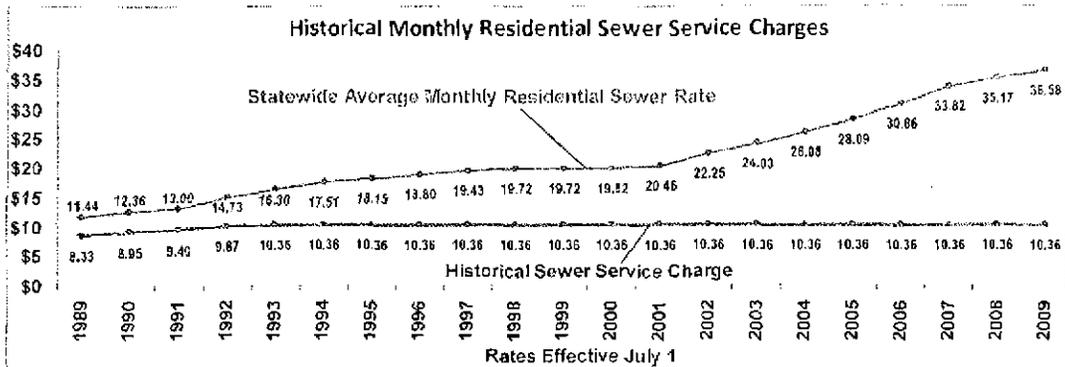
The City of Palm Springs' sewer rates have not been adjusted since 1993 and are currently among the lowest in California. After 17 years of no rate increases, the City is proposing to phase in a series of sewer service charge increases in upcoming years to provide adequate funding for wastewater system operations and critical infrastructure needs. Residential customers currently pay a sewer service charge of \$10.36 per month (\$124.32 per year), which is less than one-third of the statewide average. This notice provides information on the proposed rate increases, why they are needed, and information about a public hearing on the proposed rates.

WHY RATE INCREASES ARE NEEDED?

The City's wastewater treatment plant was originally built in 1960 and is now 50 years old. A recent engineering study identified the need for substantial rehabilitation of the treatment plant including replacing aging equipment and infrastructure, and improving outdated and inefficient treatment processes. The engineering study identified over \$67 million of capital improvements needed over the next 20 years, including over \$45 million of high-priority projects needed in the next 10 years.

Additionally, the City's operating and maintenance costs have risen over the past 15 years with no corresponding rate increases. The City's wastewater utility is a self-supporting enterprise funded primarily from sewer service charges. A financial rate study conducted by an independent consultant has demonstrated that the City's current rates will not recover the full cost of providing wastewater service in the near future and can not fund the required capital improvements.





The City's residential sewer rates are currently more than \$25 below the California statewide average.

CITY PROPOSING TO PHASE IN SEWER RATE ADJUSTMENTS

The City is proposing to phase in a series of annual sewer service charge increases to provide adequate funding for wastewater system operations and critical infrastructure needs. The first three years of rate increases will bring rates in line with the cost of providing service and provide an appropriate level of annual funding to support rehabilitation of the City's aging wastewater treatment plant. After three years, the City anticipates adopting small annual rate adjustments each year to keep sewer rates aligned with the cost of providing service and provide funding to complete the sewer utility's 20-year capital improvement program. The proposed 20-year maximum sewer rate is \$35 per residential dwelling unit or equivalent. Most customers pay for sewer service via charges collected with their semi-annual property tax payments.

Proposed Monthly Sewer Service Charges						
Customer Class	Billing Unit	Current	July 1 2010	July 1 2011	July 1 2012	20-Year Maximum
Residential	Per dwelling unit	\$10.36	\$14.00	\$17.00	\$20.00	\$35.00
Commercial & Industrial	Per fixture unit	1.02	1.38	1.68	1.98	3.48
	Minimum charge	10.36	14.00	17.00	20.00	35.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	14.00	17.00	20.00	35.00
	Per room	3.53	4.77	5.79	6.81	11.91
Hotel - Rooms With Kitchens	Per room	6.81	9.20	11.17	13.14	23.04
Mobile Home Parks	Per unit +	10.36	14.00	17.00	20.00	35.00
	Per fixture unit	1.02	1.38	1.68	1.98	3.48
Recreational Vehicle Parks	Per space +	2.54	3.43	4.17	4.91	8.65
	Per fixture unit	1.02	1.38	1.68	1.98	3.48
Septage Dumping Fee (For loads up to 1,000 gallons)						
Within City limits	Per load	35.00	47.30	57.44	67.58	
Outside City limits	Per load	70.00	94.59	114.86	135.13	118.28

*Sewer service charges for customers outside of City limits are 150% of the inside-City rates shown above.
After 2012, the City plans to implement small annual rate increases not-to-exceed the cumulative level of \$1 per month per year.*

With the proposed adjustments, the City's sewer rates will remain low when compared to other regional agencies, with the maximum rate of \$35 per residential dwelling unit (20 years from now) remaining less than the current statewide average rate of approximately \$36.58 per month.

CITY MAINTAINING FOCUS ON COST-EFFICIENCY

The City remains committed to providing high-quality sewer service as cost-efficiently as possible. The City contracts its wastewater system operations to a private operator and anticipates funding its wastewater capital improvement program on a prudent "pay as you go" basis. The sewer utility currently has no outstanding debt. To help phase in rate increases over the next few years, the City will be using wastewater fund reserves it has accrued for high-priority wastewater capital projects. The City will only implement future rate increases as financially necessary. Pursuant to California law, the City's sewer rates cannot exceed the cost of providing service.

NOTIFICATION OF A PUBLIC HEARING ON PROPOSED RATE INCREASES

The City Council will conduct a Public Hearing on the proposed sewer rate adjustments at 6:00 p.m. on June 16, 2010 at City Hall, 3200 East Tahquitz Canyon Way, Palm Springs, CA 92262. Property owners wishing to protest the proposed sewer rate adjustments may mail or deliver written protests to this address. If written protests against the rate adjustments are submitted by more than 50% of the affected property owners, the proposed sewer rate adjustments will not be adopted. Pursuant to California law, protests must be made in writing and must identify the property owner(s), the property (such as by address or Assessor's Parcel Number), and include the signature of the property owner(s). Written protests must be received prior to the close of the Public Hearing.

ATTACHMENT 2



City Council Staff Report

Date: April 18, 2012 PUBLIC HEARING

Subject: PROPOSITION 218 MAJORITY PROTEST HEARING ON THE MATTER OF INCREASING SEWER SERVICE RATES

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

On February 15, 2012, the City Council reviewed and approved the 2012 Wastewater Financial Plan and Rate Study with regard to funding the entire 20-Year Wastewater Treatment Plant Capital Improvement Plan ("WWTP CIP"), authorized staff to proceed with Proposition 218 majority protest noticing, and scheduled a Public Hearing for April 18, 2012, to consider the matter of increasing sewer rates in accordance with the Rate Study. This item is the Majority Protest Hearing at which time the City Council can consider the protests received, and in accordance with Proposition 218, approve and adopt increased sewer rates.

RECOMMENDATION:

- 1) Open the Public Hearing and receive public testimony; and
- 2) Close the Public Hearing, consider protests received and determine if a majority protest has occurred pursuant to Proposition 218; and
- 3) On the basis that a majority protest has not occurred, adopt Resolution No. _____ "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, APPROVING INCREASED SEWER SERVICE CHARGES EFFECTIVE JULY 1, 2012."

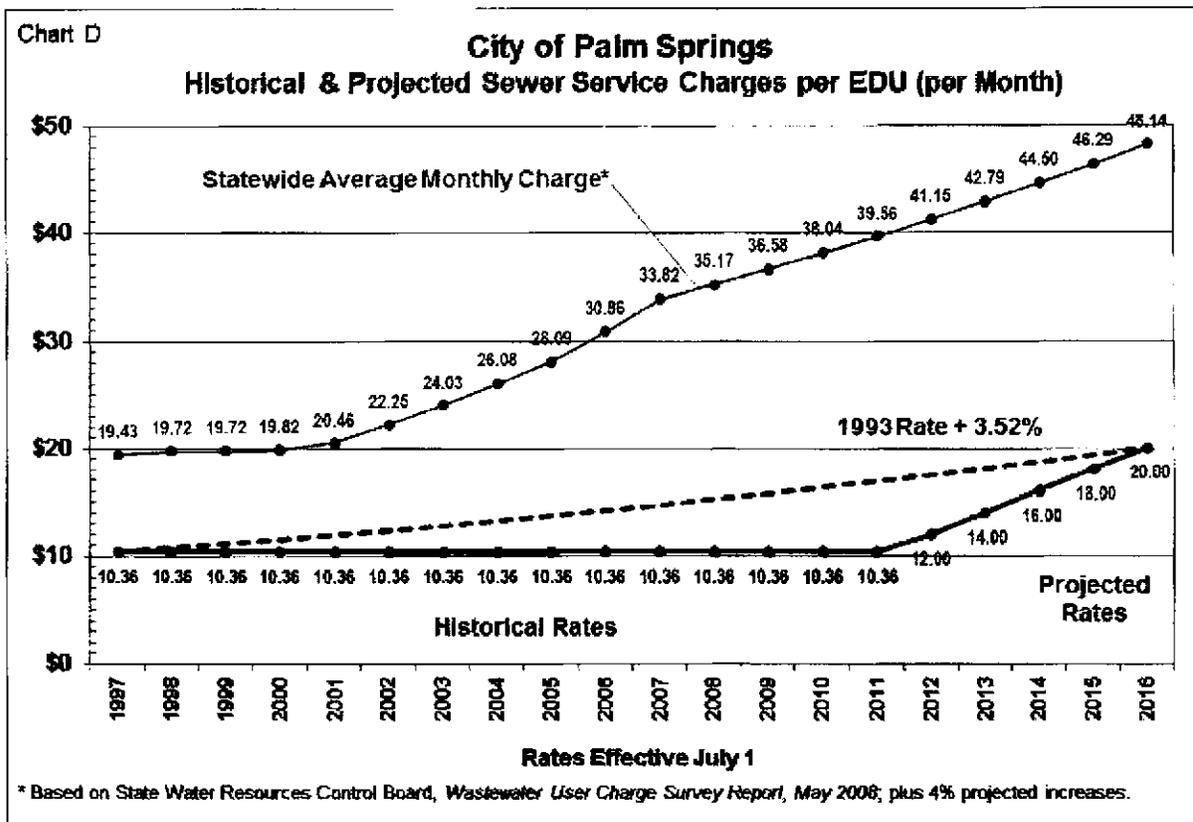
STAFF ANALYSIS:

On February 15, 2012, the City Council took action on several items related to the City's WWTP. A copy of the related staff report is included as Attachment 1.

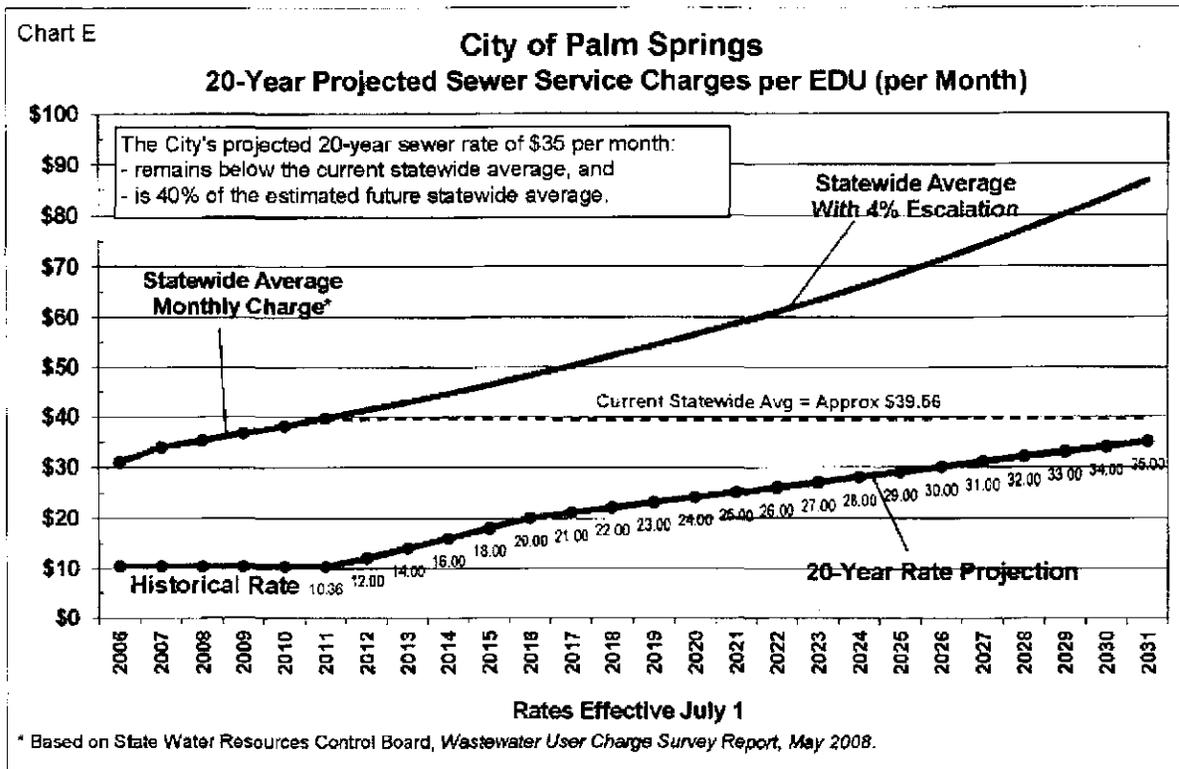
The City's current monthly sewer rate of \$10.36 per equivalent dwelling unit ("EDU") has not changed since 1993, and is insufficient to fund the 20-year WWTP CIP, or future operating and maintenance ("O&M") expenses of the WWTP, escalating utility costs,

and other wastewater fund expenses. The Rate Study reviewed the 20-year WWTP CIP and determined that the City can appropriately finance the recommended capital projects, as well as on-going O&M expenditures associated with the WWTP, by initially increasing the current monthly sewer rate of \$10.36 per EDU to \$20 per EDU over five years, and subsequently at a rate of \$1 per EDU per year to a maximum monthly rate of \$35 per EDU by 2031.

As noted in the February 15, 2012, staff report, the recommendation to increase the monthly sewer rate to a maximum of \$35 per EDU by 2031 would establish it at a rate in 2031 which is below the current statewide average monthly sewer rate of approximately \$40 per EDU, and at a rate less than half of the future estimated statewide average monthly sewer rate of approximately \$90 per EDU. The following chart shows the recommended initial 5-year phase in of the sewer rate increase in comparison to the annual statewide average:



The following chart shows the recommended long-term phase in of the monthly sewer service charge increase to the suggested maximum of \$35 per EDU in comparison to the annual statewide average:



Proposition 218

Proposition 218, the "Right to Vote on Taxes Act", was approved by California voters in November 1996 and is codified as Articles XIIC and XIID of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of "property related fees". In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to sewer rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered for adoption.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property

owners submit written protests against the proposed rate increases, the increases cannot be adopted by the City Council.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
- **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
- **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
- **No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.** Standby charges shall be classified as "assessments" which are governed by Section 4 of Article 13D of the California Constitution.

Proposition 218 requires that the City ensure that its sewer rates reasonably reflect the cost of providing service to each customer. Consistent with this law, it is appropriate for sewer rates to recover costs for operations, capital needs, debt service, administration, as well as costs related to the prudent long-term operational or financial management of the wastewater enterprise, such as maintaining adequate fund reserves and planning for contingencies.

The approved Rate Study analyzed the current Wastewater Fund revenue and expenditures and has conservatively estimated future revenue, O&M expenditures, and the capital expenditures recommended in the 20-year WWTP CIP. The cash flow projections included in the approved Rate Study has appropriately demonstrated the required sewer rates necessary to adequately recover costs, in accordance with the provisions of Proposition 218.

Current Sewer Rates in the Coachella Valley

The following lists the confirmed sewer rates for other agencies in the Coachella Valley:

Mission Springs Water District (Desert Hot Springs):

\$31.23 per month (single family home)

\$23.92 per month (multi-family units)

\$1.98 - \$12.94 per 100 CF of domestic water use (commercial properties)

Desert Water Agency (Cathedral City):

\$34.58 per month (single family home, multi-family units)

\$1.07 per 100 CF of domestic water use (commercial properties)

Coachella Valley Water District (Cathedral City to La Quinta)

\$24.50 - \$32.40 per month (varies by Service Area) (single family home, multi-family units)

\$1.07 - \$1.43 per 100 CF (varies by Service Area) (commercial properties)

Valley Sanitary District (Indio area)

\$21.58 per month (single family home, multi-family units)

(Varies by use) (commercial properties)

As evidenced by the current sewer rates listed, the current rate for Palm Springs of \$10.36 per month is by far the lowest for the Coachella Valley. Only one agency (Mission Springs Water District) provides a discounted (tiered) rate for multi-family units, all other agencies charge the same rate for all residential units regardless of type.

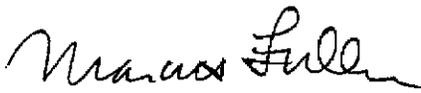
FISCAL IMPACT:

The Wastewater Fund does not have sufficient reserves to fund the significant capital improvements at the WWTP that are recommended over the next 20 years. On-going O&M expenditures will soon exceed annual revenue, requiring the General Fund to subsidize the Wastewater Fund in the absence of any increase to sewer rates.

In the absence of a majority protest, staff recommends that Council adopt and implement the sewer rate increases identified in the approved 2012 Rate Study, which consists of a 5-year short term sewer rate increase from \$10.36 to \$20 per month, with annual increases of \$1 to the monthly sewer rate extending 20 years as the 20-year CIP is implemented. This will establish a maximum monthly sewer rate of \$35 per EDU by 2031, which is below the current statewide average monthly sewer rate of approximately \$40 per EDU – and only 40% of the future estimated statewide average monthly sewer rate of approximately \$90 per EDU. These structured rate increases will ensure the City's Wastewater Fund remains solvent for the long-term.

SUBMITTED:

Prepared by:



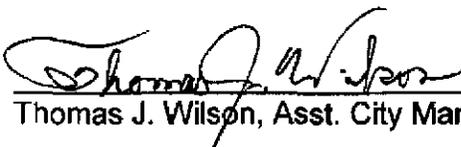
Marcus L. Fuller
Assistant Director of Public Works

Recommended by:

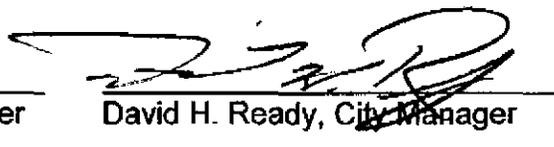


David J. Barakian
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager

Attachments: February 15, 2012, staff report

**CITY OF PALM SPRINGS
PUBLIC HEARING NOTIFICATION**

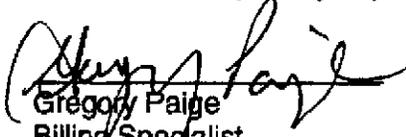


City Council
Meeting Date: April 18, 2012
Subject: **Prop. 218**
Notification of Public Hearing On Proposed Sewer Rate Increases
at 6:00P.M. on April 18, 2012 at City Hall, 3200 East Tahquitz Canyon
Way, Palm Springs, CA 92262.

AFFIDAVIT OF MAILING

I, Gregory Paige, Billing Specialist, for Veolia Water West Operating Services, Inc., Palm Springs, California, on behalf of the City Of Palm Springs, CA do hereby certify that a copy of the attached Notice of Public Hearing was mailed to each and every person on the attached list on February 28, 2012, in a sealed envelope, with postage prepaid, and depositing same in the U.S. Mail at Palm Springs, California. (30,412 notices)

I declare under penalty of perjury that the foregoing is true and correct.


Gregory Paige
Billing Specialist
Veolia Water West Operating Services, Inc.
Palm Springs, CA



City of Palm Springs
 3200 East Tahquitz Canyon Way
 Palm Springs, CA 92262

NOTIFICATION OF PUBLIC HEARING ON PROPOSED SEWER RATE INCREASES

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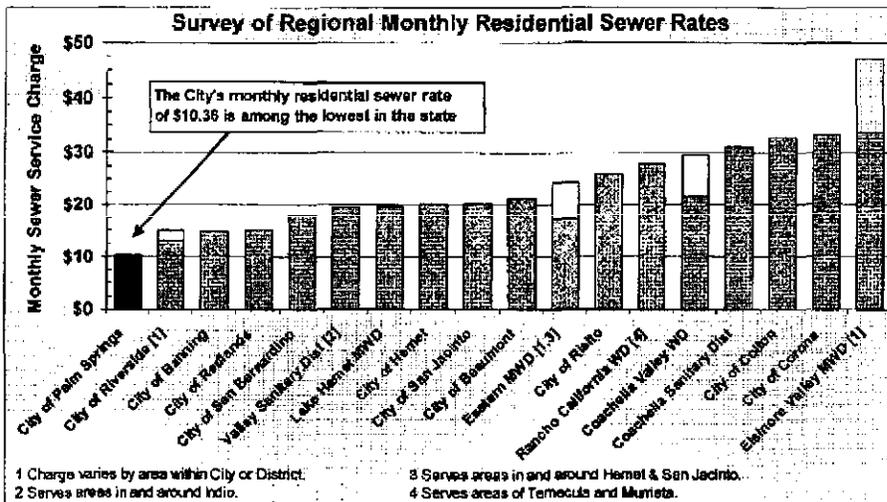
Dear Property Owner or Tenant,

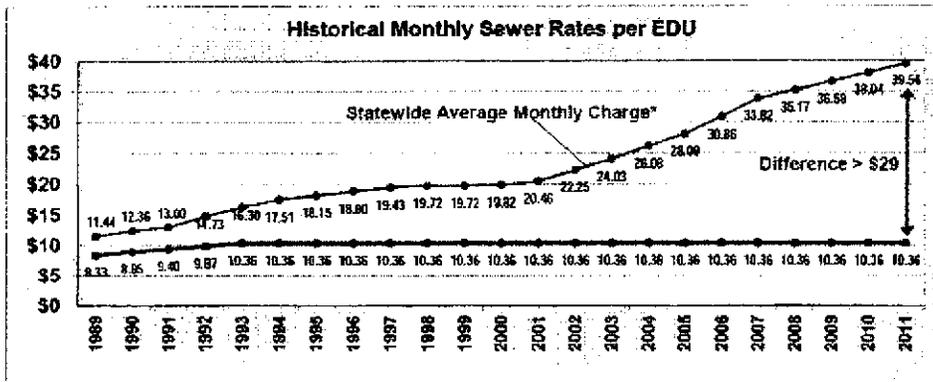
The City of Palm Springs' sewer rates have not been increased since 1993 and are currently among the lowest in California. After nearly 20 years of no rate increases, the City is proposing to phase in sewer service rate increases in upcoming years to provide adequate funding for wastewater system operations and critical wastewater treatment plant capital projects. Residential customers currently pay a sewer rate of \$10.36 per month (\$124.32 per year), which is one-quarter of the statewide average. This notice provides information on the proposed sewer rate increases, why they are needed, and information about a public hearing scheduled April 18, 2012, by the City Council to consider adoption of the increased sewer rates.

WHY ARE RATE INCREASES REQUIRED?

The City's wastewater treatment plant was originally built in 1960 and is now over 50 years old. A recent engineering study identified the need for substantial rehabilitation of the treatment plant including replacing aging equipment and systems, and improving outdated and inefficient treatment processes. The engineering study identified over \$67 million of capital improvements required over the next 20 years. Although the City has completed some of these projects, over \$56 million of these are high-priority projects and cannot be funded by the City's current sewer service rates.

Additionally, the City's operating and maintenance costs have risen over the past 20 years with no corresponding rate increases. The City's wastewater utility is a self-supporting enterprise funded entirely by sewer service charges. The City's wastewater utility is NOT funded by general property taxes, or special assessments, nor is it intended to be funded by future "Measure J" funds. A financial rate study of the wastewater utility has demonstrated that the City's current sewer rates will not generate sufficient funding to cover the full cost of providing wastewater service in the near future, and cannot fund the critical wastewater capital improvements that are required.





The City's residential sewer rates are currently more than \$29 below the California statewide average.

CITY PROPOSING TO PHASE IN SEWER RATE ADJUSTMENTS

The City is proposing to phase in a series of annual sewer rate increases to provide adequate funding for wastewater system operations and critical wastewater treatment plant projects. The first five years of rate increases will bring rates in line with the cost of providing service and provide an appropriate level of annual funding to support rehabilitation of the City's aging wastewater treatment plant. After five years, small rate adjustments each year will keep sewer rates aligned with the cost of providing service and will generate funding required to complete the sewer utility's 20-year capital improvement program. **The proposed maximum monthly sewer rate by 2031 is \$35 per residential dwelling unit or equivalent ("EDU"), and is below today's statewide average monthly sewer rate of approximately \$40 per EDU.**

Customer Class	Billing Unit	Current	2012	2013	2014	2015	2016	2031
Residential	Per unit	\$10.36	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	\$35.00
Commercial & Industrial	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98	3.48
	Minimum charge	10.36	12.00	14.00	16.00	18.00	20.00	35.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	12.00	14.00	16.00	18.00	20.00	35.00
	Per room	3.53	4.09	4.77	5.45	6.13	6.81	11.91
Hotel - Rooms With Kitchens	Per room	6.81	7.80	9.21	10.53	11.85	13.17	23.07
Mobile Home Parks	Per unit +	10.36	12.00	14.00	16.00	18.00	20.00	35.00
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98	3.48
Recreational Vehicle Parks	Per space +	2.54	2.94	3.43	3.92	4.41	4.90	8.65
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98	3.48
Septage Dumping Fee (For loads up to 1,000 gallons)								
Within City limits	Per load	35.00	40.54	47.30	54.06	60.82	67.58	118.28
Outside City limits	Per load	70.00	81.08	94.59	108.10	121.61	135.12	236.56

*Sewer rates for customers outside of City limits are 150% of the rates identified above.
In 2017, monthly rate increases of \$1 shall occur annually until 2031 when the maximum monthly rate of \$35 is established.*

With the proposed sewer rate increases, the City's sewer rates will remain significantly lower when compared to other wastewater service providers throughout southern California.

CITY MAINTAINING FOCUS ON COST-EFFICIENCY

The City remains committed to providing high-quality sewer service as cost-efficiently as possible. The City contracts its wastewater system operations to a private operator and anticipates funding its wastewater capital improvement program on a prudent "pay as you go" basis. The sewer utility currently has no outstanding debt, and the City does not propose incurring significant debt as a means of funding its wastewater systems operations. To help phase in sewer rate increases over time, the City will be using wastewater fund reserves as they become available for funding critical wastewater capital projects. The City will only implement future rate increases as financially necessary. Pursuant to California law, the City's sewer rates cannot exceed the cost of providing service.

NOTIFICATION OF A PUBLIC HEARING ON PROPOSED SEWER RATE INCREASES

The City Council will conduct a Public Hearing on the proposed sewer rate increases at 6:00 P.M. on April 18, 2012, at City Hall, 3200 East Tahquitz Canyon Way, Palm Springs, CA 92262. Property owners or tenants wishing to protest the proposed sewer rate increases may mail or deliver written protests to the City Clerk at this address. If written protests against the rate increases are submitted on behalf of more than 50% of the affected properties, the proposed sewer rate increases will not be adopted. Protests must be made in writing and must a) identify the property owner or tenant, b) identify the property (by address or Assessor's Parcel Number), and c) include the signature of the property owner or tenant. Written protests must be received prior to the close of the Public Hearing on April 18, 2012.

**CITY OF PALM SPRINGS
PUBLIC HEARING NOTIFICATION**



City Council
Meeting Date: April 18, 2012
Subject: Proposition 218 Majority Protest Hearing
Increasing Sewer Service Rates

AFFIDAVIT OF PUBLICATION

I, Kathie Hart, Chief Deputy City Clerk, of the City of Palm Springs, California, do hereby certify that a copy of the attached Notice of Public Hearing was published in the Desert Sun on April 7, 2012.

I declare under penalty of perjury that the foregoing is true and correct.

KHart

Kathie Hart, CMC
Chief Deputy City Clerk

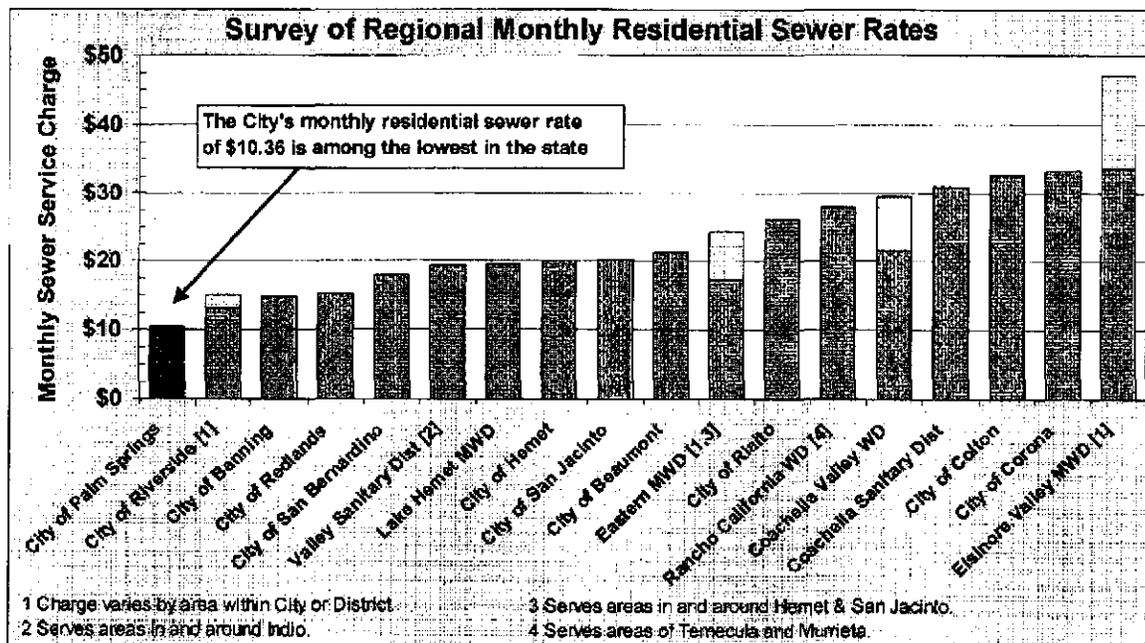
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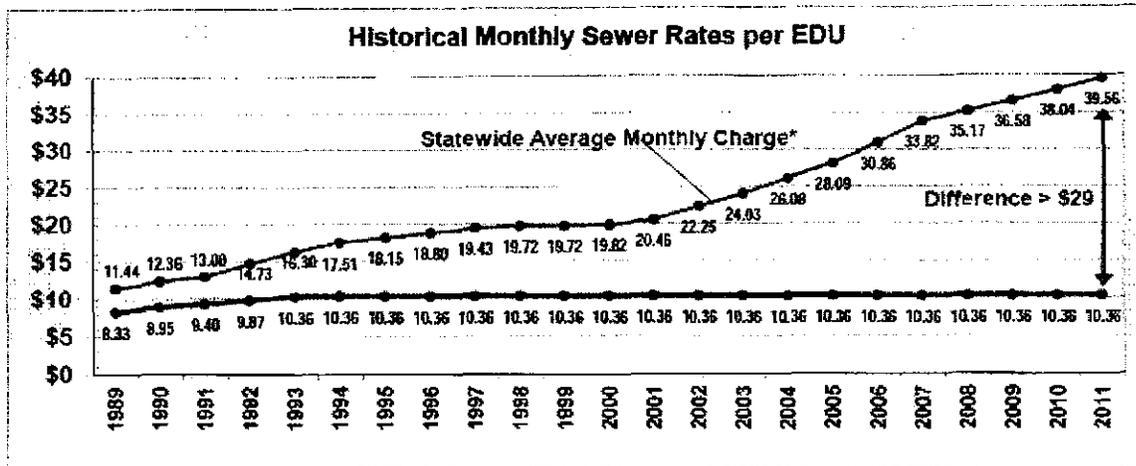
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City Council Staff Report

Date: February 15, 2012 NEW BUSINESS

Subject: WASTEWATER CAPITAL REPAIR AND REHABILITATION PLAN, AND
WASTEWATER FINANCIAL PLAN AND RATE STUDY

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

On July 7, 2010, the City concluded a Proposition 218 majority protest public hearing on the matter of increasing sewer rates. Although a majority protest did not occur, the City Council did not approve increased sewer rates, and requested the issue to be deferred for consideration at a later date.

This item requests the Council approve an updated and amended Wastewater Financial Plan and Rate Study, and that Council authorize staff to proceed with a Proposition 218 majority protest hearing to allow Council to reconsider increasing the City's sewer rates. An increase to the City's current sewer rates is necessary to fund required capital projects at the wastewater treatment plant, and to address future operation and maintenance costs of the City's wastewater utility.

RECOMMENDATION:

- 1) Provide direction on the draft 2012 Wastewater Financial Plan and Rate Study with regard to: A) funding the entire 20-Year WWTP CIP; or B) funding only the Priority 1 Projects of the 20-Year WWTP CIP; and
- 2) Authorize staff to proceed with Proposition 218 majority protest noticing, and schedule a Public Hearing for April 18, 2012, to consider the matter of increasing sewer rates in accordance with the 2012 Wastewater Financial Plan and Rate Study.

STAFF ANALYSIS:

History

On April 21, 2010, the City Council reviewed and approved a comprehensive 20-year, \$67,000,000 Capital Repair and Rehabilitation Plan, commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP"). The City Council also reviewed and approved the corresponding Wastewater Financial Plan and Rate Study ("Rate Study"), authorized staff to proceed with Proposition 218 majority protest noticing, and held Public Hearings on June 16 and July 7, 2010, to consider the matter of increasing sewer rates in accordance with the 2010 Rate Study.

At the conclusion of the Public Hearing held on July 7, 2010, the City Clerk tallied the protests received and determined a majority protest did not occur. In accordance with California law, the City Council was authorized to implement the proposed sewer rate increases, however, at that time the City Council tabled the item for consideration at a later date.

The Wastewater Treatment Process

Wastewater treatment is the process of removing contaminants from wastewater, and can include physical, chemical, and biological processes to remove various contaminants in it. The purpose is to improve the quality of the wastewater to meet certain limitations imposed by the state to produce a waste stream (or "effluent") and a solid waste (or "sludge") suitable for discharge or reuse back into the environment. The treatment process at the City's WWTP involves two stages, called primary and secondary treatment. A third stage, or tertiary treatment, is provided by Desert Water Agency ("DWA") at its off-site reclamation plant near Knott's Soak City water park.

Pre-treatment of wastewater occurs by passing it through the headworks facility where a mechanical bar screen removes larger non-organic materials, such as rags, plastics, and debris; and where an aerated grit basin, consisting of concrete tanks, slow the rate of the wastewater flow to allow sand and grit to settle out of it. As a part of the primary treatment stage, the wastewater that is passed through the headworks facility enters into three large covered rectangular concrete tanks (or "primary clarifiers") where it continues to pass through at a slower rate, allowing heavier solids to settle to the bottom; and where oils, grease and lighter solids (or "scum") float to the surface. The settled solids and floating scum are removed from the wastewater and the remaining liquid (or "primary effluent") passes onto the secondary treatment phase.

Secondary treatment is a process to remove the much smaller particles of dissolved and suspended biological matter within the primary effluent. Secondary treatment at the City's WWTP begins by pumping primary effluent and distributing it around the top of four circular concrete tanks (called "trickling filters") such that it filters down through rock media about 10 feet deep contained within the tanks, over and within which a layer of

algae slime grows. The process removes organic compounds within the primary effluent by trickling it over the algae slime which lives by consuming the organic compounds contained in the effluent.

As the algae slime grows into thicker layers on and within the rock media, it eventually grows to a layer too thick to maintain the process, and falls off. These algae growths in the trickling filters enter the wastewater flow and must be further separated by passing it through six open, rectangular tanks (or "secondary clarifiers"). The secondary clarifiers are similar to the primary clarifiers, in that wastewater flow passes through slowly, allowing the solids to be removed from the flow.

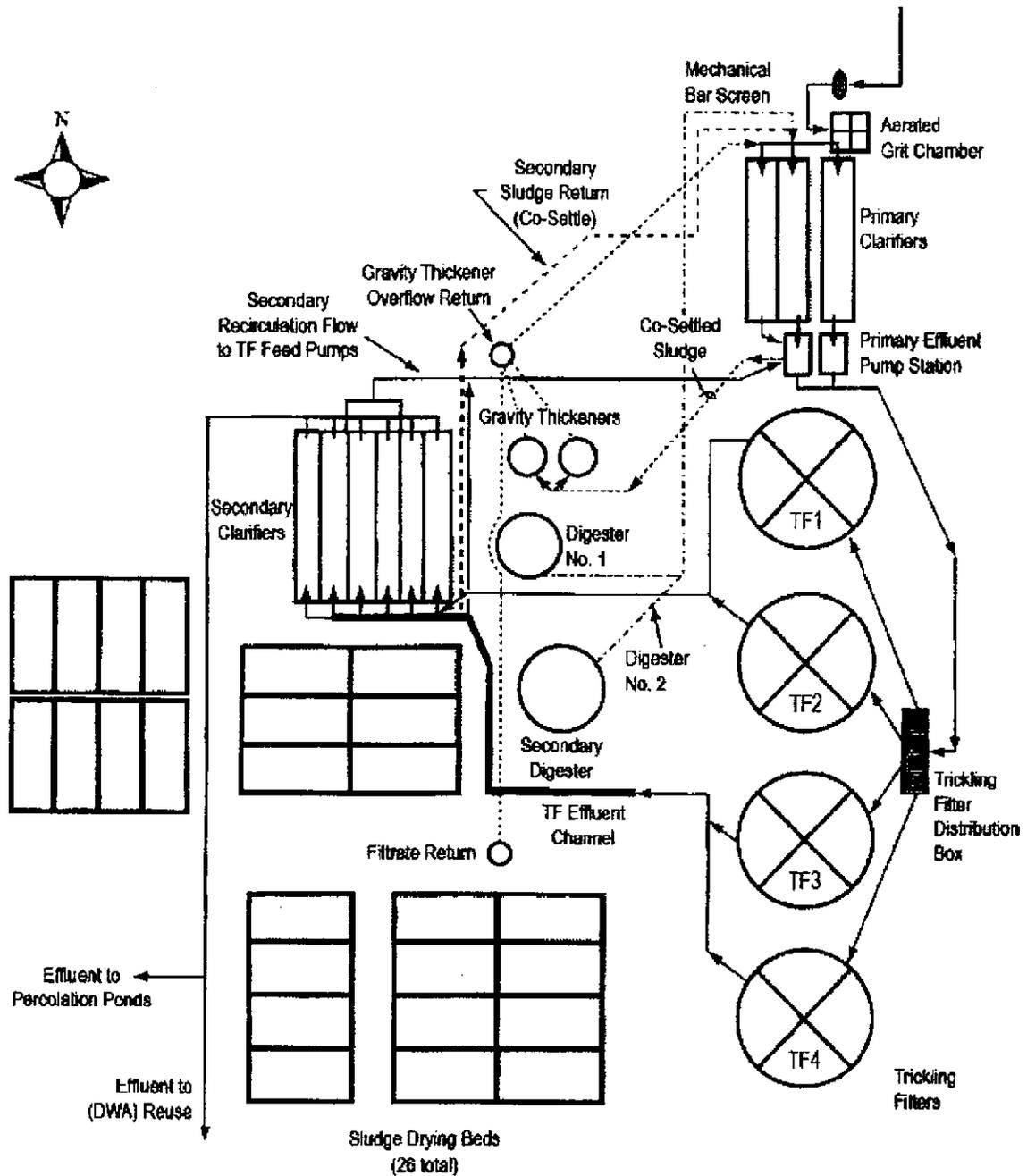
It is at this point that the effluent is passed to DWA to its reclamation plant for the third stage of treatment where DWA chlorinates and disinfects the effluent to meet state regulations for re-use as reclaimed water for irrigation purposes. In the 2010/2011 fiscal year, the City's WWTP processed 2.0789 billion gallons of wastewater, of which 1.466 billion gallons (or 70.5%) was passed to DWA for reclaimed water re-use, and 613 million gallons was discharged into several percolation basins at the WWTP where it was evaporated into the air and percolated into the ground.

The treatment of solids removed from the wastewater flow from the primary and secondary clarifiers is thickened by a process called "gravity thickening", and subsequently pumped into one of two anaerobic digesters for final treatment. This process is called anaerobic digestion, and is a series of biological processes in which microorganisms break down biodegradable material in the absence of oxygen (similar to how human digestion of food occurs). It is widely used to treat wastewater sludge and organic wastes because it significantly reduces the mass and volume of the original sludge material. Within the anaerobic digesters the solids are heated and mixed for about 20 days to further reduce the solids, where approximately half is converted into a methane and carbon dioxide rich biogas suitable for energy production.

The final treatment process pumps the reduced solids from the anaerobic digesters to 26 open-air drying beds and where it is dried for one to four months (depending upon the time of year – shorter in the summer and longer in the winter). Our desert environment allows sludge to be more thoroughly dried than at other facilities, and the process is capable of producing dried sludge that is defined as Class A "Exceptional Quality" bio-solids suitable for use as a fertilizer, which is hauled to agricultural users for beneficial re-use.

The process described above and used at the City's WWTP is generally shown in Figure 1 on the following page:

Figure 1
Palm Springs Wastewater Treatment Plant Schematic Flow Diagram



20-Year WWTP Capital Repair and Rehabilitation Plan

The original WWTP was constructed in 1960, and is now over 50 years old. Major expansion of the WWTP to its current 10.9 million gallon per day ("MGD") capacity was completed in 1983. Over the last 5 years the City has completed rehabilitation of the two anaerobic digesters, construction of a new reclaimed water pump station, and improvements to the gravity thickeners. Construction of an entirely new electrical system is currently underway.

Operation and maintenance ("O&M") of the City's WWTP is provided for the City through a long term agreement with Veolia Operating Services West, Inc. ("Veolia"). In consultation with Veolia regarding on-going maintenance issues at the WWTP, primarily due to the age of the major mechanical equipment at the WWTP, staff prepared a comprehensive CIP for the WWTP, realizing the need to focus on major capital projects to replace aging equipment and improve inefficient wastewater treatment processes at the WWTP over the next 20 years.

The focus of the 20-year WWTP CIP is not on increasing the capacity of the WWTP; the current 10.9 MGD capacity will be more than adequate beyond a 20 year horizon. For the 2010/2011 fiscal year, wastewater flow into the WWTP was at annual average rate of 5.698 MGD, well below the 10.9 MGD capacity. Assuming a conservative projected future City growth rate of 1,000 people per year, the 10.9 MGD capacity will not be exceeded for over 30 years. The 20-year WWTP CIP considered repair and rehabilitation of the outdated equipment and processes used at the WWTP, and the need to appropriately plan for replacement of the equipment with current technology that will improve the City's ability to efficiently treat wastewater flows.

The CIP submitted to and approved by the Council on April 21, 2010, assessed all of the major unit processes at the City's WWTP, and recommended a 20 year program consisting of over 30 projects (some of which may be combined into single projects for better cost efficiencies) estimated to cost \$67,000,000. The most critical elements of the WWTP to be addressed in the near-term were:

- **Digester No. 1 Upgrade**

This project has been completed.

- **Wastewater Treatment Plant Perimeter Security Fence**

This project has been completed.

- **Electrical System Upgrade**

This project is currently under construction.

- **New Headworks**

By its nature of accepting raw sewage, the headworks facility is considered a Class I hazardous facility. It is critical to have reliability and redundancy in the headworks

facility due to the corrosive nature of its environment. The City's existing headworks facility is inadequate and does not provide the reliability or redundancy required. The headworks facility is considered in poor condition when compared to headworks facilities at other comparatively sized WWTP's. One significant factor with the headworks facility is the invert elevation into the WWTP; the invert is too high and the slope of the main sewer trunk line into the WWTP is flat causing surcharging within the sewer line. The invert into the WWTP must be lowered to improve the hydraulics into the WWTP, improving the gravity free-flow movement of wastewater into the headworks facility. As it exists, the surcharging of the main sewer trunk line has the potential to further corrode the headworks facility, cause sewage to back-up, and ultimately if unaddressed, to cause sewage overflows in the streets from upstream sewer manholes, as the volume of wastewater flow into the WWTP increases over the next 20 years.

Another significant factor with the existing headworks facility is the fact that it is not housed within an enclosed building; the headworks facilities are exposed to the air and are located within close proximity to Demuth Park. This is a major contributor to foul odor problems experienced in the area. More importantly, the fact that the headworks facility operation is exposed to the public is visually offensive, with raw sewage materials easily seen by the public at the entrance into the WWTP.

Construction of a complete new, enclosed headworks facility at a lower elevation is required to appropriately address these issues.

The preliminary construction estimate is \$5,920,000 (which includes a new building and odor control system) and has not been budgeted yet as part of the WWTP CIP.

- **New Primary Clarifiers**

The existing primary clarifiers are impacted by the surcharging into the WWTP through the headworks facility. The primary clarifiers are actually three separate adjacent long and narrow tanks, with a relatively shallow depth of 6.8 feet. The existing primary clarifiers require constant maintenance, and are inefficient given their shallow depth. Construction of new primary clarifiers will be required in conjunction with construction of a new headworks facility, given the need to lower the invert into the WWTP through the headworks and to allow free flow of the wastewater to the primary clarifiers at a lower elevation. It is recommended that the existing primary clarifiers be replaced with new circular clarifiers with a greater depth, providing for much improved primary treatment of wastewater.

The preliminary construction estimate, including new tanks, sludge pump station, covers and a new odor control system is \$9,050,000 and has not been budgeted yet as part of the WWTP CIP.

- **New Primary Effluent Pump Station**

The existing primary effluent pump station has old pumping and mechanical equipment which is unreliable and relatively inefficient, given the age of the pumps. The equipment

requires constant maintenance and is reaching the end of its design life. Construction of a new primary effluent pump station will be required in conjunction with construction of a new headworks facility and primary clarifiers, given the need to lower the water surface through the headworks facility and primary clarifiers and to allow free flow of the wastewater to the primary effluent pump station at a lower elevation. The wastewater flow from the primary effluent pump station is subsequently pumped to the top of the trickling filters as part of the next stage of the wastewater treatment process. A new primary effluent pump station will allow for installation of modern pumping and mechanical equipment, providing improved pumping efficiency and reducing energy requirements and utility costs.

The preliminary construction estimate for the new pump station is \$2,910,000 and has not been budgeted yet as part of the WWTP CIP.

- **Secondary Clarifier Upgrade**

The existing secondary clarifiers consist of 6 rectangular tanks that provide the final separation process of small particles of solids from the wastewater, immediately prior to releasing the effluent downstream to percolation ponds or Desert Water Agency for reclamation purposes. The existing secondary clarifier is reaching the end of its design life; the underwater portions of the equipment have corroded and most of the equipment requires replacement. Although not directly required with construction of a new headworks facility and primary clarifiers, a major overhaul and upgrade of the secondary clarifier is recommended to provide for improved efficiency and to eliminate the constant maintenance problems associated with the aging equipment. An overhaul will be necessary to address the corroded portions of the equipment.

The preliminary construction estimate is \$2,010,000 and has not been budgeted yet as part of the WWTP CIP.

- **Methane (Biogas) Recovery System and Co-Generation of Electricity**

Currently, the City's WWTP flares 100% of the methane produced by the wastewater treatment process. The methane itself is too "dirty" to use as an alternative to natural gas to operate any pumps, engines or other equipment, and in order to effectively use the methane as an alternative to natural gas, a gas treatment system is required. Additionally, the City's existing gas flare does not meet current South Coast Air Quality Management District ("AQMD") standards and is considered "legal non-conforming" equipment as long as the City makes no improvements to the WWTP that exceeds the capacity of the existing flare. After completing some of the projects recommended in the CIP, it will be necessary to construct a new flare meeting current AQMD standards.

Recovering the methane gas at the WWTP and using it for power co-generation purposes is a sustainable objective the City should meet. As part of this system, it is recommended the City invest in a Fats, Oils and Grease "FOG" receiving station, to take advantage of the local FOG generated by restaurants and capitalize on the FOG's

ability to increase the production of methane gas at the WWTP (and thereby increasing the amount of energy produced through co-generation). Accepting FOG also eliminates the practice of disposing it at landfills and composting facilities where the methane is released to the environment, affecting air quality. However, the capital costs associated with the system are high.

The Co-Generation System is broken into the following parts:

1. Fuel Cell for Power Co-Generation, estimate: \$4,060,000
2. Methane Gas Treatment System, estimate: \$2,000,000
3. FOG Receiving Station, estimate: \$1,600,000
4. New Gas Flare, estimate: \$1,000,000

The preliminary construction estimate for the complete power co-generation system is \$8,660,000 and has not been budgeted yet as part of the WWTP CIP.

• **Other Capital Improvements**

The CIP identifies other recommended projects at the WWTP, such as:

New primary signalized access from Gene Autry Trail;
New sludge/septage receiving station;
New domestic water system;
General sitework and asphalt pavement replacement;
Sludge drying bed repairs;
Trickling filter upgrades;
Gravity thickener upgrades;
New administration building;
New sludge centrifuge;
Sewer collection system upsizing

In total, the 20-year CIP identified \$58,000,000 in capital projects at the WWTP and \$9,000,000 in future collection system upsizing, for a total capital investment of \$67,000,000. Of that total, over \$12,000,000 has been funded from Wastewater Fund reserves, leaving a total of \$55,000,000 unfunded. The City Council previously directed staff to prioritize the 20-year CIP to identify Priority 1 projects as those projects that will directly reduce or eliminate the generation of odors at the WWTP, which are listed in the following Table:

Priority 1 Projects	
New Circular Primary Clarifiers w/Sludge Pump Station	\$9,050,000
New Headworks	\$5,920,000
New Primary Effluent Pump Station	\$2,910,000
New Sludge Centrifuge	\$1,490,000
Digester No. 2 Dome Replacement	\$1,050,000
<u>WWTP Facility Plan</u>	<u>\$250,000</u>
Priority 1 Total	\$20,670,000

Priority 2 Projects	
Secondary Clarifier Upgrades	\$2,010,000
FOG Receiving Station	\$1,600,000
Trickling Filter Upgrades	\$1,560,000
Gravity Thickener Upgrades	\$1,400,000
New Gas Flare	\$1,000,000
General Sitework Pavement Replacement	\$720,000
Pavement Replacement in Drying Beds 13-18 and 19-26	\$710,000
New Septage Receiving Station	\$500,000
New Access Rd w/ Signalized Access fr Gene Autry	\$500,000
Water System Upgrade for Fire Protection	\$500,000
Filtrate Pump Station Upgrade	\$500,000
Priority 2 Total	\$11,000,000

Priority 3 Projects	
Third Digester (Acid or Conventional)	\$7,200,000
Fuel Cell Purchase and Installation	\$4,060,000
<u>Digester Gas Treatment System</u>	<u>\$2,000,000</u>
Priority 3 Total	13,260,000

Priority 4 Projects	
Crossley Road Collection System Upsize	\$4,400,000
Indian Canyon Drive Collection System Upsize	\$2,400,000
Palm Canyon Drive Collection System Upsize	\$1,800,000
<u>New Administration Building</u>	<u>\$1,600,000</u>
Priority 4 Total	\$10,200,000

Total 20-Year CIP **\$55,130,000**

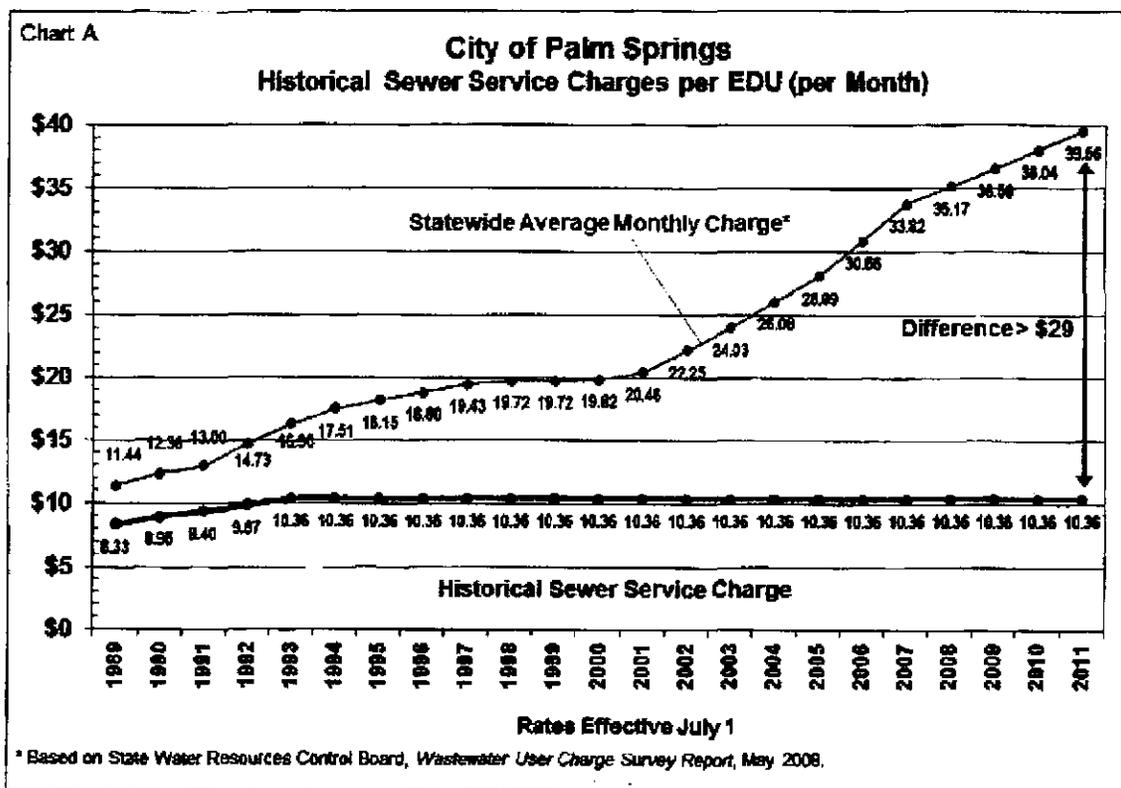
The list of projects above have been deemed critical to ensuring the City's ability to safely and adequately provide wastewater treatment of the sewage generated within the City. The list of projects cannot be funded from the City's current sewer rates, and an increase to the sewer rates will be necessary to fund the required capital improvements.

2012 Wastewater Financial Plan and Rate Study

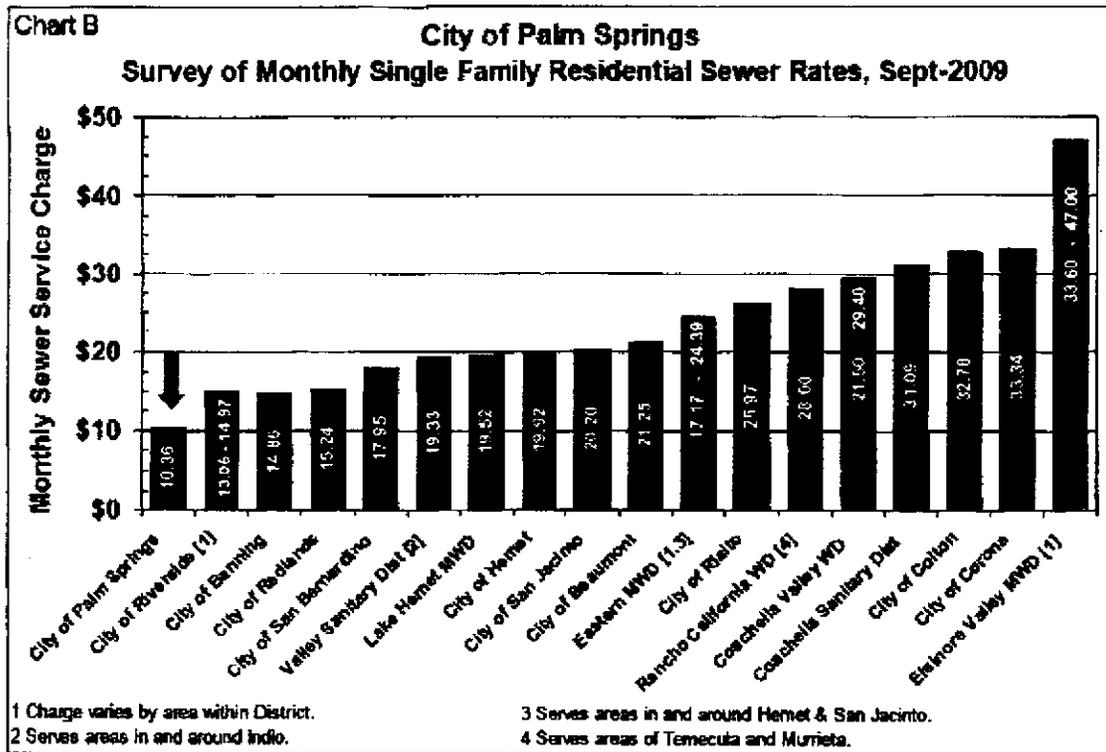
The City's current monthly sewer rate is \$10.36 per equivalent dwelling unit ("EDU") and has not changed since 1993. The following Table shows the City's existing sewer rate schedule:

TABLE 1 - SEWER SERVICE CHARGES		
<i>Rates Effective Since July 1, 1993</i>		
Customer Class	Monthly Charge	
Residential	\$10.36	Per unit
Commercial & Industrial	1.02	Per fixture unit
	10.36	Minimum charge
Hotel - Rooms Without Kitchens	10.36	Base charge +
	3.53	Per room
Hotel - Rooms With Kitchens	6.81	Per room
Mobile Home Parks	10.36	Per unit +
	1.02	Per fixture unit
Recreational Vehicle Parks	2.54	Per space +
	1.02	Per fixture unit
Septage Dumping Fee (for loads up to 1,000 gallons)		
Within City limits	35.00	Per load
Outside City limits	70.00	Per load
Properties Adjacent to City		
Rates for customers outside of City limits are 150% of the standard established rates		
Sewer Permit Fee		
For discharging septage at the City's Wastewater Treatment Plant	1,000.00	Per application

The current statewide average monthly sewer rate is approximately \$40 per EDU, nearly 400% of the City's current sewer rate, which ranks among the lowest in the entire state. The following chart shows the City's sewer rates over the last 20 years with respect to the annual statewide average:



The following chart shows the City's current sewer rate in comparison to 2009 sewer rates charged by other agencies within the southern California region:



It should be noted that several agencies in the Coachella Valley, including Desert Water Agency, Coachella Valley Water District, and Mission Springs Water District have recently adopted increased sewer rates since 2009. The City's current sewer rate is insufficient to sustain future O&M expenses of the WWTP, escalating utility costs, and other Wastewater Fund expenses. For the 2010/2011 fiscal year, the Wastewater Fund had the following revenue and expenditures:

Total Revenue: \$6,200,771
 Total Expenditures: \$5,863,226
 Balance: \$337,545

The amount of Wastewater Fund revenue balance remaining at the end of the fiscal year has continued to decrease, limiting the Wastewater Fund's ability to finance additional increases in on-going O&M costs, or to effectively budget for future capital improvement projects. The following Table shows the revenue and expenditures for the Wastewater Fund for the previous four fiscal years:

HISTORICAL WASTEWATER REVENUES & EXPENSES				
	Fiscal Year 2007/08	Fiscal Year 2008/09	Fiscal Year 2009/10	Fiscal Year 2010/11
Revenues				
Charges for service	5,069,841	5,523,606	5,429,735	5,492,564
Sewer connection & main charges	937,268	483,204	499,092	532,645
Interest income & gains/losses	<u>789,375</u>	<u>460,231</u>	<u>207,749</u>	<u>175,562</u>
Total revenues	6,796,484	6,467,043	6,136,576	6,200,771
Expenses				
Contractual operating & other services	3,806,809	4,283,626	4,094,638	3,875,896
Utilities	181,565	209,047	213,087	171,823
Personnel services & administration	28,874	104,672	42,711	28,389
Capital Expenditures	<u>1,804,541</u>	<u>1,431,640</u>	<u>1,685,811</u>	<u>1,787,118</u>
Total expenses	5,821,789	6,028,985	6,036,247	5,863,226
Revenues less expenses	\$974,695	\$438,058	\$100,329	\$337,545

As of June 30, 2011, the net cash available (unrestricted funds) in the Wastewater Fund reserve was \$4,887,960. The Wastewater Fund reserve is not sufficient to cover any significant capital costs or major emergencies, and does not have sufficient reserves to fund the 20-year WWTP CIP. As seen by the annual revenue and expenditures from prior fiscal years, the sewer rate will need to be increased to ensure the Wastewater Fund is appropriately financed to continue funding on-going O&M expenditures, and to fund any of the recommended major capital projects outlined in the 20-year WWTP CIP.

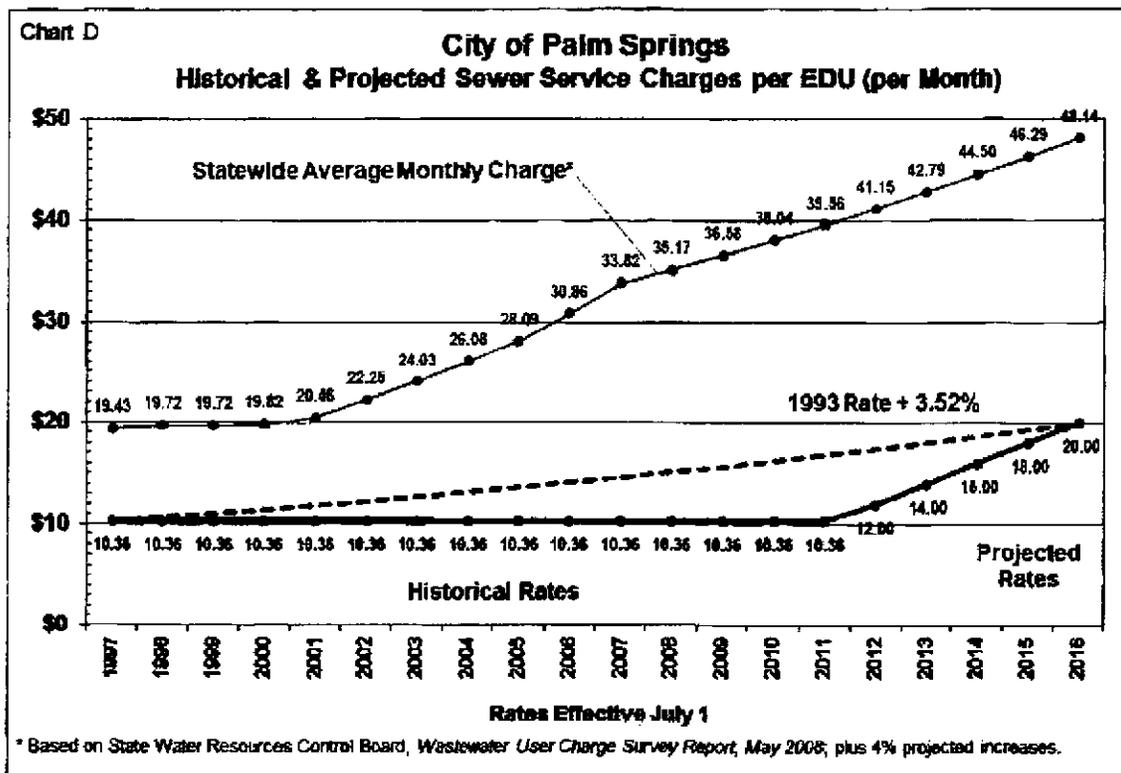
The Wastewater Financial Plan and Rate Study submitted to Council on April 21, 2010, has been updated and amended to reflect the revised project priority lists for the 20-year WWTP CIP. The 2010 Rate Study was also revised to lengthen the period of time for implementing the priority-phased projects from 5 years to overlapping periods of ten years. For example, implementing the Priority 1 project list would begin fiscal year 2012/13 and be completed by fiscal year 2021/22, whereas implementing the Priority 2 project list would begin fiscal year 2017/18 and be completed by fiscal year 2026/27. This allows the annual cost for capital expenditures to be reduced, but lengthens the 20-year CIP to a 25 year plan.

As the existing sewer rate of \$10.36 per EDU is significantly low, it will be necessary to implement slightly higher sewer rate increases over a shorter term to generate sufficient excess revenues to begin funding the Priority 1 projects, with more gradual increases over the long term to ensure sewer rates are sufficient to fund the entire 20-year CIP and can keep pace with inflation.

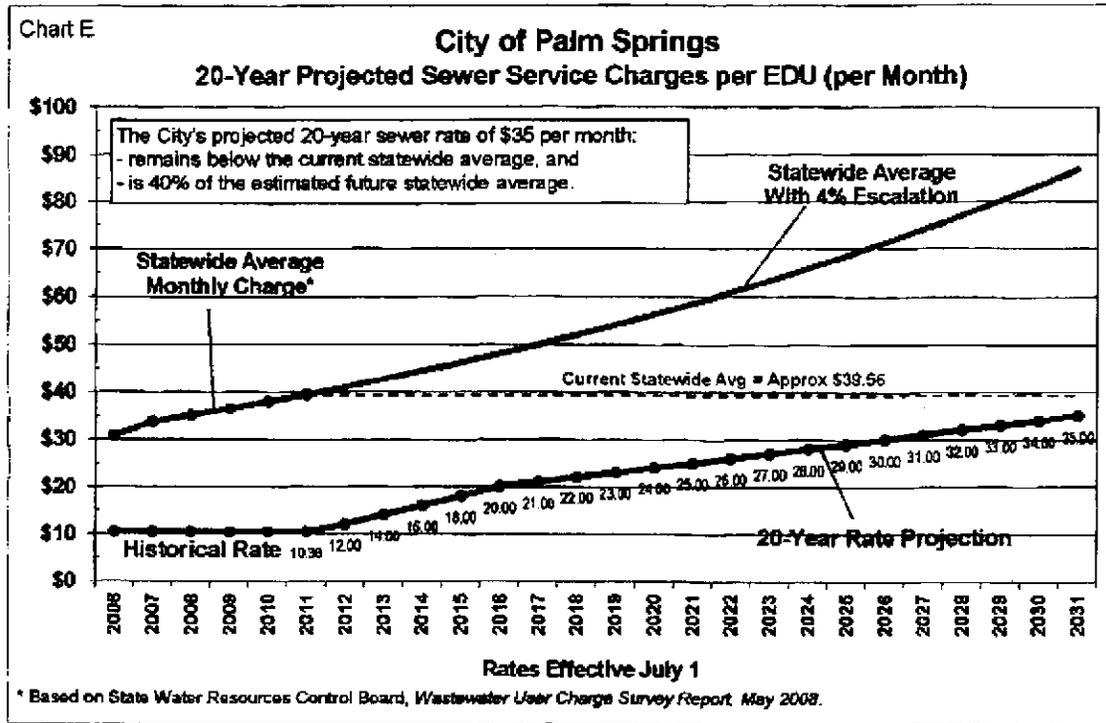
The 2010 Rate Study proposed a 3-year short term sewer rate increase from \$10.36 to \$20 per month, with annual increases of approximately \$1 to the monthly sewer rate extending 20 years as the 20-year CIP was implemented. Although the 2010 Rate

Study proposed a maximum monthly sewer rate of \$35 per EDU by 2028 (which is below the current statewide average monthly sewer rate of approximately \$40 per EDU), the initial 3-year short term sewer rate increases were considered too high by Council in 2010.

The attached draft 2012 Wastewater Financial Plan and Rate Study proposes a longer 5-year short term sewer rate increase from \$10.36 to \$20 per month, with annual increases of \$1 to the monthly sewer rate extending 20 years as the 20-year CIP is implemented. This will establish a maximum monthly sewer rate of \$35 per EDU by 2031, which is below the current statewide average monthly sewer rate of approximately \$40 per EDU – 40% of the future estimated statewide average monthly sewer rate of approximately \$90 per EDU. The proposed sewer rate increases would maintain the City's sewer rates at an amount significantly lower than sewer rates charged by other agencies, and would allow for funding of the 20-year WWTP CIP without the need to incur debt financing. The following chart shows the recommended initial 5-year phase in of the sewer rate increase in comparison to the annual statewide average:



The following chart shows the recommended long-term phase in of the monthly sewer rate increase to the suggested maximum of \$35 per EDU in comparison to the annual statewide average:



The Wastewater Fund currently carries no debt, and therefore, has no annual debt service payments. To determine how leveraging debt may reduce required sewer rate increases, the City's Financial Advisor, Suzanne Harrell, analyzed various funding alternatives. Focusing only on the \$20 Million cost of the Priority 1 list of projects, the two analyses considered "Pay As You Go" with no debt financing, or a \$13 Million bond issue (see Attachment 1).

The alternative analyses indicated that debt could be strategically used to result in a more gradual phase in of sewer rate increases in the short term. For example, sewer rates could be gradually increased to a level equal to \$20 per month over 6 years, as opposed to over 5 years without any debt financing. However, with debt financing higher sewer rate increases over the long term would be required to generate additional revenue for annual debt service payments until the debt was gradually paid off.

Given the results of the alternative analyses, it is not staff's recommendation that debt financing of the 20-year WWTP CIP be considered as it ultimately requires a higher sewer rate in the long term to cover annual debt service payments.

Staff requests Council direction on whether to structure the proposed sewer rate increase to fund either:

- A) The entire 20-Year WWTP CIP, with an unfunded cost of \$55 Million; or
- B) Limited to the Priority 1 Projects, with an unfunded cost of \$20 Million

The draft 2012 Rate Study represents Option "A", in that it proposes a series of modest rate increases over a 20-year period sufficient to cover the entire \$55 Million unfunded cost of the WWTP CIP, plus future estimated costs for WWTP O&M. The suggested rate increases consist of an initial 5-year phase in of monthly sewer rate increases from \$10.36 to \$20 per EDU, with additional sewer rate increases of \$1 per EDU to a maximum of \$35 per EDU by 2031. The following chart specifically identifies the recommended sewer rate increases for the initial 5-year phase in period:

TABLE 10 - PROJECTED MONTHLY SEWER SERVICE CHARGES

Customer Class	Billing Unit	Effective Date July 1					
		Current	2012	2013	2014	2015	2016
Residential	Per unit	\$10.36	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
	Minimum charge	10.36	12.00	14.00	16.00	18.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	12.00	14.00	16.00	18.00	20.00
	Per room	3.53	4.09	4.77	5.45	6.13	6.81
Hotel - Rooms With Kitchens	Per room	8.81	7.89	9.21	10.53	11.85	13.17
Mobile Home Parks	Per unit +	10.36	12.00	14.00	16.00	18.00	20.00
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
Recreational Vehicle Parks	Per space +	2.54	2.94	3.43	3.92	4.41	4.90
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
Septage Dumping Fee							
<i>For loads up to 1,000 gallons</i>							
Within City limits	Per load	35.00	40.54	47.30	54.06	60.82	67.58
Outside City limits	Per load	70.00	81.08	94.59	108.10	121.61	135.12
Properties Adjacent to City							
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>							

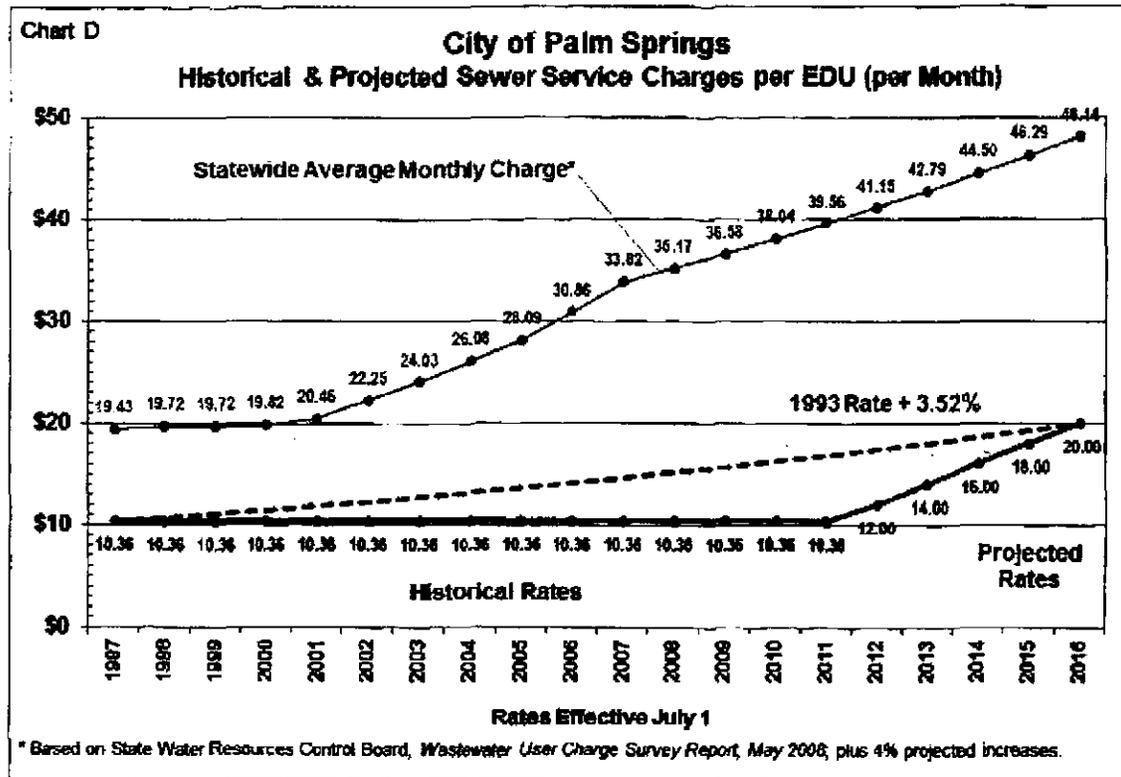
Subsequent small increases are recommended annually to the sewer rates, to the maximum monthly sewer rate of \$35 per EDU by 2031, as shown in the following Table:

TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	Per unit	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$26.00
Commercial & Industrial	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
	Minimum charge	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
Hotel - Rooms Without Kitchens	Base charge +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per room	4.09	4.77	5.45	6.13	6.81	7.15	7.49	7.83	8.17	8.51
Hotel - Rooms With Kitchens	Per room	7.89	9.21	10.53	11.85	13.17	13.83	14.49	15.15	15.81	16.47
Mobile Home Parks	Per unit +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Recreational Vehicle Parks	Per space +	2.94	3.43	3.92	4.41	4.90	5.15	5.40	5.65	5.90	6.15
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Septage Dumping Fee											
For loads up to 1,000 gallons											
Within City limits	Per load	40.54	47.30	54.06	60.82	67.58	70.96	74.34	77.72	81.10	84.48
Outside City limits	Per load	140.00	94.60	108.12	121.64	135.16	141.92	148.68	155.44	162.20	168.96
Properties Adjacent to City											
Rates for customers outside of City limits are 150% of the standard established rates											
Sewer Permit Fee											
For discharging septage at the City's Wastewater Treatment Plant											
	Per application	1,158.30	1,351.35	1,544.40	1,737.45	1,930.50	2,027.03	2,123.56	2,220.09	2,316.62	2,413.15

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Residential	Per unit	\$28.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00	\$35.00
Commercial & Industrial	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
	Minimum charge	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
Hotel - Rooms Without Kitchens	Base charge +	28.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per room	8.85	9.18	9.53	9.87	10.21	10.55	10.89	11.23	11.57	11.91
Hotel - Rooms With Kitchens	Per room	17.13	17.79	18.45	19.11	19.77	20.43	21.09	21.75	22.41	23.07
Mobile Home Parks	Per unit +	28.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Recreational Vehicle Parks	Per space +	6.40	6.65	6.90	7.15	7.40	7.65	7.90	8.15	8.40	8.65
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Septage Dumping Fee											
For loads up to 1,000 gallons											
Within City limits	Per load	87.86	91.24	94.62	98.00	101.38	104.76	108.14	111.52	114.90	118.28
Outside City limits	Per load	175.72	182.48	189.24	196.00	202.76	209.52	216.28	223.04	229.80	236.56
Properties Adjacent to City											
Rates for customers outside of City limits are 150% of the standard established rates											

Alternatively, if Council elects Option "B", and desires staff to focus on the Priority 1 Projects only to be completed within a 10 year period, the suggested rate increase would be limited to the initial 5-year phase in of monthly sewer rate increases from \$10.36 to \$20 per EDU, as shown in the following graph:



However, by freezing the sewer rate at a maximum of \$20 per EDU in 2016 will require Council to consider future sewer rate increases after 2016 to ensure the Wastewater Fund has sufficient revenue for future O&M expenses, and to fund the remaining projects from the 20-Year WWTP CIP. Without any future sewer rate increases, the draft 2012 Rate Study shows the Sewer Fund with a \$0 Fund Balance by 2030.

If Council's direction is to proceed with the draft 2012 Rate Study consistent with Option "B" (limited to funding only the Priority 1 Projects), staff will revise the draft 2012 Rate Study as appropriate for use in the Proposition 218 majority protest process.

Proposition 218

Proposition 218, the "Right to Vote on Taxes Act", was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related

taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of "property related fees". In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to sewer rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered for adoption.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted by the City Council.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service -** Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
- **Intended Purpose -** Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
- **Proportional Cost Recovery -** The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
- **No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.** Standby charges shall be classified as "assessments" which are governed by Section 4 of Article 13D of the California Constitution.

Proposition 218 requires that the City ensure that its sewer rates reasonably reflect the cost of providing service to each customer. Consistent with this law, it is appropriate for sewer rates to recover costs for operations, capital needs, debt service, administration,

as well as costs related to the prudent long-term operational or financial management of the wastewater enterprise, such as maintaining adequate fund reserves and planning for contingencies.

The attached draft 2012 Wastewater Financial Plan and Rate Study has analyzed the current Wastewater Fund revenue and expenditures and has conservatively estimated future revenue, O&M expenditures, and the capital expenditures recommended in the 20-year WWTP CIP (consistent with Option "A"). The draft 2012 Rate Study recommends the City establish a minimum Wastewater Fund reserve target equal to 50% of annual O&M expenditures plus a \$2,000,000 emergency capital reserve. Wastewater Fund cash flow projections for the 20-year period are included, and the projections show that by the 2031/2032 fiscal year, with the recommended sewer rate increases, the Wastewater Fund is projected to have revenues and expenditures nearly balanced (a deficit of \$178,000 on a \$20,000,000 annual budget). The cash flow projections included in the attached draft 2012 Rate Study has appropriately demonstrated the required sewer rates necessary to adequately recover costs, in accordance with the provisions of Proposition 218.

The attached draft 2012 Rate Study considers funding the entire 20-Year WWTP CIP, and is very similar to the 2010 Rate Study previously adopted by Council and used in the Proposition 218 majority protest process completed in 2010 which resulted in limited protests, and would have allowed Council to legally adopt sewer rate increases at that time.

Staff requests Council direction on whether to structure the proposed sewer rate increase to fund either:

- A) The entire 20-Year WWTP CIP, with an unfunded cost of \$55 Million; or
- B) Limited to the Priority 1 Projects, with an unfunded cost of \$20 Million

Alternate – Tiered Sewer Rates

At the conclusion of the prior Proposition 218 majority protest hearing, staff had considered an option of implementing tiered sewer rates. Some agencies have a tiered rate structure that charges a discounted rate to multi-family apartment units, given the fact that apartments have vacancy rates higher than other residential units (single family residential or condominium units). Of the agencies that have a tiered rate structure (perhaps 25% of the agencies throughout California), the common discount is 25% from the single family residential rate.

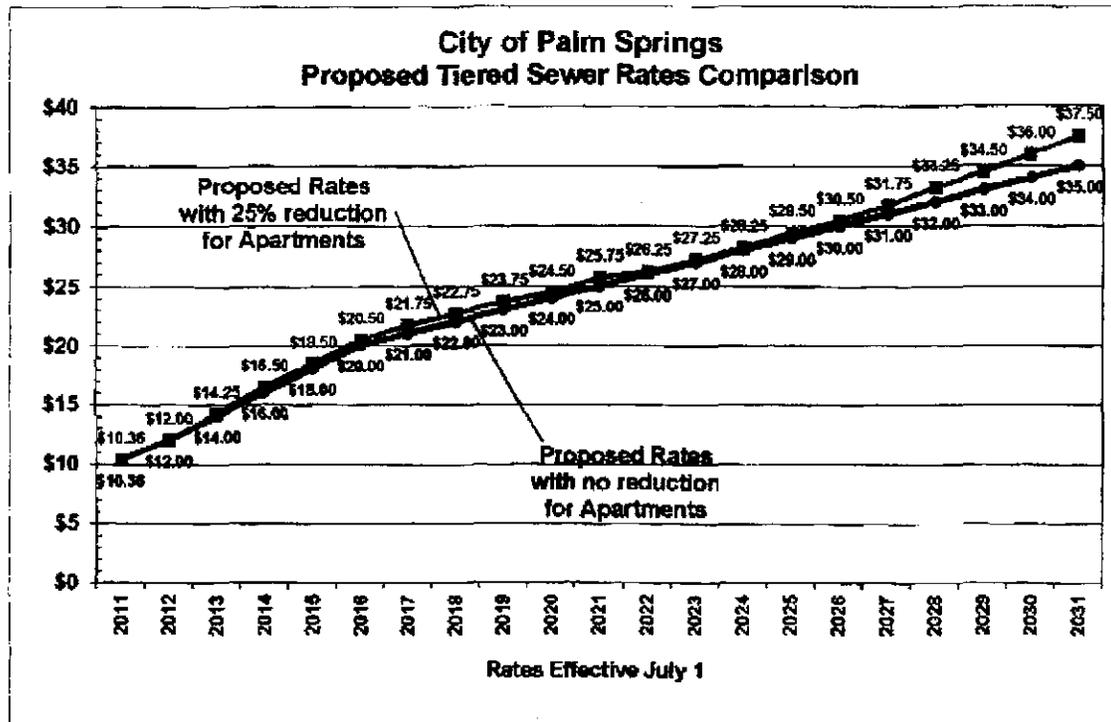
Staff has initiated discussions with the apartment owners association. In a meeting held February 6, 2012, staff presented the proposed sewer rate increase (pursuant to Option A). The association suggested a tiered sewer rate structure may help the association support the City's efforts to bring its sewer rates aligned with rates comparable to other agencies in order to fund its critical capital projects. A suggestion considered by staff is to bring all rates in the first year to the \$12 monthly rate, and thereafter, increase the rate for

multi-family apartment units by 75% of the increase for other residential units. For example, the proposed rate increase in the second year is \$2 (from a monthly rate of \$12 to \$14). Under the tiered rate proposal, the sewer rate increase for apartment units would be 75% of \$2, or \$1.50, bringing the monthly sewer rate for apartments to \$13.50 in lieu of the full monthly rate of \$14.

Staff has analyzed the impact of a special rate structure for apartment units on the overall Wastewater Fund. Initially the reduced rate for apartment units has a minimal impact on the Wastewater Fund (1.1% of total fees collected). At the end of the 20-year period, however, the reduced rate for apartment units has more of an impact on the Wastewater Fund (4.55% of total fees collected).

Given the net reduction in fees collected due to a special rate structure for apartment units, the Equivalent Dwelling Unit ("EDU") rate would need to be slightly higher than proposed without a special rate structure. The following Table and Graph compare the rates with and without a tiered rate structure:

<u>Year</u>	<u>Rate without Tiering</u>	<u>SFR Rate with Tiering</u>	<u>Apartment Rate with Tiering</u>
2012	\$12.00	\$12.00	\$12.00
2013	\$14.00	\$14.25	\$13.69
2014	\$16.00	\$16.50	\$15.38
2015	\$18.00	\$18.50	\$16.88
2016	\$20.00	\$20.50	\$18.38
2017	\$21.00	\$21.75	\$19.31
2018	\$22.00	\$22.75	\$20.06
2019	\$23.00	\$23.75	\$20.81
2020	\$24.00	\$24.50	\$21.38
2021	\$25.00	\$25.75	\$22.31
2022	\$26.00	\$26.25	\$22.69
2023	\$27.00	\$27.25	\$23.44
2024	\$28.00	\$28.25	\$24.19
2025	\$29.00	\$29.50	\$25.13
2026	\$30.00	\$30.50	\$25.88
2027	\$31.00	\$31.75	\$26.81
2028	\$32.00	\$33.25	\$27.94
2029	\$33.00	\$34.50	\$28.88
2030	\$34.00	\$36.00	\$30.00
2031	\$35.00	\$37.50	\$31.13



Pursuant to direction received from Council regarding Option A or B (with or without a tiered rate structure), the draft 2012 Rate Study will be revised, and staff recommends Council authorize staff to proceed with the Proposition 218 majority protest process, to allow sewer rate increases to occur with the first year of the phased sewer rate increases starting July 1, 2012. It is necessary for Council to schedule a Public Hearing to consider and adopt sewer rate increases following a 45-day advance public notice mailed to all property owners. It is recommended that Council schedule a Public Hearing for April 18, 2012. A draft of the Proposition 218 majority protest public notice to be mailed to all property owners (consistent with Option "A" without a tiered rate structure) is attached to this staff report.

FISCAL IMPACT:

The Wastewater Fund does not have sufficient reserves to fund the significant capital improvements at the WWTP that are recommended over the next 20 years. On-going O&M expenditures will soon exceed annual revenue, requiring the General Fund (i.e. "Measure J" funds) to subsidize the Wastewater Fund in the absence of any increase to sewer rates.

If Council direction is to proceed with Option "A" (fund the entire 20-Year WWTP CIP), the attached draft 2012 Rate Study proposes a 5-year short term sewer rate increase from \$10.36 to \$20 per month, with annual increases of \$1 to the monthly sewer rate

extending 20 years as the 20-year CIP is implemented. This will establish a maximum monthly sewer rate of \$35 per EDU by 2031, which is below the current statewide average monthly sewer rate of approximately \$40 per EDU – and only 40% of the future estimated statewide average monthly sewer rate of approximately \$90 per EDU. These structured rate increases will ensure the City's Wastewater Fund remains solvent for the long-term.

If Council direction is to include a tiered rate structure for apartment units, the attached draft 2012 Rate Study will be revised to show the slightly higher rates necessary to ensure adequate funding for the Wastewater Fund as a result of a reduction in fees for apartment units.

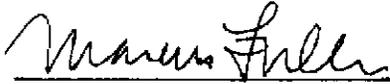
If Council direction is to proceed with Option "B" (fund only the Priority 1 Projects), the attached draft 2012 Rate Study will be revised to show a limited series of sewer rate increases over 5 years from \$10.36 to \$20 per month. This will establish a maximum monthly sewer rate of \$20 per EDU by 2016, which is 50% of the current statewide average monthly sewer rate of approximately \$40 per EDU. However, the limited sewer rate increases only ensures the City's Wastewater Fund remains solvent for the short-term, and Council will be required to consider additional future sewer rate increases to appropriately fund future O&M costs, as well as funding for remaining critical WWTP projects.

Council should note that there is no difference in required sewer rates between Option "A" and "B" with regard to the required sewer rate of \$20 per EDU by 2016 (assuming no tiered rate structure). This is due to the fact that in either case, the Priority 1 Projects are to be funded, and the same series of rate increases are required. The difference between Option "A" and "B" (assuming no tiered rate structure) is whether or not to extend sewer rate increases another 15 years, by increasing the sewer rate \$1 annually to a maximum of \$35 per EDU in 2031.

SUBMITTED:

Prepared by:

Recommended by:



Marcus L. Fuller
Assistant Director of Public Works

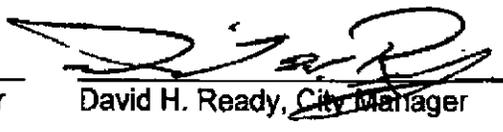


David J. Barakian
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager

Attachments:

1. Memorandum from Harrell & Company
2. Draft 2012 Wastewater Financial Plan and Rate Study (Option "A")
2. Proposition 218 Public Notice



HARRELL & COMPANY
ADVISORS, INC.

January 25, 2012

To: Marcus Fuller

From: Suzanne Harrell

Re: Sewer CIP Funding

I have reviewed the comparison of rates required to fund the Priority 1 CIP for the Sewer System over a 10 year period either from rates only, or with 10-year bond financing.

Ultimately, at the end of the 10 year period, rates that include the financing option will be slightly higher per month by year 10 (2021/22) and produce a somewhat similar reserve balance, but would require a much larger increase in the earlier years (beginning 2013/14) to accommodate the requirements of bonding. So overall cost to ratepayers considering just Priority 1 paid over 10 years is higher with the bonding option. The bonding option would allow the projects to be completed sooner rather than later. With the rate-funded-only option, the City would need to build up enough funds to complete some of the larger projects on the list, and that will take time.

The same analysis holds true if the bond financing is extended to 20 years instead of 10 years. The ultimate rate required in year 20 would be slightly higher if bonds are issued to fund the projects compared to rates needed to fund the Priority 1 projects on a pay-as-you-go basis.

Either funding scenario would require rate increases in years 11-20 to deal with inflation of operating costs.



City of Palm Springs



Wastewater Financial Plan and Rate Study

February 15, 2012

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EXECUTIVE SUMMARY

Background & Objectives

The City of Palm Springs is a full-service City located approximately 110 miles east of Los Angeles in Riverside County, California. The City has a population of 44,552 according to the 2010 census, and experienced 4% growth over the last decade.

The City provides wastewater service to residential and commercial properties within the City and adjacent areas. The City's wastewater utility is a self-supporting enterprise that is funded primarily by revenues derived from sewer service charges. The City's sewer rates have not been increased since 1993 and are among the lowest in the state. The City's current residential sewer rate of \$124.32 per year (\$10.36 per month) is one-fourth of the California statewide average sewer rate of approximately \$40 per month.

In 2010 the City adopted an engineering evaluation report of the City's aging wastewater treatment plant prepared by Carollo Engineers. The report, or Capital Repair and Rehabilitation Plan, commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP") identified \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years, including over \$45 million (current \$) of high-priority projects needed within the next 10 years. In order to proactively address these substantial capital needs, in 2010, the City retained Bartle Wells Associates to develop a long-term financial plan and rate recommendations supporting the City's sewer enterprise operating and capital programs. Although the Bartle Wells Associates financial plan and rate recommendations were approved by the City in 2010, following a Proposition 218 Majority Protest Hearing concluded on July 7, 2010, at which a majority protest did not occur, the City tabled adoption of increased sewer rates for consideration at a later date.

The City has updated and amended the Bartle Wells Associates previous financial plan and rate study to account for more recent financial data, and to reflect the City's completion of several of the highest priority wastewater capital improvement projects over the last several years. As the City has continued to draw down the wastewater fund reserves to pay for the high priority projects recently completed, it is the intent of this updated financial plan and rate study to identify recommendations for increased sewer rates that will accommodate on-going Operation and Maintenance ("O&M") costs, and to generate sufficient funding to complete the remaining projects identified in the 20-Year WWTP CIP.

Basic objectives of this updated and amended study include:

- Conduct a current review of the City's sewer rates and finances
- Consider debt financing alternatives for capital improvement needs;
- Develop long-range cash flow projections identifying the long-term operating and capital revenue requirements of the wastewater system;
- Recommend sewer rate increases needed to recover the cost of providing service and to maintain the sewer enterprise's long-term financial health;
- Phase in necessary rate adjustments over time, to minimize the annual impact on rate payers;
- Facilitate the Proposition 218 rate-increase process and rate implementation.

Summary of Findings & Recommendations

In the past, the wastewater enterprise accumulated sufficient fund reserves while maintaining low sewer rates, partially due to a high level of sewer connection fee revenue collected in the prior decade during high levels of economic development and construction within Palm Springs, coupled with a comparatively lower level of capital expenditures. However, the wastewater enterprise faces a number of financial challenges that now requires sewer rate increases, which includes:

Capital Needs

As noted above, the previously adopted 20-Year WWTP CIP evaluated the City's aging wastewater treatment plant and identified \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years. These projects include over \$45 million (current \$) of high-priority improvements needed over the next 10 years. Using wastewater fund reserves, the City has already completed about \$12 million of these projects leaving approximately \$55 million of remaining capital needs. Accounting for 3% annual construction cost inflation and including a minimal amount for collection system improvements, the City will incur significant annual capital expenditures over the next two decades to complete the 20-Year WWTP CIP. At the end of the 2010/2011 fiscal year, wastewater enterprise revenues generated a minimal surplus of \$337,545. The current sewer rates are insufficient to generate revenues in amounts to cover the significant annual funding required to complete the 20-Year WWTP CIP.

Operating Cost-Inflation

The City's wastewater operating and maintenance costs have increased over the years. In particular costs for contractual operations with Veolia, which represent almost 75% of total operating and maintenance costs, have increased significantly in recent years. The City has also experienced increased costs for utilities, vehicle maintenance,

insurance, and other expenses. The City also faces potential new operating requirements related to new or upgraded equipment and facilities that will be constructed as part of the 20-Year WWTP CIP.

Although not contemplated by the 20-Year WWTP CIP, the City's wastewater treatment plant operates under a Waste Discharge Requirements ("WDR") Permit issued by the Regional Water Quality Control Board. The last WDR issued by the state for the City's wastewater treatment plant was in 1993, as Board Order No. 93-076. The City continues to operate its wastewater treatment plant consistent with the WDR, however, the state may issue a new WDR to the City at any time, which could require implementation of various new measures to address concentrations of various constituents in the wastewater effluent such as sulfate and chloride. The City's existing wastewater treatment plant does not have an ability to treat sulfate or chloride, and the potential exists in the future for the state to issue a new WDR to the City that would require investment of significant capital to implement new treatment processes. Increased sewer rates are necessary to generate sufficient fund reserves to eliminate the City's exposure to new requirements imposed by the state in the City's operation of its wastewater treatment plant.

Reimbursement for City-Provided Wastewater Support Services

The City provides a range of services required for the operation and administration of the wastewater system. These services include financial management, engineering, administration, legal, billing, customer service, planning and inspection, and other support functions. The City has not been fully recovering these operating costs from the wastewater enterprise due to historical interpretation of Section 205(c) of the City's Charter which states: *The City may not collect for its own general fund in-lieu taxes, fees or charges from the Department of Transportation, Wastewater Division for administration or any other purposes.*

This provision of the City's charter was enacted to prevent the City from using the wastewater enterprise as a means to subsidize other non-wastewater related General Fund operations, as some California cities had historically done, particularly via in-lieu fees, prior to the passage of Proposition 218 in November 1996. Consistent with this provision of the City's charter and state law, the City's General Fund is entitled to reimbursement for all costs incurred in support of the wastewater enterprise and transfers between the Wastewater Fund and General Fund are direct reimbursements, and do not represent an in-lieu tax, fee, or charge.

Financial & Rate Projections

Long-term cash flow projections were developed to evaluate the wastewater enterprise's financial position over the next 20 years and to identify sewer rate increases required to support the enterprise's long-term operating and capital needs. The financial projections are based on the City's adopted Wastewater Fund 2011/12 Budget and certain assumptions identified in this report. Because the City's 20-Year WWTP CIP extends capital costs over a period of more than 20 years, the base case projections consider that the City will fund all wastewater capital projects on a "Pay-As-You-Go" basis.

On November 8, 2011, the residents of Palm Springs approved "Measure J", a local initiative to enact a 1% transaction, sales and use tax for a period of 25 years. The additional tax revenue to be generated by Measure J has been identified for certain capital improvements City-wide, including downtown development, street maintenance, library, parks and other improvements. Although the additional tax revenue to be generated by Measure J could be used to fund some or all of the 20-Year WWTP CIP, this report assumes the City will not supplement the wastewater fund revenue with Measure J tax revenue, and the financial plan and rate study does not reflect any additional revenues outside of the wastewater fund itself.

The previous financial plan and rate study approved by the City in 2010 contemplated implementation of the various projects identified in the 20-Year WWTP CIP in certain 5-year periods, with Priority 1 projects being completed in the first 5 years of the CIP, Priority 2 projects being completed in the second 5 years of the CIP, Priority 3 projects being completed in the third 5 years of the CIP, and Priority 4 projects being completed in the fourth 5 years of the CIP. Completion of the significant amount of high priority projects in 5-year increments was aggressive, and resulted in significant annual capital costs being spread over a shorter time frame.

This report has revised the prior analysis to consider a longer time frame of 10 years to complete the various prioritized list of projects, as a means of reducing the annualized cost of the capital projects, thereby reducing the required sewer rate increases necessary to fund the 20-Year WWTP CIP. This report assumes implementation of the 20-Year WWTP CIP as follows:

Priority 1 Projects: 2012 to 2021
Priority 2 Projects: 2017 to 2026
Priority 3 Projects: 2022 to 2031
Priority 4 Projects: 2027 to 2036

This assumption extends the 20-Year CIP by 5 additional years.

The previous financial plan and rate study approved by the City in 2010 also contemplated a 3-year short term sewer service charge increase from \$10.36 to \$20 per month, with annual increases of approximately \$1 to the monthly rate extending 20 years as the 20-year CIP was implemented. Although the prior study proposed a maximum monthly rate of \$35 per equivalent dwelling unit (or "EDU") by 2028 (which is below the current statewide average monthly rate of approximately \$40 per EDU), the initial rate increases were considered too severe. For example, the first year's rate increase was proposed from \$10.36 to \$14 per month, representing a \$3.64 monthly increase (\$43.68 annually), but was equivalent to a 35% increase.

This report has revised the prior analysis and considers a 5-year short term sewer service charge increase from \$10.36 to \$20 per month, to further minimize the annual impact on ratepayers. With the proposed sewer rate increases, the City's sewer rates will continue to be significantly lower than all other wastewater service providers in the area. The short term sewer rate increases are shown below:

5-YEAR RESIDENTIAL SEWER RATE PROJECTION					
Current Rate Per EDU	Projected Rates Effective July 1				
	2012	2013	2014	2015	2016
\$10.36	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00

The cash flow projections also identify the need for small annual rate increases every year thereafter to a) keep revenues in line with cost inflation, and b) provide adequate funding for wastewater system capital needs over the next 20 years. Based on the financial projections, after the initial phase-in of sewer rate increases over the next five years, the City's monthly residential sewer rate would gradually increase by \$1 to the monthly rate extending 20 years as the 20-year CIP is implemented. This will establish a maximum monthly rate of \$35 per EDU by 2031, which is below the current statewide average monthly rate of approximately \$40 per EDU – 40% of the future estimated statewide average monthly rate of approximately \$90 per EDU. The proposed rate increases would maintain the City's wastewater rates at an amount significantly lower than rates charged by other agencies, and would allow for funding of the 20-year WWTP CIP without the need to incur debt financing.

Debt Financing

The wastewater enterprise currently carries no debt, and therefore, has no annual debt service payments. To determine how leveraging debt may reduce required sewer rate increases, the City's Financial Advisor, Suzanne Harrell, analyzed various funding alternatives. Focusing only on the \$20 Million cost of the Priority 1 list of projects, the

four analyses considered "Pay As You Go" with no debt financing, a \$20 Million state revolving fund ("SRF") loan, a \$20 Million bond issue, and partial debt financing with a \$10 Million bond issue. The length of the required short term phased rate increase and the required rate at the end of the short term phase-in for each of the alternatives is shown in the following Table:

<u>Alternative</u>	<u>Years of Initial Phased Rate Increase</u>	<u>Rate</u>
"Pay As You Go"	6	\$26.96
\$20 Million SRF Loan	8	\$19.59
\$20 Million Bond	8	\$20.30
\$10 Million Bond	7	\$24.56

The alternative analysis indicates that debt could be strategically used to result in a more gradual phase in of rate increases in the short term. For example, wastewater rates could be gradually increased to a level equal to \$20 per month over 8 years, as opposed to over 5 years without any debt financing. However, with debt financing higher rate increases would be required, particularly after completion of the 20-Year WWTP CIP when the wastewater fund would need to generate additional revenue for annual debt service payments until the debt was gradually paid off.

If the City opts to pursue debt financing to help fund a portion of its capital program, it is recommended the City maximize the use of state-subsidized funding programs such as the Clean Water State Revolving Fund Loans (SRF Loans). The SRF Loan program currently offers 20-year loans with interest rates in the 2.5% range. Under the program, the first debt service payment is not due until one year after the loan-funded project is complete. If conventional financing is ever used, the City should evaluate the cost-effectiveness of using bonds, Certificates of Participation, or bank loans to determine the lowest-cost option.

Minimum Fund Reserve Target

This report recommends that the City adopt a minimum fund reserve target for the wastewater enterprise equal to a) 50% of annual operating and maintenance costs, plus b) \$2 million for emergency capital repairs. Fund reserves provide a financial cushion for dealing with a) emergencies, b) unanticipated expenses, and c) mismatches in the timing between revenues and expenses. It is important for agencies that recover sewer billings on the tax rolls to maintain adequate reserves to fund operations for the time between the semi-annual payments from the County. It is acceptable for reserves to drop below the target level on a temporary basis provided action is taken to achieve the target over the longer run.

1 WASTEWATER RATE STUDY

1.1 Background & Objectives

The City of Palm Springs is a full-service City located approximately 110 miles east of Los Angeles in Riverside County, California. The City has a population of 44,552 according to the 2010 census, and experienced 4% growth over the last decade.

The City provides wastewater service to residential and commercial properties within the City and adjacent areas. The City's wastewater utility is a self-supporting enterprise that is funded primarily by revenues derived from sewer service charges. The City's sewer rates have not been increased since 1993 and are among the lowest in the state. The City's current residential sewer rate of \$124.32 per year (\$10.36 per month) is one-fourth of the California statewide average sewer rate of approximately \$40 per month.

In 2010 the City adopted an engineering evaluation report of the City's aging wastewater treatment plant prepared by Carollo Engineers. The report, or Capital Repair and Rehabilitation Plan, commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP") identified \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years, including over \$45 million (current \$) of high-priority projects needed within the next 10 years. In order to proactively address these substantial capital needs, in 2010, the City retained Bartle Wells Associates to develop a long-term financial plan and rate recommendations supporting the City's sewer enterprise operating and capital programs. Although the Bartle Wells Associates financial plan and rate recommendations were approved by the City in 2010, following a Proposition 218 Majority Protest Hearing concluded on July 7, 2010, at which a majority protest did not occur, the City tabled adoption of increased sewer rates for consideration at a later date.

The City has updated and amended the Bartle Wells Associates previous financial plan and rate study to account for more recent financial data, and to reflect the City's completion of several of the highest priority wastewater capital improvement projects over the last several years. As the City has continued to draw down the wastewater fund reserves to pay for the high priority projects recently completed, it is the intent of this updated financial plan and rate study to identify recommendations for increased sewer rates that will accommodate on-going Operation and Maintenance ("O&M") costs, and to generate sufficient funding to complete the remaining projects identified in the 20-Year WWTP CIP.

Basic objectives of this updated and amended study include:

- Conduct a current review of the City's sewer rates and finances
- Consider debt financing alternatives for capital improvement needs;
- Develop long-range cash flow projections identifying the long-term operating and capital revenue requirements of the wastewater system;
- Recommend sewer rate increases needed to recover the cost of providing service and to maintain the sewer enterprise's long-term financial health;
- Phase in necessary rate adjustments over time, to minimize the annual impact on rate payers;
- Facilitate the Proposition 218 rate-increase process and rate implementation.

1.2 Wastewater System

The City's wastewater system includes approximately 230 miles of sewer pipelines, five pump stations, and a wastewater treatment plant. The treatment plant is permitted at 10.9 million gallons per day (mgd) of average dry weather flow (ADWF) capacity. For the 2010/2011 fiscal year, the annual average rate into the wastewater treatment plant was 5.696 mgd, well below the maximum capacity of the plant.

The City owns the wastewater system and contracts out operations to Veolia West Operating Services, Inc. ("Veolia"), previously named Veolia Water North America Operating Services, Inc. Historically, the City began contracting out operations in 1999 to US Filter Operating Services, Inc., which was acquired by Veolia in 2004. Veolia operates and maintains the City's wastewater collection system and treatment plant. The City provides financial and operational oversight and is responsible for coordinating engineering studies and implementation of the wastewater capital improvement program.

1.3 Current Wastewater Rates

Table 1 shows a schedule of current sewer service charges. The City charges for sewer service based on each customer's estimated wastewater discharge as denoted by equivalent dwelling units or EDUs.

An EDU is a standardized unit of measurement that represents the wastewater flow and loadings generated by a typical residential customer. All residential dwelling units are assigned 1 EDU and pay the same annual service charge.

The current rate per residence or EDU is \$124.32 per year, equivalent to a monthly rate of \$10.36. The City's sewer rates are among the lowest in the state and are less than one-fourth of the California statewide average. Customers located outside City boundaries pay rates that are 150% of inside-City rates.

Commercial and industrial customers are assigned EDUs based on the number of commercial plumbing fixture units per account with 1 EDU equivalent to approximately every 10.2 commercial fixture units. A fixture unit is a measure of flow capacity assigned to various plumbing fixtures, such as sinks and toilets, used in plumbing design. The amount of wastewater generated per commercial plumbing fixture unit is typically much higher, often twice as high, as sewer flow per residential fixture unit. Commercial customers pay a minimum charge equal to 1 EDU.

TABLE 1 - SEWER SERVICE CHARGES		
<i>Rates Effective Since July 1, 1993</i>		
Customer Class	Monthly Charge	
Residential	\$10.36	Per unit
Commercial & Industrial	1.02	Per fixture unit
	10.36	Minimum charge
Hotel - Rooms Without Kitchens	10.36	Base charge +
	3.53	Per room
Hotel - Rooms With Kitchens	6.81	Per room
Mobile Home Parks	10.36	Per unit +
	1.02	Per fixture unit
Recreational Vehicle Parks	2.54	Per space +
	1.02	Per fixture unit
Septage Dumping Fee (for loads up to 1,000 gallons)		
Within City limits	35.00	Per load
Outside City limits	70.00	Per load
Properties Adjacent to City	Rates for customers outside of City limits are 150% of the standard established rates	
Sewer Permit Fee		
For discharging septage at the City's Wastewater Treatment Plant	1,000.00	Per application

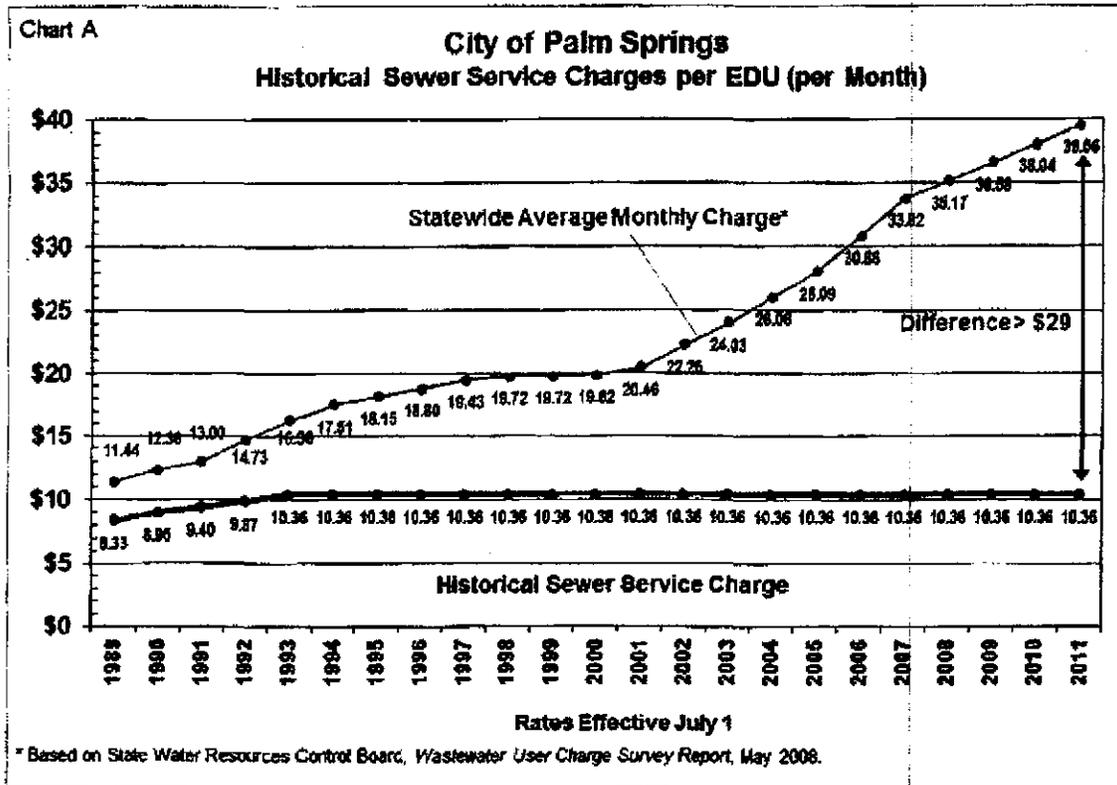
Rates effective since July 1, 1993.

1.4 Billing

Most ratepayers are billed for sewer service on the annual property tax rolls collected by Riverside County. The County is on the Teeter Plan and provides the City with 100% of its annual sewer billings, regardless of actual tax delinquencies. Several hundred parcels are billed separately; these properties are owned by tax-exempt or governmental agencies that do not pay property taxes to the County. Veolia, on behalf of the City, coordinates all billing functions for the wastewater enterprise.

1.5 Historical Sewer Rates

Chart A below shows a 20-year history of the City's sewer rates per residence or EDU. Rates were last adjusted on July 1, 1993 and have not been increased in almost 20 years. The chart also compares the City's historical rates to the California statewide average. Due to many years of no rate increases, the City's rates have gradually fallen further and further behind to less than one-fourth of the current statewide average.

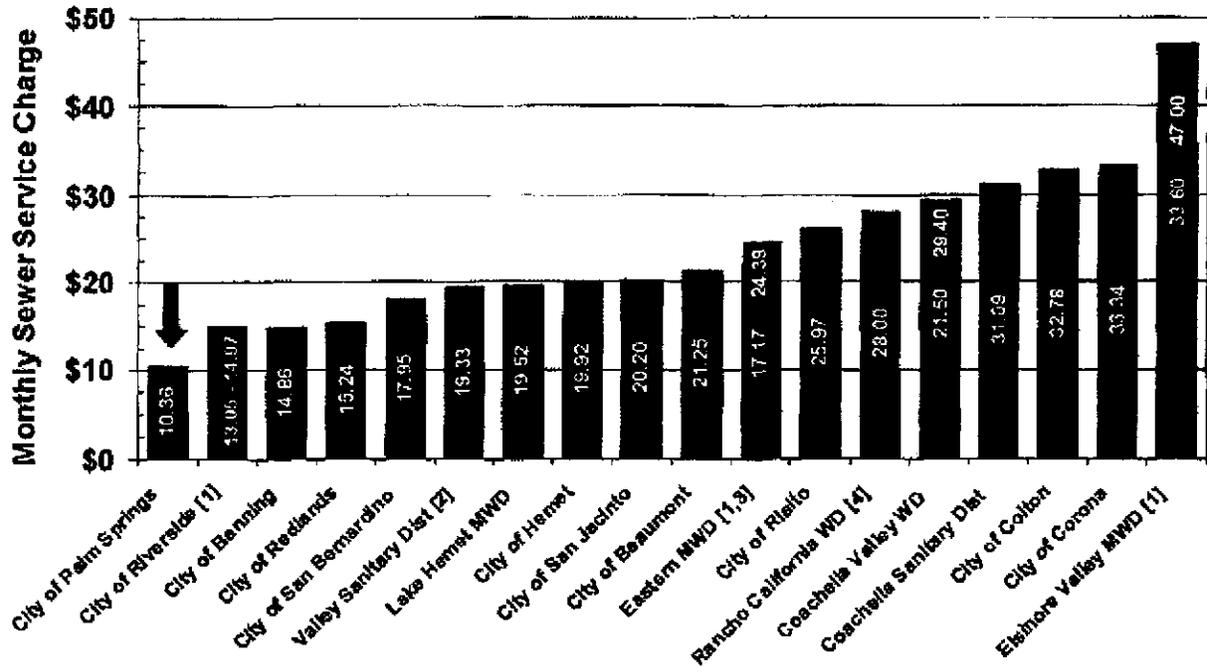


1.6 Regional Sewer Rate Survey

As shown on the following chart, the City's residential sewer rate is the lowest of 18 regional agencies surveyed and is less than half of the regional average, which itself is low compared to other areas of California. The information is presented for informational purposes only and does not necessarily reflect the relative cost-effectiveness of each agency. Rates can vary widely from agency to agency based on a wide range of factors.

Chart B

**City of Palm Springs
Survey of Monthly Single Family Residential Sewer Rates, Sept-2009**



1 Charge varies by area within District.
2 Serves areas in and around Indio.

3 Serves areas in and around Hemet & San Jacinto.
4 Serves areas of Temecula and Murrieta.

1.7 Wastewater Customers

Table 2 estimates the total number of sewer EDUs billed by the City based on annual sewer service charge revenues divided by the rate per home or EDU. According to the data, the City currently provides sewer service to approximately 44,200 EDUs.

TABLE 2 - ESTIMATED SEWER EDUS BASED ON REVENUES					
	2006/07	2007/08	2008/09*	2009/10	2010/11
Annual sewer service charge revenues	\$4,807,701	\$5,023,253	\$5,449,473	\$5,411,064	\$5,492,564
Annual rate per EDU	\$124.32	\$124.32	\$124.32	\$124.32	\$124.32
Estimated sewer billing EDUs	38,672	40,406	43,834	43,525	44,181

* Note: The City completed an audit of new sewer connections in 2009 resulting in a nearly 10% increase in sewer revenue as a result of high development activity and construction of new housing over the previous four year period.

The City has a predominantly residential customer base. Based on historical data, residential dwelling units – including single family homes, condominiums, apartments and

a limited number of mobile homes – account for 95% of all customers and 80% of total billable EDUs. The City also provides sewer service to approximately 1,100 commercial and industrial customers, and over 130 hotels which have a total of over 7,000 guest rooms.

1.8 Historical Wastewater Enterprise Finances

Table 3 shows a 4-year financial history of the sewer enterprise based on audited financial statements. The table does not include depreciation, which is a non-cash accounting entry.

TABLE 3 - HISTORICAL WASTEWATER REVENUES & EXPENSES				
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Audited 2010/11
Revenues				
Charges for service	5,069,841	5,523,608	5,429,735	5,492,564
Sewer connection & main charges	937,268	483,204	499,092	532,645
Interest income & gains/losses	<u>789,375</u>	<u>460,231</u>	<u>207,749</u>	<u>175,562</u>
Total revenues	6,796,484	6,467,043	6,136,576	6,200,771
Expenses				
Contractual operating & other services	3,806,809	4,283,626	4,094,638	3,875,896
Utilities	161,565	209,047	213,087	171,823
Personnel services & administration	28,874	104,672	42,711	28,389
Capital Expenditures	<u>1,804,541</u>	<u>1,431,640</u>	<u>1,685,811</u>	<u>1,787,118</u>
Total expenses	5,821,789	6,028,985	6,036,247	5,863,226
Revenues less expenses	974,695	438,058	100,329	337,545
Source: Based on Audited Financial Statements.				

Prior to the 2007/08 fiscal year, the wastewater enterprise ran budget surpluses and accrued fund reserves while maintaining low rates. This was partly due to a few temporary economic factors including:

- A high level of development activity and corresponding sewer connection charges. Development activity has significantly slowed since 2008 due to the on-going severe economic recession.
- Deferral of significant capital improvements in recent years resulting in a level of capital funding that was substantially lower than needed going forward.

Some notable changes include:

- Sewer service charge revenues have increased over the past four years due to the high level of construction activity that occurred from 2000-2008, resulting in the addition of new EDUs.
- The City has collected a substantial amount of sewer connection fees in recent years, averaging approximately \$2 million per year from 2003/04 to 2006/07, a period of significant economic activity. However, the amount of connection fee revenues has significantly declined in the past two years as development activity has slowed.

Development is expected to remain at historically low levels in upcoming years as the overall economy affects the demand for new residential and commercial development.

- Operating and maintenance expenses have increased primarily due to a) an amended contract with Veolia that took effect in 2006/07, b) higher costs for utilities and chemicals, which are variable costs that are passed through to the City pursuant to the contract with Veolia, and c) other miscellaneous increases including costs for vehicle maintenance and operation, insurance, and the addition of billing and auditing functions to Veolia's contract.
- Over the past four years, capital expenditures have averaged about \$1.7 million per year as the City has completed some of the most critical wastewater capital projects. These capital expenditures in recent years are substantially lower than the levels required to fully implement the 20-Year WWTP CIP. Revenues generated by current sewer rates will not be adequate to fund the capital needs of the wastewater enterprise.

1.9 Fund Reserves

As shown on Table 4, as of June 30, 2011, the wastewater enterprise had approximately \$4.9 million in net reserves available for operations. This level of operating reserves is less than the annual operating and maintenance expenses of approximately \$5.9 for the 2010/11 fiscal year. Most utility providers allow for sufficient operating reserves to sufficiently cover at least a full year's operation costs. Capital reserves on June 30, 2011 included approximately \$5.2 million in funds encumbered on previously budgeted capital projects and approximately \$2.8 million in reserves designated and budgeted for future wastewater enterprise costs.

Cash & Receivables	
Cash	\$13,161,615
Accounts Receivable	314,823
Sanitation Accts Receivable	23,418
Accrued Interest Receivable	<u>25,850</u>
Subtotal	13,525,706
Less Accounts Payable & Encumbered or Designated Reserves	
Accounts Payable	587,917
Accrued Wages Payable	402
Reserve for Encumbrances ¹	5,249,753
Reserve for Continuing Appropriations ²	<u>2,829,734</u>
Subtotal	8,667,806
Net Cash Available for Operations	4,857,900
¹ Includes funds reserved for awarded contracts or purchase orders but not expended as of 06/30/11 ² Includes funds budgeted for various items not yet initiated. Source: Based on information provided by City of Palm Springs Finance Department.	

1.10 Minimum Fund Reserve Target

Maintaining adequate fund reserves is an important component of prudent financial management. Fund reserves provide a financial cushion for dealing with a) emergencies, b) unanticipated expenses, and c) mismatches in the timing between revenues and expenses. Agencies that recover sewer billings on the tax rolls need to maintain adequate reserves to fund operations for the time between the semi-annual payments from the County.

It is recommended that the City adopt a minimum fund reserve target for the wastewater enterprise equal to a) 50% of annual operating and maintenance costs, plus b) \$2 million for emergency capital repairs. A fund reserve target provides long-term policy guidance for financial planning. It is acceptable for reserves to drop below the target on a temporary basis provided action is taken to achieve the target over the longer run.

1.11 Capital Improvement Plan

In 2010 the City adopted an engineering evaluation report of the City's aging wastewater treatment plant prepared by Carollo Engineers. The report, or Capital Repair and Rehabilitation Plan, commonly referred to as a Capital Improvement Plan ("CIP") for the City's wastewater treatment plant ("WWTP") identified \$67 million (current \$) of capital repair and replacement projects needed over the next 20 years, including over \$45 million (current \$) of high-priority projects needed within the next 10 years. Of that total, over \$12 million has been funded from Wastewater Fund reserves, leaving approximately \$55 million of remaining capital needs.

The City Council previously directed staff to prioritize the 20-year CIP to identify Priority 1 projects as those projects that will directly reduce or eliminate the generation of odors at the WWTP. The list of prioritized projects is summarized on Table 5, which breaks out capital costs into overlapping 10 year increments.

TABLE 5 - WWTP CAPITAL REPAIR & REPLACEMENT COSTS (CURRENT \$)				
Project Description	Priority 1 1-10 Years	Priority 2 5-15 Years	Priority 3 10-20 Years	Priority 4 15-25 Years
PRIORITY 1				
New Circular Primary Clarifiers w/Sludge Pump Station	\$9,050,000			
New Headworks	5,920,000			
New Primary Effluent Pump Station	2,910,000			
New Sludge Centrifuge	1,490,000			
Digester No. 2 Dome Replacement	1,050,000			
WWTP Facility Plan	<u>250,000</u>			
Subtotal	20,670,000			
Less Funds Currently Available	0			
Remaining Priority 1 Funding Needs	20,670,000			
Priority 1 Average Annual Funding	2,067,000			
PRIORITY 2				
Secondary Clarifier Upgrades		\$2,010,000		
FOG Receiving Station		1,600,000		
Trickling Filter Upgrades		1,560,000		
Gravity Thickener Upgrades		1,400,000		
New Gas Flare		1,000,000		
General Sitework Pavement Replacement		720,000		
Pavement Replacement in Drying Beds 13-18 and 19-26		710,000		
New Septage Receiving Station		500,000		
New Access Rd w/ Signalized Access fr Gene Autry		500,000		
Water System Upgrade for Fire Protection		500,000		
Filtrate Pump Station Upgrade		<u>500,000</u>		
Subtotal		11,000,000		
Priority 2 Average Annual Funding		1,100,000		
PRIORITY 3				
Third Digester (Acid or Conventional)			\$7,200,000	
Fuel Cell Purchase and Installation			4,060,000	
Digester Gas Treatment System			<u>2,000,000</u>	
Subtotal			13,260,000	
Priority 3 Average Annual Funding			1,326,000	
PRIORITY 4				
Crossley Road Collection System Upsize				\$4,400,000
Indian Canyon Drive Collection System Upsize				2,400,000
Palm Canyon Drive Collection System Upsize				1,800,000
New Administration Building				<u>1,600,000</u>
Subtotal				10,200,000
Priority 4 Average Annual Funding				1,020,000
Subtotal by Priority	20,670,000	11,000,000	13,260,000	10,200,000
Cumulative Total	20,870,000	31,670,000	44,930,000	55,130,000
Cumulative Annual Average	2,067,000	2,111,000	2,247,000	2,205,000
Source: Carollo Engineers; Palm Springs Wastewater Treatment Plant Capital Repair & Replacement Costs; Oct-2009.				

The City owns approximately 230 miles of sanitary sewer pipelines, some of which were installed over 50 years ago. Although the City has required minimal budgeting for maintenance of its sewer collection system in recent years, it is recommended that the City budget substantially more in future years as various pipelines reach the end of their useful life. Conservatively, if only 1% of the City's sewer collection system requires replacement in any given year, the City will need to replace over 2 miles of pipeline, with an expected cost of \$1 - \$2 million annually. The financial plan developed in this report assumes the City continues funding collection system repairs and improvements at a low level of \$250,000 annually for the next 10 years, as it addresses higher priority capital improvement projects. For long-term planning purposes only, the report also assumes the City increases funding for collection system repairs and replacements to an average of \$500,000 annually during the subsequent decade.

Table 6 on the following page shows a 20-year capital improvement plan (CIP) that includes a) Carollo Engineers' cost estimates for the wastewater treatment plant improvements, plus b) an estimate of costs for future collection system repairs, replacements, and improvements. Table 6 shows costs in current dollars. These costs are shown graphically on Chart C. For financial planning purposes, Table 7 projects the future cost of projects by escalating current cost estimates at the annual rate of 3% to account for estimated construction cost inflation. With cost inflation, the 20-year CIP totals over \$77 million including over \$30 million of projects slated for the next 10 years. These cost-inflated amounts are incorporated into the long-term cash flow projections.

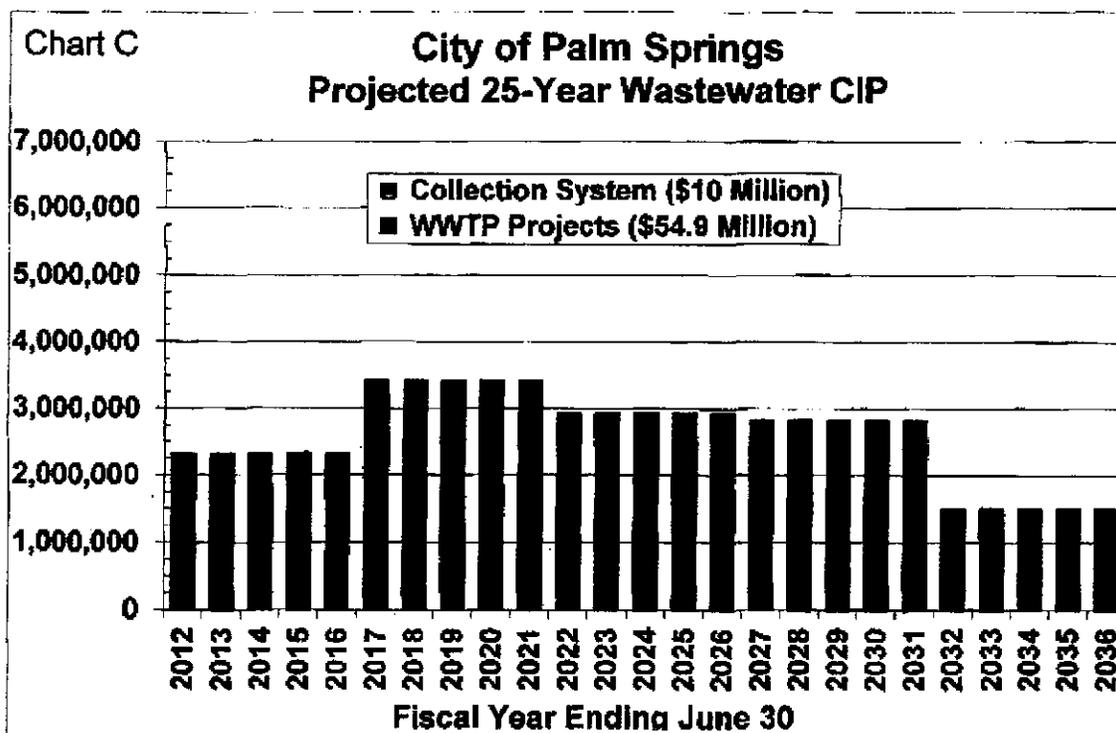


TABLE 6 - WASTEWATER SYSTEM 20-YEAR CIP (CURRENT \$)										
YEARS 1 - 10	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Wastewater Treatment Plant Improvements¹										
Priority 1 Projects	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000
Priority 2 Projects						1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total WWTP CIP	2,067,000	2,067,000	2,067,000	2,067,000	2,067,000	3,167,000	3,167,000	3,167,000	3,167,000	3,167,000
Collection System Repairs & Replacements²										
Capital Improvements	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total	2,317,000	2,317,000	2,317,000	2,317,000	2,317,000	3,417,000	3,417,000	3,417,000	3,417,000	3,417,000
<i>Cumulative</i>	<i>2,317,000</i>	<i>4,634,000</i>	<i>6,951,000</i>	<i>9,268,000</i>	<i>11,585,000</i>	<i>15,002,000</i>	<i>18,419,000</i>	<i>21,836,000</i>	<i>25,253,000</i>	<i>28,670,000</i>
YEARS 11 - 20	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Wastewater Treatment Plant Improvements¹										
Priority 2 Projects	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000					
Priority 3 Projects	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000	1,326,000
Priority 4 Projects						1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total WWTP CIP	2,426,000	2,426,000	2,426,000	2,426,000	2,426,000	2,326,000	2,326,000	2,326,000	2,326,000	2,326,000
Collection System Repairs & Replacements²										
Capital Improvements	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	2,926,000	2,926,000	2,926,000	2,926,000	2,926,000	2,826,000	2,826,000	2,826,000	2,826,000	2,826,000
<i>Cumulative</i>	<i>31,596,000</i>	<i>34,522,000</i>	<i>37,448,000</i>	<i>40,374,000</i>	<i>43,300,000</i>	<i>46,126,000</i>	<i>48,952,000</i>	<i>51,778,000</i>	<i>54,604,000</i>	<i>57,430,000</i>
¹ Based on Carollo Engineers, <i>Palm Springs Wastewater Treatment Plant Capital Repair and Replacement Costs</i> ; updated October 2009; assumes average annual expenditures for each 5-year Priority period and excludes previously funded projects. ² Source: Placeholder estimate. ³ The additional 5 years of the CIP (2032/33 through 2036/37) are not shown.										

TABLE 7 - WASTEWATER SYSTEM 20-YEAR CIP (FUTURE \$)										
YEARS 1 - 10	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Cost Escalator	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305
Wastewater Treatment Plant Improvements¹										
Priority 1 Projects	2,067,000	2,129,000	2,193,000	2,258,000	2,326,000	2,396,000	2,468,000	2,542,000	2,618,000	2,697,000
Priority 2 Projects						1,275,000	1,343,000	1,353,000	1,393,000	1,435,000
Total WWTP CIP	2,067,000	2,129,000	2,193,000	2,258,000	2,326,000	3,671,000	3,761,000	3,865,000	4,011,000	4,132,000
Collection System Repairs & Replacements²										
Capital Improvements	250,000	258,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000
Total	2,317,000	2,387,000	2,458,000	2,532,000	2,607,000	3,961,000	4,080,000	4,202,000	4,328,000	4,458,000
<i>Cumulative</i>	<i>2,317,000</i>	<i>4,704,000</i>	<i>7,162,000</i>	<i>9,694,000</i>	<i>12,301,000</i>	<i>16,262,000</i>	<i>20,342,000</i>	<i>24,544,000</i>	<i>28,872,000</i>	<i>33,330,000</i>
YEARS 11 - 20	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Cost Escalator	1,344	1,384	1,426	1,469	1,513	1,558	1,605	1,653	1,702	1,754
Wastewater Treatment Plant Improvements¹										
Priority 2 Projects	1,478,000	1,523,000	1,588,000	1,615,000	1,664,000					
Priority 3 Projects	1,762,000	1,835,000	1,891,000	1,947,000	2,008,000	2,066,000	2,128,000	2,192,000	2,257,000	2,325,000
Priority 4 Projects						1,558,000	1,605,000	1,653,000	1,702,000	1,754,000
Total WWTP CIP	3,260,000	3,358,000	3,469,000	3,562,000	3,670,000	3,624,000	3,733,000	3,845,000	3,968,000	4,079,000
Collection System Repairs & Replacements²										
Capital Improvements	672,000	682,000	713,000	734,000	756,000	779,000	802,000	826,000	851,000	877,000
Total	3,932,000	4,050,000	4,172,000	4,296,000	4,426,000	4,403,000	4,536,000	4,671,000	4,810,000	4,956,000
<i>Cumulative</i>	<i>37,262,000</i>	<i>41,312,000</i>	<i>45,484,000</i>	<i>49,760,000</i>	<i>54,206,000</i>	<i>58,609,000</i>	<i>63,144,000</i>	<i>67,815,000</i>	<i>72,625,000</i>	<i>77,581,000</i>
¹ Based on Carollo Engineers, Palm Springs Wastewater Treatment Plant Capital Repair and Replacement Costs; updated October 2009; assumes average annual expenditures for each 5-year Priority period and excludes previously funded projects. ² Source: Placeholder estimate. ³ The additional 5 years of the CIP (2032/33 through 2036/37) are not shown.										

1.12 Cost Reimbursement for Wastewater Support Services

The City provides a range of services required for the operation and administration of the wastewater system. These services include financial management, engineering, administration, legal, billing, customer service, planning and inspection, and other support functions. The City has not been fully recovering these operating costs from the wastewater enterprise due to historical interpretation of Section 205(c) of the City's Charter which states: *The City may not collect for its own general fund in-lieu taxes, fees or charges from the Department of Transportation, Wastewater Division for administration or any other purposes.*

This provision of the City's charter was enacted to prevent the City from using the wastewater enterprise as a means to subsidize other non-wastewater related General Fund operations, as some California cities had historically done, particularly via in-lieu fees, prior to the passage of Proposition 218 in November 1996. Consistent with this provision of the City's charter and state law, the City's General Fund is entitled to reimbursement for all costs incurred in support of the wastewater enterprise and transfers between the Wastewater Fund and General Fund are direct reimbursements, and do not represent an in-lieu tax, fee, or charge.

1.13 Cash Flow & Rate Projections

Long-term cash flow projections were developed to project wastewater enterprise revenue requirements and rates over the next 20 years. The financial projections are based on the City's 2011/12 Wastewater Fund budget and incorporate a number of slightly conservative assumptions listed on Table 8.

Due to the distribution of capital funding needs over the next 10 to 20 years, the cash flow projections assume all capital projects are funded on a "Pay As You Go" basis. Actual capital funding needs may vary from year to year. For example, instead of funding \$4 - \$5 million of projects every year, the sewer enterprise may need to fund \$2 million one year and \$7 million the next. The projected rate increases will allow the City to do this assuming fund reserves can be accumulated during years of lower-than-average capital expenditures, and drawn down during years of higher levels of funding.

Table 9 presents 20-year financial and rate projections of the sewer enterprise. The rate projections are designed to fund the wastewater enterprise's operating and capital programs while maintaining minimum fund reserve targets. The projections assume that the sewer enterprise will run deficits through 2013/14, including a planned drawdown of encumbered capital fund reserves, as the City transitions to a higher level of capital improvement funding while rate increases are initially phased in over five years.

TABLE 8 - CASH FLOW ASSUMPTIONS

GENERAL ASSUMPTIONS

- 1 Assumes the City bills 44,200 Equivalent Dwelling Units (EDUs) as of July 1, 2012.
- 2 Growth is projected at 100 new EDUs per year including combined residential and commercial development.
- 3 Sewer Facility Fees are projected to remain at the current level of \$3,000 per EDU.
- 4 Interest rate on investments projected to gradually increase from 0.75% in 2011/12 to 2% over the following 3 fiscal years.

REVENUE ASSUMPTIONS

- 1 Sewer service charge revenues for each year are calculated based on the number of existing EDUs at the beginning of the fiscal year, plus one half of new EDUs that connect during the year, multiplied by the projected rate per EDU.
- 2 Future sewer connection fee revenues are based on the projected number of new EDUs each year multiplied by the fee per EDU.
- 3 Interest earnings estimated based on beginning fund balances multiplied by the projected annual interest rate.

EXPENSE ASSUMPTIONS

- 1 Contractual wastewater operating costs are based on the 2011/12 Budget and escalate at the annual rate of 6% (accounting for cost inflation, growth, and new operating and maintenance needs related to capital improvements) for the first 10 years, and 5% for the subsequent 10 years.
- 2 Insurance expenses based on 2011/12 Budget and escalate at the annual rate of 6%.
- 3 Other operating and maintenance costs based on 2011/12 Budget and escalate at the annual rate of 4%.
- 4 Includes \$150,000 of direct cost reimbursements to the General Fund beginning 2012/13 for wastewater administration and other services provided by the City in support of the wastewater enterprise. This level of funding is based on the *2004 Citywide Cost Allocation Study*.
- 5 Projections do not include net savings from new cogeneration facilities; the amount of savings would be relatively minor and could be offset by new equipment and other purchases.
- 6 WWTP capital improvement expenses based on *Carollo Engineers, Palm Springs Wastewater Treatment Plant Capital Rehabilitation and Repair Plan, October 2006* with 3% cost inflation.
- 7 Collection system repairs & replacements estimated at \$250,000 (current \$) per year escalating at the annual rate of 3% for the next 10 years. Collection system funding projected to increase to the level of \$500,000 (current \$) adjusted for 3% cost inflation in the outer 10 years.

Table 9 - Sewer Enterprise Cash Flow Projections (Years 1 - 10)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Esc
Monthly Rate per EDU	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00	
Beginning EDUs	44,200	44,300	44,400	44,500	44,600	44,700	44,800	44,900	45,000	45,100	
New Connections, EDUs	100	100	100	100	100	100	100	100	100	100	
Est. Growth %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Sewer Facility Fee per EDU	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Interest Rate	0.75%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Beginning Fund Balance	\$4,858,000	\$3,811,000	\$3,026,000	\$3,117,000	\$3,879,000	\$5,283,000	\$5,518,000	\$5,784,000	\$6,002,000	\$6,203,000	
+ Reserved for CIP Projects	2,830,000	0	0	0	0	0	0	0	0	0	
REVENUES											
Sewer Service Charges	8,372,000	7,451,000	8,534,000	9,623,000	10,718,000	11,277,000	11,840,000	12,408,000	12,974,000	13,545,000	
Sewer Connection Fees	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Interest Income	58,000	36,000	45,000	62,000	78,000	106,000	110,000	115,000	120,000	124,000	
Other	15,000	25,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Total Revenues	8,745,000	7,802,000	8,894,000	10,000,000	11,100,000	11,698,000	12,265,000	12,838,000	13,408,000	13,984,000	
EXPENSES											
Operating & Maintenance											
Contractual Operating Services	4,320,000	4,579,000	4,854,000	5,146,000	5,454,000	5,781,000	6,128,000	6,498,000	6,888,000	7,299,000	6.0%
Personnel Costs	56,200	58,000	60,000	62,000	64,000	67,000	70,000	73,000	76,000	79,000	4.0%
Electricity	212,000	220,000	229,000	238,000	248,000	258,000	268,000	278,000	289,000	302,000	4.0%
Other Contractual Services	122,000	127,000	132,000	137,000	142,000	148,000	154,000	160,000	166,000	173,000	4.0%
Direct Cost Reimb to Gen'l Fund	150,000	159,000	162,000	165,000	175,000	182,000	189,000	197,000	205,000	213,000	4.0%
Insurance	632,000	670,000	710,000	753,000	798,000	846,000	897,000	951,000	1,008,000	1,068,000	6.0%
Vehicle Repair & Maintenance	158,000	164,000	171,000	178,000	185,000	192,000	200,000	208,000	216,000	225,000	4.0%
Other Operating Expenses	25,000	28,000	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	4.0%
Subtotal	5,675,200	6,000,000	6,345,000	6,709,000	7,095,000	7,504,000	7,937,000	8,396,000	8,880,000	9,393,000	
Capital/Other Non-Operating											
WWTP Capital Improvements	2,067,000	2,129,000	2,193,000	2,259,000	2,326,000	3,671,000	3,781,000	3,895,000	4,011,000	4,132,000	
Excess WWTP Capital Improvements	0	0	0	0	0	0	0	0	0	0	
Collection System Repair/Repl	250,000	258,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000	
Subtotal	2,317,000	2,387,000	2,458,000	2,532,000	2,607,000	3,671,000	4,080,000	4,202,000	4,328,000	4,458,000	
Total Expenses	7,992,200	8,387,000	8,803,000	9,241,000	9,702,000	11,165,000	12,017,000	12,598,000	13,208,000	13,851,000	
Revenues Less Expenses	(1,247,200)	(585,000)	81,000	759,000	1,407,000	233,000	248,000	238,000	201,000	133,000	
Ending Fund Balance	3,610,800	3,026,000	3,117,000	3,879,000	5,283,000	5,518,000	5,784,000	6,002,000	6,203,000	6,338,000	
+ Reserved for CIP Projects	0	0	0	0	0	0	0	0	0	0	
Minimum Fund Reserve Target	4,837,500	5,000,000	5,172,500	5,354,500	5,547,500	5,752,000	5,968,500	6,198,000	6,440,000	6,696,500	

Table 9 - Sewer Enterprise Cash Flow Projections (Years 11 - 20)

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Esc.
Monthly Rate per EDU	\$28.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00	\$35.00	
Beginning EDUs	45,200	45,300	45,400	45,500	45,600	45,700	45,800	45,900	46,000	46,100	
New Connections, EDUs	100	100	100	100	100	100	100	100	100	100	
Est. Growth %	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
Sewer Facility Fee per EDU	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Interest Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Beginning Fund Balance + Reserved for CIP Projects	\$8,336,000	\$7,112,000	\$7,879,000	\$8,614,000	\$9,288,000	\$9,871,000	\$10,489,000	\$10,962,000	\$11,255,000	\$11,333,000	
REVENUES											
Sewer Service Charges	14,118,000	14,693,000	15,271,000	15,851,000	16,434,000	17,019,000	17,608,000	18,196,000	18,788,000	19,383,000	
Sewer Connection Fees	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	
Interest Income	127,000	142,000	168,000	172,000	188,000	197,000	210,000	219,000	225,000	227,000	
Other	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Total Revenues	14,560,000	15,150,000	15,744,000	16,338,000	16,935,000	17,531,000	18,131,000	18,730,000	19,328,000	19,925,000	
EXPENSES											
Operating & Maintenance											
Contractual Operating Services	7,664,000	8,047,000	8,449,000	8,871,000	9,315,000	9,781,000	10,270,000	10,784,000	11,323,000	11,889,000	6.0%
Personnel Costs	82,000	85,000	88,000	92,000	96,000	100,000	104,000	108,000	112,000	116,000	4.0%
Electricity	314,000	327,000	340,000	354,000	368,000	383,000	398,000	414,000	431,000	448,000	4.0%
Other Contractual Services	180,000	187,000	194,000	202,000	210,000	218,000	227,000	236,000	245,000	255,000	4.0%
Direct Cost Reimb to Gen'l Fund	222,000	231,000	240,000	250,000	260,000	270,000	281,000	292,000	304,000	316,000	4.0%
Insurance	1,121,000	1,177,000	1,236,000	1,298,000	1,363,000	1,431,000	1,503,000	1,578,000	1,657,000	1,740,000	5.0%
Vehicle Repair & Maintenance	234,000	243,000	253,000	263,000	274,000	285,000	296,000	308,000	320,000	333,000	4.0%
Other Operating Expenses	35,000	36,000	37,000	38,000	40,000	42,000	44,000	46,000	48,000	50,000	4.0%
Subtotal	9,852,000	10,333,000	10,837,000	11,368,000	11,926,000	12,510,000	13,123,000	13,766,000	14,440,000	15,147,000	
Capital/Other Non-Operating											
WWTP Capital Improvements	3,260,000	3,358,000	3,459,000	3,562,000	3,670,000	3,784,000	3,733,000	3,845,000	3,959,000	4,079,000	
Enhance WWTP Capital Improvements	0	0	0	0	0	0	0	0	0	0	
Collection System Repairs/Reps	672,000	682,000	713,000	734,000	756,000	779,000	802,000	826,000	851,000	877,000	
Subtotal	3,932,000	4,050,000	4,172,000	4,296,000	4,426,000	4,403,000	4,535,000	4,671,000	4,810,000	4,956,000	
Total Expenses	13,784,000	14,383,000	15,009,000	15,664,000	16,352,000	16,913,000	17,658,000	18,437,000	19,250,000	20,103,000	
Revenues Less Expenses	776,000	767,000	735,000	674,000	583,000	518,000	473,000	293,000	78,000	(178,000)	
Ending Fund Balance + Reserved for CIP Projects	7,112,000	7,879,000	8,614,000	9,288,000	9,871,000	10,499,000	10,962,000	11,255,000	11,333,000	11,165,000	
Minimum Fund Reserve Target 50% O&M + \$2M emergency capital	8,926,000	7,166,500	7,418,500	7,684,000	7,963,000	8,255,000	8,561,500	8,883,000	9,220,000	9,573,000	

The cash flow projections indicate the need for rate increases over the next five years as summarized on Table 10 below. The projections assume across-the-board increases with rates for all customer classes escalating by the same percentage each year. The initial necessary rate increases are phased in over five years to minimize the annual impact on ratepayers. Table 11 on the following page shows a long-term 20-year rate projection.

TABLE 10 - PROJECTED MONTHLY SEWER SERVICE CHARGES							
Customer Class	Billing Unit	Effective Date July 1					
		Current	2012	2013	2014	2015	2016
Residential	Per unit	\$10.36	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00
Commercial & Industrial	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
	Minimum charge	10.36	12.00	14.00	16.00	18.00	20.00
Hotel - Rooms Without Kitchens	Base charge +	10.36	12.00	14.00	16.00	18.00	20.00
	Per room	3.53	4.09	4.77	5.45	6.13	6.81
Hotel - Rooms With Kitchens	Per room	6.81	7.89	9.21	10.53	11.85	13.17
Mobile Home Parks	Per unit +	10.36	12.00	14.00	16.00	18.00	20.00
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
Recreational Vehicle Parks	Per space +	2.54	2.94	3.43	3.92	4.41	4.90
	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98
Septage Dumping Fee							
<i>For loads up to 1,000 gallons</i>							
Within City limits	Per load	35.00	40.54	47.30	54.06	60.82	67.58
Outside City limits	Per load	70.00	81.08	94.59	108.10	121.61	135.12
Properties Adjacent to City							
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>							

Small annual rate increases of roughly \$1 per month per residence or EDU projected for future years.

The cash flow projections also identify the need for small annual rate increases every year thereafter to a) keep revenues in line with cost inflation, and b) provide adequate funding for wastewater system capital needs over the next 20 years. Based on the financial projections, after the initial phase-in of sewer rate increases over the next five years, the City's monthly residential sewer rate would gradually increase by \$1 to the monthly rate extending 20 years as the 20-year CIP is implemented. This will establish a maximum monthly rate of \$35 per EDU by 2031, which is below the current statewide average monthly rate of approximately \$40 per EDU – 40% of the future estimated statewide average monthly rate of approximately \$90 per EDU.

Chart D shows historical monthly sewer rates along with the initial 5-year phase in of sewer rate increases to a level of \$20 per month. The proposed rate increases would maintain the City's wastewater rates at an amount significantly lower than rates charged by other agencies, and would allow for funding of the 20-year WWTP CIP without the need to incur debt financing. From a longer-term perspective, the projected rate increases over the next five years to a level of \$20 per month will result in a sewer rate that is equal to the 1993 rate escalated at the annual rate of 3.52%. Chart E shows a long-term projection of sewer rates in comparison to the current statewide average.

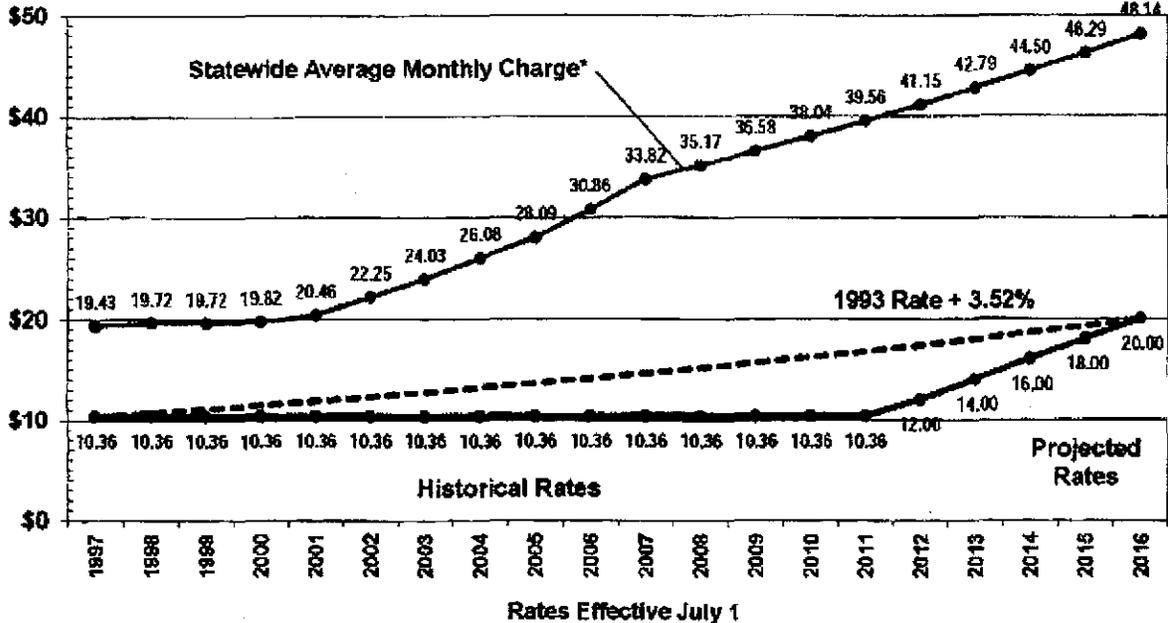
TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	Per unit	\$12.00	\$14.00	\$15.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00
Commercial & Industrial	Per fixture unit	1.16	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
	Minimum charge	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
Hotel - Rooms Without Kitchens	Base charge +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per room	4.08	4.77	5.45	6.13	6.81	7.15	7.49	7.83	8.17	8.51
Hotel - Rooms With Kitchens	Per room	7.88	9.21	10.53	11.85	13.17	13.83	14.49	15.15	15.81	16.47
Mobile Home Parks	Per unit +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Recreational Vehicle Parks	Per space +	2.94	3.43	3.92	4.41	4.90	5.10	5.40	5.65	5.90	6.15
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	40.54	47.30	54.06	60.82	67.58	70.96	74.34	77.72	81.10	84.48
Outside City limits	Per load	140.00	94.60	108.12	121.64	135.16	141.92	148.68	155.44	162.20	168.96
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>											
Sewer Permit Fee	Per application	1,158.30	1,351.35	1,544.40	1,737.45	1,930.50	2,027.03	2,123.56	2,220.09	2,316.62	2,413.15
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Residential	Per unit	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00	\$35.00
Commercial & Industrial	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
	Minimum charge	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
Hotel - Rooms Without Kitchens	Base charge +	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per room	8.85	9.19	9.53	9.87	10.21	10.55	10.89	11.23	11.57	11.91
Hotel - Rooms With Kitchens	Per room	17.13	17.79	18.45	19.11	19.77	20.43	21.09	21.75	22.41	23.07
Mobile Home Parks	Per unit +	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Recreational Vehicle Parks	Per space +	6.40	6.85	6.90	7.15	7.40	7.65	7.80	8.15	8.40	8.65
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Septage Dumping Fee											
<i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	87.86	91.24	94.62	98.00	101.38	104.76	108.14	111.52	114.90	118.28
Outside City limits	Per load	175.72	182.48	189.24	196.00	202.76	209.52	216.28	223.04	229.80	236.56
Properties Adjacent to City											
<i>Rates for customers outside of City limits are 150% of the standard established rates</i>											

Chart D

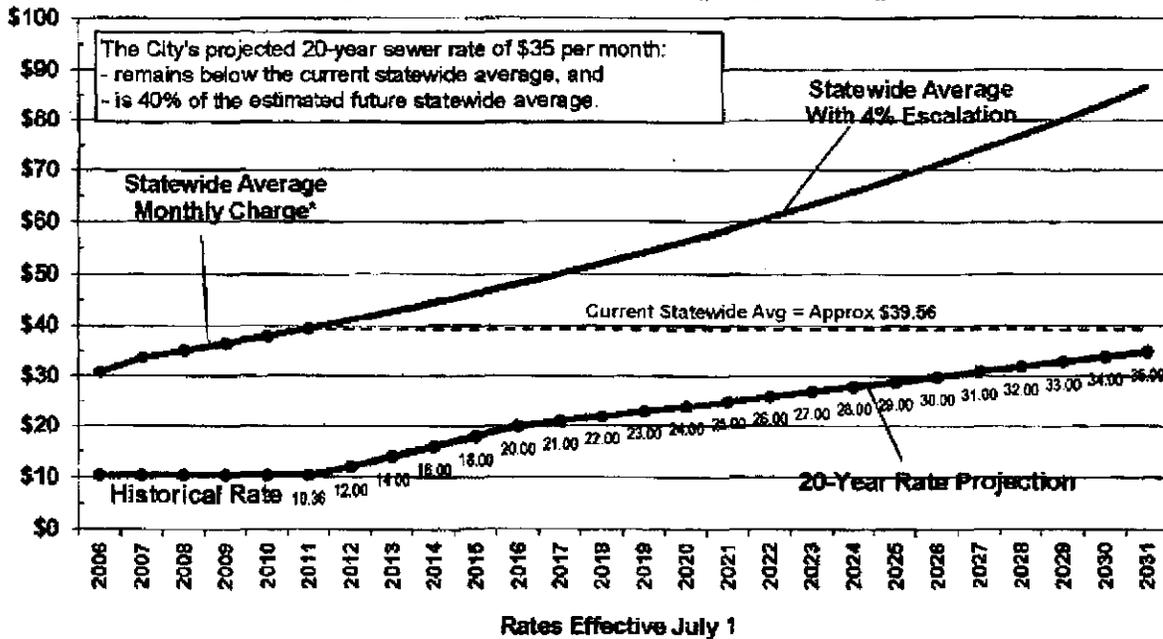
City of Palm Springs Historical & Projected Sewer Service Charges per EDU (per Month)



* Based on State Water Resources Control Board, Wastewater User Charge Survey Report, May 2008; plus 4% projected increases.

Chart E

City of Palm Springs 20-Year Projected Sewer Service Charges per EDU (per Month)



* Based on State Water Resources Control Board, Wastewater User Charge Survey Report, May 2008.

1.14 Debt Financing

The wastewater enterprise currently carries no debt, and therefore, has no annual debt service payments. To determine how leveraging debt may reduce required sewer rate increases, the City's Financial Advisor, Suzanne Harrell, analyzed various funding alternatives. Focusing only on the \$20 Million cost of the Priority 1 list of projects, the four analyses considered "Pay As You Go" with no debt financing, a \$20 Million state revolving fund ("SRF") loan, a \$20 Million bond issue, and partial debt financing with a \$10 Million bond issue. The length of the required short term phased rate increase and the required rate at the end of the short term phase-in for each of the alternatives is shown in the following Table:

<u>Alternative</u>	<u>Years of Initial Phased Rate Increase</u>	<u>Rate</u>
"Pay As You Go"	6	\$26.96
\$20 Million SRF Loan	8	\$19.59
\$20 Million Bond	8	\$20.30
\$10 Million Bond	7	\$24.56

The alternative analysis indicates that debt could be strategically used to result in a more gradual phase in of rate increases in the short term. For example, wastewater rates could be gradually increased to a level equal to \$20 per month over 8 years, as opposed to over 5 years without any debt financing. However, with debt financing higher rate increases would be required, particularly after completion of the 20-Year WWTP CIP when the wastewater fund would need to generate additional revenue for annual debt service payments until the debt was gradually paid off.

If the City opts to pursue debt financing to help fund a portion of its capital program, it is recommended the City maximize the use of state-subsidized funding programs such as the Clean Water State Revolving Fund Loans (SRF Loans). The SRF Loan program currently offers 20-year loans with interest rates in the 2.5% range. Under the program, the first debt service payment is not due until one year after the loan-funded project is complete. If conventional financing is ever used, the City should evaluate the cost-effectiveness of using bonds, Certificates of Participation, or bank loans to determine the lowest-cost option.

A summary of basic sewer-revenue-supported financing options is listed below.

- State Revolving Fund (SRF) Loan Program – The Clean Water State Revolving Fund Loan program administered by the State Water Resources Control Board offers 20-year fixed-rate loans for eligible wastewater projects. The program can currently be used to fund up to \$50 million of projects per year. The interest rate is set at roughly one half of the state's general obligation bond rate; current interest rates are

approximately 2.5%. Another advantage of the SRF Loan program is that the first debt service payment is not due until one year after the project is completed, giving agencies more time to get their rates in place to support debt repayment. The program does not fund the replacement of facilities that were previously grant-funded. Debt repayment is typically secured by an agency's legal pledge to raise rates and fees as needed to repay debt service.

- **Other Grant & Loan Programs** – There are a number of other state and federal funding programs available to fund projects that meet each program's eligibility requirements. Grants are hard to come by and often only provide a relatively small amount of funding if awarded; wastewater grants are generally only available to small agencies serving economically disadvantaged areas. Most other subsidized loan programs offer interest rates that are higher than the SRF Loan program.
- **Revenue Bonds & COPs**– Revenue bonds and Certificates of Participation (COPs) are the most common types of debt financing used by utility enterprises, such as water and wastewater agencies. Although there are some technical differences between bonds and COPs, both function almost exactly the same from the issuer's standpoint. Debt repayment is secured by an agency's binding legal pledge to raise rates and charges necessary to repay debt and achieve a specified debt service coverage ratio. Revenue bonds and COPs are typically issued with terms of up to 30 years and offer relatively low tax-exempt municipal interest rates. Current interest rates vary by the underlying credit quality of the issuing agency. For financial planning purposes, the average annual interest rate is estimated at 5.25% for a 25-year revenue bond or COP, and 5% for a 20-year bond.
- **Bank Loans, Private Placements, Leases, & Lines of Credit** – Bank loans, private placements, and leases typically offer slightly higher interest rates than bonds, but also have lower costs of issuance. This generally makes bank loans a cost-effective option for smaller borrowings, historically under \$5 million. Currently, only a very limited number of banks are considering making loans with terms extending 15-20 years. Interest rates can vary from month to month. The interest rate for a 20-year bank loan is currently estimated at 5.75%. Short-term bank loans and lines of credit are sometimes used to provide interim financing that will eventually be taken out with long-term debt. For example, agencies with limited fund reserves may use a line of credit to fund project design and preliminary engineering costs prior to issuing long-term bonds when construction bids are received. The legal covenants securing loans and lines of credit are generally similar to those of bonds or COPs.

1.15 Proposition 218

Proposition 218, the "Right to Vote on Taxes Act", was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of "property related fees". In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

Proposition 218 establishes certain procedural requirements for adopting rate increases. These requirements include:

- **Noticing Requirement:** The City must mail a notice of proposed rate increases to all affected property owners. The notice must specify the basis of the fee, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
- **Public Hearing:** The City must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established a number of substantive requirements that are generally deemed to apply to utility service charges, including:

- **Cost of Service -** Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
- **Intended Purpose -** Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
- **Proportional Cost Recovery -** The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.

- No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property. Standby charges shall be classified as "assessments" which are governed by Article 13D Section 4.

Proposition 218 requires that the City ensure that its wastewater rates reasonably reflect the cost of providing service to each customer. Generally, wastewater rates can recover costs for operations, capital needs, debt service, administration, as well as costs related to the prudent long-term operational or financial management of the utility enterprise, such as maintaining adequate fund reserves and planning for contingencies. While Proposition 218 places a number of limitations on the City's rates, the City retains substantial latitude to determine actual utility charges provided they do not exceed the cost of providing service.

1.16 AB3030

AB3030, which added Section 53756 to the California Government Code, went into effect on January 1, 2009. The new code clarifies that agencies that provide water, sewer, or refuse collection service may authorize a) automatic rate adjustments for inflation, and/or b) automatic rate pass throughs for wholesale water charge increases. Pursuant to AB3030, these automatic increases cannot exceed five years and must be clearly defined in the Prop. 218 notice, such as by a formula explaining how the adjustment will be calculated. Additionally, notice of any automatic increase must be sent to ratepayers at least 30 days prior to implementation.

1.17 Multi-Year Rate Increase

In order to minimize the effort and cost of going through the Proposition 218 process year after year, this report considers a multi-year wastewater rate increase as previously indicated in this report. The multi-year wastewater rate increase to a maximum monthly rate of \$35 per EDU is consistent with the Proposition 218 requirements, in that the Noticing specifically identifies the maximum rate by 2031, and the manner in which specific rate increases in each year are to be implemented.

By adopting a specific 20-year maximum allowable rate, the provisions of AB3030 do not apply as the propose rate increases in each year have been specifically established pursuant to the Proposition 218 Noticing and Majority Protest. The City may able to gradually adjust future rates pursuant to whatever guidelines it sets provided that rates do not exceed the cost of providing service as mandated by Proposition 218.

Appendix A
Financial & Rate Projections with Partial Debt Financing

PALM SPRINGS WASTEWATER TREATMENT PLANT –RATE CHANGE

EY	No Debt			SRF Loan			Bonds			Bonds (partial)		
	Monthly	Cumulative	Total	Monthly	Cumulative	Total	Monthly	Cumulative	Total	Monthly	Cumulative	Total
2011			10.36			10.36			10.36			10.36
2012	3.34	3.34	13.70	2.84	2.84	13.20	3.39	3.39	13.75	3.39	3.39	13.75
2013	3.62	6.96	17.32	2.12	4.96	15.32	2.37	5.76	16.12	2.37	5.76	16.12
2014	4.16	11.11	21.47	0.66	5.61	15.97	0.66	6.41	16.77	2.41	8.16	18.52
2015	4.45	15.56	25.92	0.55	6.17	16.53	0.70	7.11	17.47	2.20	10.36	20.72
2016	0.45	16.01	26.37	0.69	6.76	17.12	0.54	7.65	18.01	2.22	12.58	22.95
2017	0.69	16.60	26.96	0.78	7.54	17.90	0.59	8.24	18.60	0.78	13.37	23.73
2018	(3.18)	13.42	23.78	0.82	8.36	18.72	0.82	9.06	19.42	0.82	14.20	24.56
2019	(3.13)	10.29	20.65	0.87	9.23	19.59	0.87	9.94	20.30	(1.63)	12.57	22.93
2020	(4.00)	6.29	16.65	-	9.23	19.69	-	9.94	20.30	(2.00)	10.57	20.93
2021	(1.00)	5.29	15.66	-	9.23	19.69	-	9.94	20.30	(2.00)	8.57	18.93
2022	-	5.29	15.66	-	9.23	19.69	-	9.94	20.30	(1.75)	6.82	17.18



PALM SPRINGS WASTEWATER TREATMENT PLANT – RATE COMPARISON

FY	No Debt		Pay-Go		Bonds		Pay-Go		Bonds (Partial)		Pay-Go		Pay-Go	
	No Debt	SRF Loan	Monthly Difference	Annual Difference	No Debt	Bonds	Monthly Difference	Annual Difference	No Debt	Bonds (Partial)	Monthly Difference	Annual Difference	Monthly Difference	Annual Difference
2011	10.36	10.36	-	-	10.36	10.36	-	-	10.36	10.36	-	-	-	-
2012	13.70	13.20	0.50	6.00	13.70	13.76	(0.06)	(0.80)	13.70	13.75	(0.05)	(0.80)	(0.05)	(0.00)
2013	17.32	15.32	2.00	24.00	17.32	16.12	1.20	14.40	17.32	16.12	1.20	14.40	1.20	14.40
2014	21.47	15.97	5.50	66.00	21.47	18.77	2.70	55.40	21.47	18.52	2.95	36.40	2.95	36.40
2015	25.92	15.53	10.39	112.71	25.92	17.47	8.45	101.40	25.92	20.72	5.20	82.40	5.20	82.40
2016	28.37	17.12	11.25	111.00	28.37	18.01	10.36	100.28	28.37	22.95	5.42	40.86	5.42	40.86
2017	28.96	17.90	11.06	108.72	28.96	18.60	10.36	100.28	28.96	23.73	5.23	38.69	5.23	38.69
2018	23.78	18.72	5.06	60.72	23.78	19.42	4.36	52.26	23.78	24.56	(0.78)	(9.31)	(0.78)	(9.31)
2019	20.65	18.59	2.06	12.72	20.65	20.30	0.35	4.26	20.65	22.93	(2.28)	(27.31)	(2.28)	(27.31)
2020	16.65	18.59	(1.94)	(35.28)	16.65	20.30	(3.65)	(43.74)	16.65	20.03	(3.38)	(51.31)	(3.38)	(51.31)
2021	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	18.93	(3.28)	(39.31)	(3.28)	(39.31)
2022	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2023	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2024	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2025	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2026	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2027	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2028	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2029	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2030	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2031	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2032	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
2033	15.65	18.59	(2.94)	(47.28)	15.65	20.30	(4.65)	(55.74)	15.65	17.18	(1.63)	(18.31)	(1.63)	(18.31)
Total	4,879.63	5,027.73		(148.10)	4,879.63	5,219.38		(339.75)	4,879.63	5,035.29		(155.66)		



PALM SPRINGS WASTEWATER TREATMENT PLANT – OPERATIONS 1

SCHEDULE 1: INCREASE FOR CAPITAL PAY AS YOU GO, INFLATIONARY INCREASE FOR OPERATING COSTS

FY	ADU	Existing Service Charge \$/CU	Operating Revenue, Expense and Debt Service						Operating Expense Per Study	Net Operating Income	Financing	Remaining Revenue	Debt Coverage Ratio	Total Monthly Charge
			Monthly Service Chg Increase for Capital	Cumulative Monthly Service Chg Incr for Capital	\$ Service Chrg Increase for Capital	Monthly Service Chg Increase for Operations	Cumulative Monthly Service Chrg Incr for Operations	\$ Service Chrg Increase for Operations						
2011													19.98	
2012	43,800	5,451,000	2.75	2.75	1,445,000	0.59	0.59	309,000	(5,712,000)	1,194,000	-	1,194,000	13.70	
2013	43,900	5,461,000	3.00	5.75	3,022,000	0.80	1.21	634,000	(6,037,000)	3,070,000	-	3,070,000	17.32	
2014	44,000	5,484,000	3.50	9.25	4,873,000	0.86	1.89	979,000	(6,382,000)	4,894,013	-	4,894,013	21.47	
2015	44,100	5,476,000	3.75	13.00	6,854,000	0.70	2.56	1,345,000	(6,748,000)	6,837,017	-	6,837,017	23.82	
2016	44,200	5,489,000	-	13.00	6,880,000	0.45	3.01	1,581,000	(7,134,000)	6,816,013	-	6,816,013	26.37	
2017	44,300	5,501,000	-	13.00	6,895,000	0.59	3.60	1,890,000	(7,543,000)	6,743,014	-	6,743,014	28.86	
2018	44,400	5,514,000	(4.00)	9.00	4,794,000	0.32	4.42	2,323,000	(7,975,000)	4,645,008	-	4,645,008	31.78	
2019	44,500	5,525,000	(4.00)	5.00	2,864,000	0.87	5.29	2,781,000	(8,434,000)	2,537,002	-	2,537,002	34.65	
2020	44,500	5,538,000	(4.00)	1.00	524,000	-	5.29	2,781,000	(8,434,000)	418,997	-	418,997	37.52	
2021	44,500	5,538,000	(1.00)	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	40.39	
2022	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	43.26	
2023	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	46.13	
2024	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	49.00	
2025	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	51.87	
2026	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	54.74	
2027	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	57.61	
2028	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	60.48	
2029	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	63.35	
2030	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	66.22	
2031	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	69.09	
2032	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	71.96	
2033	44,500	5,538,000	-	-	-	-	5.29	2,781,000	(8,434,000)	(115,000)	-	(115,000)	74.83	



PALM SPRINGS WASTEWATER TREATMENT PLANT – CAPITAL 1

SCHEDULE 1 : INCREASE FOR CAPITAL PAY AS YOU GO; INFLATIONARY INCREASE FOR OPERATING COSTS

Capital Projects Funding										
FY	Beginning Balance	Less 3 Months Op. Reserve	Remaining Revenue	Uplifted Design	Bond Proceeds	Project Costs	Repair and Maint	Connection Charges	Add In Reserve for Depreciation	Cumulative Balance
2011										6,410,000
2012	6,410,000	(1,428,000)	1,184,000	(600,000)	-	-	(258,000)	300,000	(100,000)	6,698,000
2013	5,608,000	(81,250)	3,070,000	(500,000)	-	(6,250,000)	(265,000)	300,000	(200,000)	1,681,750
2014	1,681,750	(86,250)	4,934,000	-	-	(6,250,000)	(273,000)	300,000	(300,000)	6,600
2015	6,500	(91,500)	6,637,000	-	-	(6,250,000)	(281,000)	300,000	(400,000)	221,000
2016	221,000	(96,500)	6,816,000	-	-	(6,250,000)	(280,000)	300,000	(500,000)	201,500
2017	201,500	(102,250)	6,743,000	-	-	-	(280,000)	300,000	(500,000)	6,344,250
2018	6,344,250	(106,250)	4,945,000	-	-	-	(307,000)	300,000	(500,000)	10,374,000
2019	10,374,000	(114,500)	2,637,000	-	-	-	(316,000)	300,000	(500,000)	12,280,500
2020	12,280,500	-	419,000	-	-	-	(325,000)	300,000	(500,000)	12,174,500
2021	12,174,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	11,234,500
2022	11,234,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	10,294,500
2023	10,294,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	9,364,500
2024	9,364,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	8,414,500
2025	8,414,500	-	(115,000)	-	-	-	(328,000)	-	(500,000)	7,474,500
2026	7,474,500	-	(115,000)	-	-	-	(328,000)	-	(500,000)	6,534,500
2027	6,534,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	5,594,500
2028	5,594,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	4,654,500
2029	4,654,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	3,714,500
2030	3,714,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	2,774,500
2031	2,774,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	1,834,500
2032	1,834,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	894,500
2033	894,500	-	(115,000)	-	-	-	(325,000)	-	(500,000)	(46,500)
		(2,168,500)		(1,000,000)		(25,000,000)	(6,837,000)		(10,000,000)	



PALM SPRINGS WASTEWATER TREATMENT PLANT – OPERATIONS 2

SCHEDULE 2 : INCREASE FOR CAPITAL (SRF); INFLATIONARY INCREASE FOR OPERATING COSTS

FY	EDU	Existing Service Charge \$10.38	Monthly Service Chg Increase for Capital	Cumulative Monthly Service Chg Incr for Capital	Operating Revenue, Expense and Debt Service				Operating Expense Per Share	Net Operating Income	SRF Loan	Remaining Revenue	Debt Coverage Ratio	Total Monthly Charge
					\$ Service Chrg Increase for Capital	\$ Service Chrg Increase for Operations	\$ Monthly Service Chg Incr for Operations	\$ Cumulative Monthly Service Chg Incr for Operations						
2012	43,900	5,451,000	2.25	2.25	1,183,000	0.59	0.59	306,000	(6,712,000)	922,000	-	922,000		13.20
2013	43,900	5,451,000	1.50	3.75	1,971,000	0.59	1.21	634,900	(8,017,000)	2,019,000	(600,000)	1,366,000	136.7%	15.32
2014	44,000	5,484,000	-	3.75	1,976,200	0.66	1.86	879,900	(9,382,000)	2,057,000	(900,000)	1,377,000	306.9%	15.97
2015	44,100	5,476,000	-	3.75	1,980,000	0.55	2.42	1,270,000	(8,748,000)	1,978,000	(1,360,000)	618,000	149.8%	16.53
2016	44,200	5,489,000	-	3.75	1,983,000	0.69	3.01	1,561,000	(7,134,000)	1,921,000	(1,360,000)	561,000	146.4%	17.12
2017	44,300	5,514,000	-	3.75	1,986,000	0.78	3.79	1,890,000	(7,542,000)	1,937,000	(1,360,000)	377,000	141.9%	17.90
2018	44,400	5,514,000	-	3.75	1,994,000	0.82	4.51	2,429,000	(7,376,000)	1,865,000	(1,360,000)	595,000	142.4%	18.72
2019	44,500	5,526,000	-	3.75	1,998,000	0.57	5.08	2,891,000	(8,434,000)	1,971,000	(1,360,000)	511,000	143.8%	19.39
2020	44,500	5,526,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	144.9%	19.59
2021	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2022	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2023	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2024	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2025	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2026	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2027	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2028	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2029	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2030	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2031	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2032	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(1,360,000)	628,000	146.2%	19.59
2033	44,500	5,538,000	-	3.75	2,003,000	-	5.48	2,891,000	(8,434,000)	1,988,000	(700,000)	1,288,000	284.0%	19.59



PALM SPRINGS WASTEWATER TREATMENT PLANT – CAPITAL 2

SCHEDULE 2 : INCREASE FOR CAPITAL (SRF); INFLATIONARY INCREASE FOR OPERATING COSTS

Capital Projects Funding										
FY	Beginning Balance	Less 3 Months On Reserve	Remaining Revenue	Upfront Design	Loan Proceeds	Project Costs	Repair and Maint	Connection Charges	Add to Reserve for Depreciation	Cumulative Balance
2011										6,410,000
2012	6,410,000	(1,428,000)	922,000	(500,000)	-	-	(258,000)	300,000	(100,000)	5,346,000
2013	5,346,000	(81,250)	1,356,000	(500,000)	10,000,000	(8,250,000)	(255,000)	300,000	(200,000)	9,708,750
2014	9,708,750	(86,250)	1,377,000	-	-	(8,250,000)	(273,000)	300,000	(330,000)	4,476,500
2015	4,476,500	(91,500)	818,000	-	10,000,000	(8,250,000)	(281,000)	300,000	(400,000)	8,372,000
2016	8,372,000	(86,500)	561,000	-	-	(8,250,000)	(289,000)	300,000	(500,000)	2,097,500
2017	2,097,500	(102,250)	577,000	-	-	-	(296,000)	300,000	(500,000)	2,074,250
2018	2,074,250	(108,250)	566,000	-	-	-	(307,000)	300,000	(500,000)	2,064,000
2019	2,064,000	(114,500)	611,000	-	-	-	(316,000)	300,000	(500,000)	2,034,500
2020	2,034,500	-	628,000	-	-	-	(325,000)	300,000	(500,000)	2,137,500
2021	2,137,500	-	628,000	-	-	-	(325,000)	-	(500,000)	1,949,500
2022	1,949,500	-	628,000	-	-	-	(325,000)	-	(500,000)	1,743,500
2023	1,743,500	-	628,000	-	-	-	(325,000)	-	(500,000)	1,548,500
2024	1,548,500	-	628,000	-	-	-	(325,000)	-	(500,000)	1,349,500
2025	1,349,500	-	628,000	-	-	-	(325,000)	-	(500,000)	1,152,500
2026	1,152,500	-	628,000	-	-	-	(325,000)	-	(500,000)	955,500
2027	955,500	-	628,000	-	-	-	(325,000)	-	(500,000)	758,500
2028	758,500	-	628,000	-	-	-	(325,000)	-	(500,000)	561,500
2029	561,500	-	628,000	-	-	-	(325,000)	-	(500,000)	364,500
2030	364,500	-	628,000	-	-	-	(325,000)	-	(500,000)	167,500
2031	167,500	-	628,000	-	-	-	(325,000)	-	(500,000)	(29,500)
2032	(29,500)	-	628,000	-	-	-	(325,000)	-	(500,000)	(228,500)
2033	(228,500)	-	1,286,000	-	-	-	(325,000)	-	(500,000)	236,500
		(2,108,500)		(1,000,000)		(25,000,000)	(6,837,000)		(10,000,000)	



PALM SPRINGS WASTEWATER TREATMENT PLANT – OPERATIONS 3

SCHEDULE 3 : INCREASE FOR CAPITAL (BONDS); INFLATIONARY INCREASE FOR OPERATING COSTS

FY	EDU	Operating Revenue, Expense and Debt Service								Operating Expense Per Study	Net Operating Income	Bonds Debt Service	Remaining Revenue	Debt Coverage Ratio	Total Monthly Change
		Existing Service Charge \$10.00	Monthly Service Chg Increase for Capital	Cumulative Monthly Service Chg Incr for Capital	3 Service Chg Increase for Capital	Monthly Service Chg Increase for Operations	Cumulative Monthly Service Chg Incr for Operations	\$ Service Chg Increase for Operations							
2011															10.36
2012	43,900	5,451,000	2.50	2.80	1,472,000	0.59	3.59	309,000	(6,712,000)	1,211,000	-	1,711,000		13.75	
2013	43,900	5,451,000	1.75	4.55	2,391,000	0.60	1.21	634,000	(6,037,000)	2,439,007	(925,000)	1,514,007	130.9%	16.12	
2014	44,000	5,464,000	-	4.55	2,397,000	0.66	1.86	979,000	(6,382,000)	2,498,005	(925,000)	1,532,005	263.7%	16.77	
2015	44,100	5,476,000	-	4.55	2,402,000	0.70	2.56	1,345,000	(6,748,000)	2,475,005	(1,850,000)	625,005	132.9%	17.47	
2016	44,200	5,489,000	-	4.55	2,408,000	0.54	3.10	1,631,000	(7,134,000)	2,394,005	(1,850,000)	544,005	133.6%	18.01	
2017	44,300	5,501,000	-	4.55	2,413,000	0.59	3.69	1,940,000	(7,543,000)	2,311,005	(1,850,000)	461,005	128.4%	18.60	
2018	44,400	5,514,000	-	4.55	2,419,000	0.82	4.51	2,373,000	(7,978,000)	2,330,005	(1,850,000)	480,005	124.8%	19.42	
2019	44,500	5,528,000	-	4.55	2,424,000	0.87	5.34	2,831,000	(8,434,000)	2,347,005	(1,850,000)	497,005	125.6%	20.30	
2020	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	126.6%	20.30	
2021	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2022	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2023	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2024	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2025	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2026	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2027	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2028	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2029	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2030	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2031	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2032	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(1,850,000)	515,005	127.6%	20.30	
2033	44,500	5,538,000	-	4.55	2,430,000	-	5.39	2,831,000	(8,434,000)	2,365,005	(825,000)	1,440,005	256.7%	20.30	



PALM SPRINGS WASTEWATER TREATMENT PLANT – CAPITAL 3

SCHEDULE 3 : INCREASE FOR CAPITAL (BONDS); INFLATIONARY INCREASE FOR OPERATING COSTS

Capital Projects Funding											
FY	Beginning Balance	Less 3 Months Op Reserve	Remaining Revenue	Reserve Fund Earnings	Uplift/Deduction	Bond Proceeds	Project Costs	Repair and Maint	Connection Charges	Add to Reserve for Depreciation	Cumulative Balance
2011											6,410,000
2012	6,410,000	(1,428,000)	1,211,000	-	(600,000)	-	-	(250,000)	300,000	(100,000)	5,836,000
2013	5,836,000	(81,250)	1,614,000	7,000	(500,000)	10,000,000	(8,250,000)	(265,000)	300,000	(200,000)	10,158,750
2014	10,158,750	(86,250)	1,533,000	9,000	-	-	(8,250,000)	(273,000)	300,000	(300,000)	6,082,500
2015	5,082,500	(91,500)	825,000	28,000	-	10,000,000	(8,250,000)	(281,000)	300,000	(400,000)	9,023,000
2016	9,023,000	(98,500)	544,000	37,000	-	-	(8,250,000)	(289,000)	300,000	(500,000)	2,768,500
2017	2,768,500	(102,250)	461,000	37,000	-	-	-	(298,000)	300,000	(500,000)	2,868,250
2018	2,868,250	(108,250)	480,000	48,000	-	-	-	(307,000)	300,000	(500,000)	2,577,000
2019	2,577,000	(114,500)	497,000	58,000	-	-	-	(316,000)	300,000	(500,000)	2,439,500
2020	2,439,500	-	515,000	68,000	-	-	-	(325,000)	300,000	(500,000)	2,554,500
2021	2,554,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	2,318,500
2022	2,318,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	2,082,500
2023	2,082,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	1,848,500
2024	1,848,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	1,610,500
2025	1,610,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	1,374,500
2026	1,374,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	1,136,500
2027	1,136,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	902,500
2028	902,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	668,500
2029	668,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	430,500
2030	430,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	194,500
2031	194,500	-	515,000	74,000	-	-	-	(325,000)	-	(500,000)	(41,500)
2032	(41,500)	-	515,000	990,000	-	-	-	(325,000)	-	(500,000)	847,500
2033	647,500	-	1,440,000	37,000	-	-	-	(325,000)	-	(500,000)	1,298,500
		(2,108,500)			(1,060,000)		(25,000,000)	(6,837,000)		(10,000,000)	



PALM SPRINGS WASTEWATER TREATMENT PLANT -- OPERATIONS 4

SCHEDULE 4: INCREASE FOR CAPITAL (PARTIAL BOND FUNDING); INFLATIONARY INCREASE FOR OPERATING COSTS

FY	EDU	Operating Revenue, Expense and Debt Service												
		Existing Service Charge \$10.88	Monthly Service Chg Increase for Capital	Cumulative Monthly Service Chg Incr for Capital	\$ Service Chg Increase for Capital	Monthly Service Chg Increase for Operations	Cumulative Monthly Service Chg Incr for Operations	\$ Service Chrg Increase for Operations	Operating Expense Per Student	Net Operating Income	Bonds Debt Service	Remaining Revenue	Debt Coverage Ratio	Total Monthly Charge
2011	43,800	5,461,000	2.80	2.80	1,472,000	0.59	0.59	308,000	(5,712,000)	1,211,000	-	1,211,000		11.75
2012	43,900	5,451,000	1.75	4.55	3,291,000	0.50	1.21	634,000	(5,837,000)	2,439,007	(925,000)	1,514,007	130.8%	18.12
2013	44,000	5,441,000	1.75	6.30	5,032,000	0.95	1.88	970,000	(6,382,000)	3,380,009	(925,000)	2,455,009	263.7%	19.52
2014	44,100	5,476,000	1.50	7.80	6,528,000	0.70	2.58	1,345,000	(6,746,000)	4,191,010	(925,000)	3,266,010	365.4%	20.72
2015	44,200	5,489,000	1.50	9.30	8,027,000	0.73	3.29	1,731,000	(7,334,000)	5,008,012	(925,000)	4,083,012	463.1%	22.85
2016	44,300	5,601,000	-	9.30	8,933,000	0.78	4.07	2,140,000	(7,543,000)	5,631,010	(925,000)	4,706,010	541.4%	23.73
2017	44,400	5,614,000	-	9.30	9,844,000	0.82	4.90	2,573,000	(7,978,000)	6,065,010	(925,000)	5,140,010	643.8%	24.66
2018	44,500	5,628,000	(2.50)	6.80	8,823,000	0.87	6.77	3,031,000	(8,434,000)	3,746,005	(925,000)	2,821,005	546.5%	22.93
2019	44,500	5,538,000	(2.00)	4.80	3,563,000	-	6.77	3,031,000	(8,434,000)	2,886,003	(925,000)	1,773,003	405.0%	20.93
2020	44,500	5,538,000	(2.00)	2.80	1,495,000	-	6.77	3,031,000	(8,434,000)	1,636,001	(925,000)	705,001	281.7%	18.53
2021	44,500	5,538,000	(1.75)	1.05	561,000	-	6.77	3,031,000	(8,434,000)	895,008	(925,000)	(228,992)	178.2%	17.18
2022	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2023	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2024	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2025	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2026	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2027	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2028	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2029	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2030	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2031	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2032	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	(925,000)	(228,999)	75.2%	17.18
2033	44,500	5,538,000	-	1.05	561,000	-	6.77	3,031,000	(8,434,000)	696,001	-	696,001		17.18



PALM SPRINGS WASTEWATER TREATMENT PLANT – CAPITAL 4

SCHEDULE 4 : INCREASE FOR CAPITAL (PARTIAL BOND FUNDING); INFLATIONARY INCREASE FOR OPERATING COSTS

Capital Projects Funding

EX.	Beginning Balance	Less 3 Months Op Reserve	Remaining Revenue	Reserve Fund Earnings	Upfront Design	Bond Proceeds	Project Costs	Repair and Maint	Connection Charges	Add to Reserve for Depreciation	Cumulative Balance
2011											6,410,000
2012	6,410,000	(1,428,000)	1,211,000	-	(500,000)	-	-	(258,000)	300,000	(100,000)	5,635,000
2013	5,835,000	(81,250)	1,514,000	7,000	(500,000)	10,000,000	(6,250,000)	(265,000)	300,000	(200,000)	10,189,750
2014	10,159,750	(88,250)	2,455,000	9,000	-	-	(6,250,000)	(273,000)	300,000	(300,000)	6,014,500
2015	6,014,500	(91,500)	3,266,000	14,000	-	-	(6,250,000)	(281,000)	300,000	(400,000)	2,572,000
2016	2,672,000	(96,500)	4,083,000	19,000	-	-	(6,250,000)	(289,000)	300,000	(500,000)	(161,500)
2017	(161,500)	(102,250)	4,106,000	19,000	-	-	-	(298,000)	300,000	(500,000)	3,383,250
2018	3,383,250	(106,250)	4,130,000	23,000	-	-	-	(307,000)	300,000	(500,000)	6,901,000
2019	6,901,000	(114,500)	2,821,000	28,000	-	-	-	(316,000)	300,000	(500,000)	9,119,500
2020	8,119,500	-	1,773,000	32,000	-	-	-	(325,000)	300,000	(500,000)	10,339,500
2021	10,339,500	-	705,000	37,000	-	-	-	(325,000)	-	(500,000)	10,316,500
2022	10,316,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	9,299,500
2023	9,299,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	8,282,500
2024	8,282,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	7,265,500
2025	7,265,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	6,248,500
2026	6,248,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	5,231,500
2027	5,231,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	4,214,500
2028	4,214,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	3,197,500
2029	3,197,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	2,180,500
2030	2,180,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	1,163,500
2031	1,163,500	-	(229,000)	37,000	-	-	-	(325,000)	-	(500,000)	146,500
2032	146,500	-	(229,000)	962,000	-	-	-	(325,000)	-	(500,000)	54,500
2033	54,500	-	866,000	-	-	-	-	(325,000)	-	(500,000)	(74,500)
		(2,138,500)			(1,000,000)		(25,000,000)	(6,837,000)		(10,000,000)	





City of Palm Springs
 3200 East Tahquitz Canyon Way
 Palm Springs, CA 92262

NOTIFICATION OF PUBLIC HEARING ON PROPOSED SEWER RATE INCREASES

NOTIFICATION OF PUBLIC HEARING ON PROPOSED SEWER RATE INCREASES

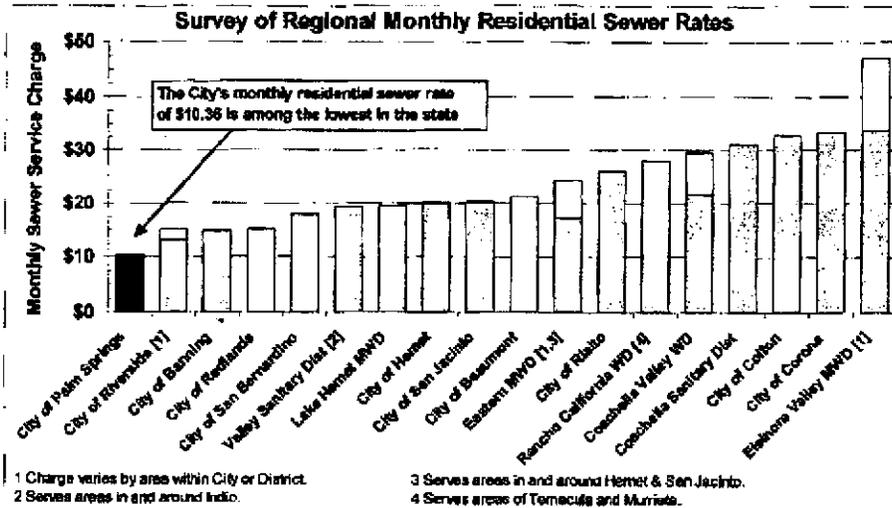
Dear Property Owner or Tenant,

The City of Palm Springs' sewer rates have not been increased since 1993 and are currently among the lowest in California. After nearly 20 years of no rate increases, the City is proposing to phase in sewer service rate increases in upcoming years to provide adequate funding for wastewater system operations and critical wastewater treatment plant capital projects. Residential customers currently pay a sewer rate of \$10.36 per month (\$124.32 per year), which is one-quarter of the statewide average. This notice provides information on the proposed sewer rate increases, why they are needed, and information about a public hearing scheduled by the City Council to consider adoption of the increased sewer rates.

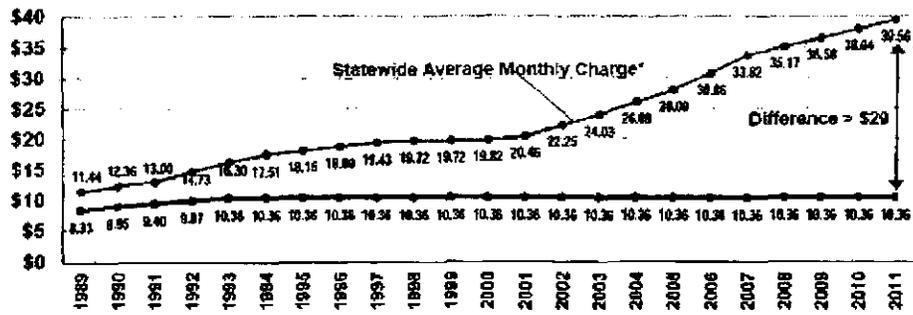
WHY ARE RATE INCREASES REQUIRED?

The City's wastewater treatment plant was originally built in 1960 and is now over 50 years old. A recent engineering study identified the need for substantial rehabilitation of the treatment plant including replacing aging equipment and systems, and improving outdated and inefficient treatment processes. The engineering study identified over \$67 million of capital improvements required over the next 20 years. Although the City has completed some of these projects, over \$55 million of these high-priority projects are cannot be funded by the City's current sewer service rates.

Additionally, the City's operating and maintenance costs have risen over the past 20 years with no corresponding rate increases. The City's wastewater utility is a self-supporting enterprise funded entirely by sewer service charges. *The City's wastewater utility is NOT funded by general property taxes or special assessments, or is intended to be funded by future "Measure J" funds.* A financial rate study of the wastewater utility has demonstrated that the City's current sewer rates will not generate the funding to cover the full cost of providing wastewater service in the near future, and cannot fund the critical wastewater capital improvements that are required.



Historical Monthly Sewer Rates per EDU



The City's residential sewer rates are currently more than \$29 below the California statewide average.

CITY PROPOSING TO PHASE IN SEWER RATE ADJUSTMENTS

The City is proposing to phase in a series of annual sewer rate increases to provide adequate funding for wastewater system operations and critical wastewater treatment plant projects. The first five years of rate increases will bring rates in line with the cost of providing service and provide an appropriate level of annual funding to support rehabilitation of the City's aging wastewater treatment plant. After five years, small annual rate adjustments each year will keep sewer rates aligned with the cost of providing service and will generate funding to complete the sewer utility's 20-year capital improvement program. *The proposed maximum monthly sewer rate by 2031 is \$35 per residential dwelling unit or equivalent ("EDU"), and is below today's statewide average monthly sewer rate of approximately \$40 per EDU.*

Customer Class	Billing Unit	Current	2012	2013	2014	2015	2016	2031
Residential	Per unit	\$10.36	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	\$35.00
Commercial & Industrial	Per fixture unit	1.02	1.18	1.38	1.58	1.78	1.98	3.48
	Minimum charge	10.36	12.00	14.00	16.00	18.00	20.00	35.00
Hotel - Rooms Without Kitchens	Base charge + Per room	10.36 3.53	12.00 4.09	14.00 4.77	16.00 5.45	18.00 6.13	20.00 6.81	35.00 11.91
Hotel - Rooms With Kitchens	Per room	6.81	7.89	9.21	10.63	11.85	13.17	23.07
Mobile Home Parks	Per unit + Per fixture unit	10.36 1.02	12.00 1.18	14.00 1.38	16.00 1.58	18.00 1.78	20.00 1.98	35.00 3.48
Recreational Vehicle Parks	Per space + Per fixture unit	2.54 1.02	2.94 1.18	3.43 1.38	3.92 1.58	4.41 1.78	4.90 1.98	8.65 3.48
Septage Dumping Fee (For loads up to 1,000 gallons)								
Within City limits	Per load	35.00	40.54	47.30	54.06	60.82	67.58	118.28
Outside City limits	Per load	70.00	81.08	94.59	108.10	121.61	135.12	236.56

*Sewer rates for customers outside of City limits are 150% of the rates identified above.
In 2017, monthly rate increases of \$1 shall occur annually until 2031 when the maximum monthly rate of \$35 is established.*

With the proposed sewer rate adjustments, the City's sewer rates will remain significantly lower when compared to other wastewater service providers throughout southern California.

CITY MAINTAINING FOCUS ON COST-EFFICIENCY

The City remains committed to providing high-quality sewer service as cost-efficiently as possible. The City contracts its wastewater system operations to a private operator and anticipates funding its wastewater capital improvement program on a prudent "pay as you go" basis. The sewer utility currently has no outstanding debt, and the City does not propose incurring significant debt as a means of funding its wastewater systems operations. To help phase in sewer rate increases over time, the City will be using wastewater fund reserves as they become available for funding critical wastewater capital projects. The City will only implement future rate increases as financially necessary. Pursuant to California law, the City's sewer rates cannot exceed the cost of providing service.

NOTIFICATION OF A PUBLIC HEARING ON PROPOSED RATE INCREASES

The City Council will conduct a Public Hearing on the proposed sewer rate increases at 6:00 P.M. on April 18, 2012, at City Hall, 3200 East Tahquitz Canyon Way, Palm Springs, CA 92262. Property owners or tenants wishing to protest the proposed sewer rate increases may mail or deliver written protests to the City Clerk at this address. If written protests against the rate increases are submitted on behalf of more than 50% of the affected properties, the proposed sewer rate increases will not be adopted. Protests must be made in writing and must a) identify the property owner or tenant, b) identify the property (by address or Assessor's Parcel Number), and c) include the signature of the property owner or tenant. Written protests must be received prior to the close of the Public Hearing on April 18, 2012.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PALM SPRINGS, CALIFORNIA, APPROVING INCREASED
SEWER SERVICE CHARGES EFFECTIVE JULY 1, 2012

WHEREAS, the City of Palm Springs, (hereinafter "City"), operates and maintains a Wastewater Enterprise, (hereinafter the "Enterprise"), for the purposes of providing the collection and treatment of wastewater generated throughout the City; and

WHEREAS, California Government Code 54344 authorizes the City to prescribe, revise, and collect charges for the services furnished by the Enterprise; and

WHEREAS, Palm Springs Municipal Code Section 15.24.020, provides for the establishment of sewer service charges by Resolution of the City Council; and

WHEREAS, the City's current sewer service charges were last increased by action of the City Council on June 25, 1991, by adoption of Resolution No. 17564; and

WHEREAS, the City has prepared the 2012 Wastewater Financial Plan and Rate Study, (hereinafter the "Rate Study"), to determine the long-term fiscal solvency of the Enterprise; and

WHEREAS, the Rate Study has determined that the Enterprise does not have sufficient reserves to fund the significant capital improvements that are recommended over the next 20 years for facilities operated by the Enterprise; and

WHEREAS, the Rate Study has determined that on-going operation and maintenance costs for the Enterprise will soon exceed annual revenue collected by the Enterprise, requiring subsidy of other Funds to the Enterprise in the absence of any increase to the City's current sewer service charges; and

WHEREAS, the City Council considered and approved the Rate Study at its meeting of February 15, 2012, and authorized the City to commence with noticing of the proposed increases to the current sewer service charges in accordance with applicable laws; and

WHEREAS, notice of the proposed increased sewer service charges was mailed to the record owners of each parcel, and to sewer service customers, in accordance with the requirements of Proposition 218, the "Right to Vote on Taxes Act", Articles XIII C and XIII D of the California Constitution, and California Government Code Section 53750 et seq.; and

WHEREAS, a public hearing to consider the proposed increased sewer service charges, and any protest to such rates, was held during a Public Hearing held on April 18, 2012, before the City Council of the City, which meeting and Public Hearing was held more than 45 days after the mailed notice of proposed increased sewer service charges; and

WHEREAS, written protests to the proposed increased sewer service charges have not been presented by a majority of the owners of the identified parcels in the City; and

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WHEREAS, the City Council deems it in the public interest to increase the sewer service charges as set forth in Exhibit "A", attached hereto and made a part hereof; and

WHEREAS, the increased sewer service charges for the Enterprise as set forth in Exhibit "A", attached hereto and made a part hereof, are required to cover the cost of the Enterprise to provide for the collection and treatment of wastewater and related services to the users thereof; and

WHEREAS, the increased sewer service charges for the Enterprise as set forth in Exhibit "A", attached hereto and made a part hereof, are non-discriminatory and do not exceed the cost of the Enterprise to provide services to the users thereof.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City Council does hereby adopt and approve the 2012 Wastewater Financial Plan and Rate Study, and the increased sewer service charges identified therein.

Section 2. Effective July 1, 2012, and annually each July 1 thereafter, increased sewer service charges shall be implemented in accordance with Exhibit "A", attached hereto and made a part hereof.

ADOPTED this 18th day of April, 2012.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

Resolution No.

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CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on April 18, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

TABLE 11 - LONG-TERM PROJECTION OF MONTHLY SEWER SERVICE CHARGES											
Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	Per unit	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00
Commercial & Industrial	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
	Minimum charge	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
Hotel - Rooms Without Kitchens	Base charge +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per room	4.09	4.77	5.45	6.13	6.81	7.15	7.49	7.83	8.17	8.51
Hotel - Rooms With Kitchens	Per room	7.89	9.21	10.53	11.85	13.17	13.83	14.49	15.15	15.81	16.47
Mobile Home Parks	Per unit +	12.00	14.00	16.00	18.00	20.00	21.00	22.00	23.00	24.00	25.00
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Recreational Vehicle Parks	Per space +	2.94	3.43	3.92	4.41	4.90	5.15	5.40	5.65	5.90	6.15
	Per fixture unit	1.18	1.38	1.58	1.78	1.98	2.08	2.18	2.28	2.38	2.48
Septage Dumping Fee <i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	40.54	47.30	54.06	60.82	67.58	70.96	74.34	77.72	81.10	84.48
Outside City limits	Per load	140.00	94.60	108.12	121.64	135.16	141.92	148.68	155.44	162.20	168.96
Properties Adjacent to City <i>Rates for customers outside of City limits are 150% of the standard established rates</i>											
Sewer Permit Fee	Per application	1,158.30	1,351.35	1,544.40	1,737.45	1,930.50	2,027.03	2,123.56	2,220.09	2,316.62	2,413.15
<i>For discharging septage at the City's Wastewater Treatment Plant</i>											

Customer Class	Billing Unit	Monthly Rates Effective July 1									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Residential	Per unit	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00	\$35.00
Commercial & Industrial	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
	Minimum charge	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
Hotel - Rooms Without Kitchens	Base charge +	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per room	8.85	9.19	9.53	9.87	10.21	10.55	10.89	11.23	11.57	11.91
Hotel - Rooms With Kitchens	Per room	17.13	17.79	18.45	19.11	19.77	20.43	21.09	21.75	22.41	23.07
Mobile Home Parks	Per unit +	26.00	27.00	28.00	29.00	30.00	31.00	32.00	33.00	34.00	35.00
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Recreational Vehicle Parks	Per space +	6.40	6.65	6.90	7.15	7.40	7.65	7.90	8.15	8.40	8.65
	Per fixture unit	2.58	2.68	2.78	2.88	2.98	3.08	3.18	3.28	3.38	3.48
Septage Dumping Fee <i>For loads up to 1,000 gallons</i>											
Within City limits	Per load	87.86	91.24	94.62	98.00	101.38	104.76	108.14	111.52	114.90	118.28
Outside City limits	Per load	175.72	182.48	189.24	196.00	202.76	209.52	216.28	223.04	229.80	236.56
Properties Adjacent to City <i>Rates for customers outside of City limits are 150% of the standard established rates</i>											

ATTACHMENT 3

**PROFESSIONAL SERVICES AGREEMENT
CONSTRUCTION MANAGEMENT SERVICES
CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE
CITY PROJECT NO. 15-14**

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into, and effective on April 1, 2015, between the CITY OF PALM SPRINGS, a California charter city and municipal corporation, ("City") and **Veolia Water West Operating Services, Inc., a Delaware corporation**, ("Veolia"). City and Veolia are individually referred to as "Party" and are collectively referred to as the "Parties".

RECITALS

A. City and Veolia are parties to that certain Amended and Restated Wastewater Services Agreement (O&M) dated June 28, 2006, (the "O&M Agreement"), and pursuant to Section 5.3 "Capital Projects," of the O&M Agreement, the City and Veolia previously initiated the design phase of certain high priority capital projects located at the City's Wastewater Treatment Plant, bundled together and defined as the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project").

B. The design phase of the Project is complete, and the City and Veolia have determined that there is a need for additional professional engineering and construction management services associated with the construction phase of the Project, subject to the terms and conditions of this separate Agreement.

B. Veolia has submitted to City a proposal to provide professional engineering and construction management services to City for the Project under the terms of this Agreement.

C. Veolia is qualified by virtue of its experience, training, education, reputation, and expertise to provide these services and has agreed to provide such services as provided in this Agreement.

D. City desires to retain Veolia, in accordance with Section 5.3 of the O&M Agreement, to provide such professional services.

In consideration of these promises and mutual obligations, covenants, and conditions, the Parties agree as follows:

AGREEMENT

1. SERVICES OF VEOLIA

1.1 Scope of Services. In compliance with all terms and conditions of this Agreement, Veolia agrees to perform the professional services set forth in the Scope of

Services described in Exhibit "A" (the "Services" or "Work") , which is attached and incorporated by reference. As a material inducement to the City entering into this Agreement, Veolia represents and warrants that Veolia is a provider of first class work and professional services and that Veolia is experienced in performing the Work and Services contemplated and, in light of such status and experience, Veolia covenants that it shall follow the highest professional standards in performing the Work and Services required in this Agreement. For purposes of this Agreement, the phrase "highest professional standards" shall mean those standards of practice recognized as high quality among well-qualified and experienced professionals performing similar work under similar circumstances.

1.2 Contract Documents. The Agreement between the Parties shall consist of the following: (1) this Agreement; (2) the Scope of Services; (3) Veolia's signed, original proposal submitted to the City ("Veolia's Proposal"), (collectively referred to as the "Contract Documents"). Veolia's Proposal is attached as Exhibit "B," and is incorporated by reference and made a part of this Agreement. The Scope of Services shall include Veolia's Proposal. All provisions of the Scope of Services and Veolia's Proposal shall be binding on the Parties. Should any conflict or inconsistency exist in the Contract Documents, the conflict or inconsistency shall be resolved by applying the provisions in the highest priority document, which shall be determined in the following order of priority: (1st) the provisions of the Scope of Services (Exhibit "A"); (2nd) the terms of this Agreement; and, (3rd) the provisions of Veolia's Proposal (Exhibit "B").

1.3 Compliance with Law. Veolia warrants that all Services rendered shall be performed in accordance with all applicable federal, state, and local laws, statutes, ordinances lawful orders, rules, and regulations.

1.4 Licenses, Permits, Fees, and Assessments. Veolia represents and warrants to City that it has obtained all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession and perform the Work and Services required by this Agreement. Veolia represents and warrants to City that Veolia shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit, qualification, or approval that is legally required for Veolia to perform the Work and Services under this Agreement. Veolia shall have the sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Veolia's performance of the Work and Services required by this Agreement. Veolia shall indemnify, defend, and hold harmless City against any such fees, assessments, taxes penalties, or interest levied, assessed, or imposed against City to the fullest extent permitted by law.

1.5 Familiarity with Work. By executing this Agreement, Veolia warrants that Veolia (a) has thoroughly investigated and considered the Scope of Services to be performed, (b) has carefully considered how the Services should be performed, and (c) fully understands the facilities, difficulties, and restrictions attending performance of the Services under this Agreement. If the Services involve work upon any site, Veolia

warrants that Veolia has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of any Services. Should the Veolia discover any latent or unknown conditions that will materially affect the performance of the Services, Veolia shall immediately inform the City of such fact and shall not proceed except at Veolia's risk until written instructions are received from the City.

1.6 Care of Work. Veolia shall adopt reasonable methods during the term of the Agreement to furnish continuous protection to the Work and the equipment, materials, papers, documents, plans, studies, and/or other components to prevent losses or damages. Veolia shall be responsible for all such damages, to persons or property, until acceptance of the Work by the City, except such losses or damages as may be caused by City's own negligence.

1.7 Further Responsibilities of Parties. Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the Services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services or make changes by altering, adding to, or deducting from such Work. No such extra work may be undertaken unless a written order is first given by the City to the Veolia, incorporating any adjustment in (i) the Maximum Contract Amount, as defined below, and/or (ii) the time to perform this Agreement. Any adjustments must also be approved in writing by the Veolia. Any increase in compensation of up to twenty-five percent (25%) of the Maximum Contract Amount or \$25,000, whichever is less, or in the time to perform of up to thirty (30) days, may be approved by the City Manager, or his designee, as may be needed to perform any extra work. Any greater increases, occurring either separately or cumulatively, must be approved by the Palm Springs City Council. It is expressly understood by Veolia that the provisions of this section shall not apply to the services specifically set forth or reasonably contemplated within the Scope of Services.

2. COMPENSATION

2.1 Maximum Contract Amount. For the Services rendered under this Agreement, Veolia shall be compensated by City in accordance with the Schedule of Compensation, which is attached as Exhibit "D" and incorporated in this Agreement by reference. Compensation shall not exceed the maximum contract amount of **Two Million Seven Hundred Five Thousand Four Hundred Ninety-Six Dollars, (\$2,705,496)** ("Maximum Contract Amount"), except as may be provided under Section 1.8. The method of compensation shall be as set forth in Exhibit "C." Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated under Section 4.2 and will only be approved if such expenses are also specified in the

Schedule of Compensation. The Maximum Contract Amount shall include the attendance of Veolia at all Project meetings reasonably deemed necessary by the City. Veolia shall not be entitled to any increase in the Maximum Contract Amount for attending these meetings. Veolia accepts the risk that the services identified in the Scope of Services may be more costly and/or time-consuming than Veolia anticipates, that Veolia shall not be entitled to additional compensation, and that the provisions of Section 1.8 shall not be applicable to the services identified in the Scope of Services. The maximum amount of city's payment obligation under this section is the amount specified in this Agreement. If the City's maximum payment obligation is reached before the Veolia's Services under this Agreement are completed, Veolia shall complete the Work and City shall not be liable for payment beyond the Maximum Contract Amount.

2.2. Method of Payment. Unless another method of payment is specified in the Schedule of Compensation (Exhibit "C"), in any month in which Veolia wishes to receive payment, Veolia shall submit to the City an invoice for services rendered prior to the date of the invoice. The invoice shall be in a form approved by the City's Finance Director and must be submitted no later than the tenth (10) working day of such month. Such requests shall be based upon the amount and value of the services performed by Veolia and accompanied by such reporting data including an itemized breakdown of all costs incurred and tasks performed during the period covered by the invoice, as may be required by the City. City shall use reasonable efforts to make payments to Veolia within forty-five (45) days after receipt of the invoice or as soon as is reasonably practical. There shall be a maximum of one payment per month.

2.3 Changes in Scope. In the event any change or changes in the Scope of Services is requested by City, Parties shall execute a written amendment to this Agreement, specifying all proposed amendments, including, but not limited to, any additional fees. An amendment may be entered into:

A. To provide for revisions or modifications to documents, work product, or work, when required by the enactment or revision of any subsequent law; or

B. To provide for additional services not included in this Agreement or not customarily furnished in accordance with generally accepted practice in Veolia's profession.

2.4 Appropriations. This Agreement is subject to and contingent upon funds being appropriated by the City Council for each fiscal year covered by the Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to the City.

3. SCHEDULE OF PERFORMANCE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement. The time for completion of the services to be performed by Veolia is an essential condition of this Agreement. Veolia shall prosecute regularly and diligently the

Work of this Agreement according to the agreed upon attached Schedule of Performance (Exhibit "D"), incorporated by reference.

3.2 Schedule of Performance. Veolia shall commence the Services under this Agreement upon receipt of a written notice to proceed and shall perform all Services within the time period(s) established in the Schedule of Performance. When requested by Veolia, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer, but such extensions shall not exceed one hundred eighty (180) days cumulatively; however, the City shall not be obligated to grant such an extension.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the Services rendered under this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Veolia (financial inability excepted) if Veolia, within ten (10) days of the commencement of such delay, notifies the Contract Officer in writing of the causes of the delay. Unforeseeable causes include, but are not limited to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, and/or acts of any governmental agency, including the City. The City Manager shall ascertain the facts and the extent of delay, and extend the time for performing the Services for the period of the enforced delay when and if in the judgment of the City Manager such delay is justified. The City Manager's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Veolia be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Veolia's sole remedy being extension of the Agreement under this section.

3.4 Term. Unless earlier terminated under this Agreement, this Agreement shall commence upon the effective date of this Agreement and continue in full force and effect until completion of the Services. However, the term shall not exceed three (3) years from the commencement date, except as otherwise provided in the Schedule of Performance described in Section 3.2 above. Any extension must be through mutual written agreement of the Parties.

3.5 Termination Prior to Expiration of Term. City may terminate this Agreement for its convenience at any time, without cause, in whole or in part, upon giving Veolia thirty (30) days written notice. Where termination is due to the fault of Veolia and constitutes an immediate danger to health, safety, and general welfare, the period of notice shall be such shorter time as may be determined by the City. Upon such notice, City shall pay Veolia for Services performed through the date of termination. Upon receipt of such notice, Veolia shall immediately cease all work under this Agreement, unless stated otherwise in the notice or by written authorization of the Contract Officer. After such notice, Veolia shall have no further claims against the City under this Agreement. Upon termination of the Agreement under this section, Veolia shall submit to the City an invoice for work and services performed prior to the date of termination. Veolia may terminate this Agreement, with or without cause, upon sixty

(60) days written notice to the City, except that where termination is due to material default by the City, the period of notice may be such shorter time as the Veolia may determine.

4. COORDINATION OF WORK

4.1 Representative of Veolia. The following principal of Veolia is designated as being the principal and representative of Veolia authorized to act in its behalf and make all decisions with respect to the Services to be performed under this Agreement: **Rick Smith, Vice President Operations – Municipal & Commercial Business.** It is expressly understood that the experience, knowledge, education, capability, expertise, and reputation of the foregoing principal is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Veolia and devoting sufficient time to personally supervise the services performed hereunder. The foregoing principal may not be changed by Veolia without prior written approval of the Contract Officer.

4.2 Contract Officer. The Contract Officer shall be the City Manager or his/her designee ("Contract Officer"). Veolia shall be responsible for keeping the Contract Officer fully informed of the progress of the performance of the services. Veolia shall refer any decisions that must be made by City to the Contract Officer. Unless otherwise specified, any approval of City shall mean the approval of the Contract Officer.

4.3 Prohibition Against Subcontracting or Assignments. The experience, knowledge, capability, expertise, and reputation of Veolia, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Veolia shall not assign full or partial performance of this Agreement, nor any monies due, voluntarily or by operation of law, without the prior written consent of City. Veolia shall not contract with any other entity to perform the Services required under this Agreement without the prior written consent of City. If Veolia is permitted to subcontract any part of this Agreement by City, Veolia shall be responsible to City for the acts and omissions of its subcontractor(s) in the same manner as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationships between any subcontractor and City. All persons engaged in the Work will be considered employees of Veolia. City will deal directly with and will make all payments to Veolia. In addition, neither this Agreement nor any interest in this Agreement may be transferred, assigned, conveyed, hypothecated, or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written consent of City. Transfers restricted in this Agreement shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Veolia, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release Veolia or any surety of Veolia from any liability under this Agreement without the express written consent of City.

4.4 Independent Contractor. The legal relationship between the Parties is that of an independent contractor, and nothing shall be deemed to make Veolia a City employee.

A. During the performance of this Agreement, Veolia and its officers, employees, and agents shall act in an independent capacity and shall not act or represent themselves as City officers or employees. The personnel performing the Services under this Agreement on behalf of Veolia shall at all times be under Veolia's exclusive direction and control. Neither City nor any of its officers, employees, or agents shall have control over the conduct of Veolia or any of its officers, employees, or agents, except as set forth in this Agreement. Veolia, its officers, employees, or agents shall not maintain an office or any other type of fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Veolia's employees, servants, representatives, or agents, or in fixing their number, compensation, or hours of service. Veolia shall pay all wages, salaries, and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, including but not limited to social security income tax withholding, unemployment compensation, workers' compensation, and other similar matters. City shall not in any way or for any purpose be deemed to be a partner of Veolia in its business or otherwise a joint venturer or a member of any joint enterprise with Veolia.

B. Veolia shall not have any authority to bind City in any manner. This includes the power to incur any debt, obligation, or liability against City.

C. No City benefits shall be available to Veolia, its officers, employees, or agents in connection with any performance under this Agreement. Except for professional fees paid to Veolia as provided for in this Agreement, City shall not pay salaries, wages, or other compensation to Veolia for the performance of Services under this Agreement. City shall not be liable for compensation or indemnification to Veolia, its officers, employees, or agents, for injury or sickness arising out of performing Services. If for any reason any court or governmental agency determines that the City has financial obligations, other than under Section 2 and Subsection 1.8 in this Agreement, of any nature relating to salary, taxes, or benefits of Veolia's officers, employees, servants, representatives, subcontractors, or agents, Veolia shall indemnify City for all such financial obligations.

5. INSURANCE

5.1 Types of Insurance. Veolia shall procure and maintain, at its sole cost and expense, the insurance described below. The insurance shall be for the duration of this Agreement and includes any extensions, unless otherwise specified in this Agreement. The insurance shall be procured in a form and content satisfactory to City. The insurance shall apply against claims which may arise from the Veolia's performance of Work under this Agreement, including Veolia's agents, representatives, or employees. In the event the City Manager determines that the Work or Services to be

performed under this Agreement creates an increased or decreased risk of loss to the City, the Veolia agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the City Manager or his designee. Veolia shall immediately substitute any insurer whose A.M. Best rating drops below the levels specified in this Agreement. Except as otherwise authorized below for professional liability (errors and omissions) insurance, all insurance provided under this Agreement shall be on an occurrence basis. The minimum amount of insurance required shall be as follows:

A. Errors and Omissions Insurance. Veolia shall obtain and maintain in full force and effect throughout the term of this Agreement, standard industry form professional liability (errors and omissions) insurance coverage in an amount of not less than one million dollars (\$1,000,000.00) per occurrence and two-million dollars (\$2,000,000.00) annual aggregate, in accordance with the provisions of this section.

(1) Veolia shall either: (a) certify in writing to the City that Veolia is unaware of any professional liability claims made against Veolia and is unaware of any facts which may lead to such a claim against Veolia; or (b) if Veolia does not provide the certification under (a), Veolia shall procure from the professional liability insurer an endorsement providing that the required limits of the policy shall apply separately to claims arising from errors and omissions in the rendition of services under this Agreement.

(2) If the policy of insurance is written on a "claims made" basis, the policy shall be continued in full force and effect at all times during the term of this Agreement, and for a period of three (3) years from the date of the completion of the Services provided hereunder. In the event of termination of the policy during this period, Veolia shall obtain continuing insurance coverage for the prior acts or omissions of Veolia during the course of performing Services under the terms of this Agreement. The coverage shall be evidenced by either a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier or other insurance arrangements providing for complete coverage, either of which shall be subject to the written approval by the City Manager.

(3) In the event the policy of insurance is written on an "occurrence" basis, the policy shall be continued in full force and effect during the term of this Agreement, or until completion of the Services provided for in this Agreement, whichever is later. In the event of termination of the policy during this period, new coverage shall immediately be obtained to ensure coverage during the entire course of performing the Services under the terms of this Agreement.

B. Workers' Compensation Insurance. Veolia shall obtain and maintain, in full force and effect throughout the term of this Agreement, workers' compensation insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Veolia agrees to waive and obtain endorsements from its workers' compensation insurer

waiving subrogation rights under its workers' compensation insurance policy against the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies. If Veolia has no employees, Veolia shall complete the City's Request for Waiver of Workers' Compensation Insurance Requirement form.

C. Commercial General Liability Insurance. Veolia shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of commercial general liability insurance written on a per occurrence basis with a combined single limit of at least one million dollars (\$1,000,000.00) and two million dollars (\$2,000,000.00) general aggregate for bodily injury and property damage including coverages for contractual liability, personal injury, independent contractors, broad form property damage, products and completed operations.

D. Business Automobile Insurance. Veolia shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of business automobile liability insurance written on a per occurrence basis with a single limit liability in the amount of one million dollars (\$1,000,000.00) bodily injury and property damage. The policy shall include coverage for owned, non-owned, leased, and hired cars.

E. Employer Liability Insurance. Veolia shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of employer liability insurance written on a per occurrence basis with a policy limit of at least one million dollars (\$1,000,000.00) for bodily injury or disease.

5.2 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City Manager or his/her designee prior to commencing any work or services under this Agreement. Veolia guarantees payment of all deductibles and self-insured retentions. City reserves the right to reject deductibles or self-insured retentions in excess of \$10,000, and the City Manager or his/her designee may require evidence of pending claims and claims history as well as evidence of Veolia's ability to pay claims for all deductible amounts and self-insured retentions proposed in excess of \$10,000.

5.3 Other Insurance Requirements. The following provisions shall apply to the insurance policies required of Veolia under this Agreement:

- 5.3.1 For any claims related to this Agreement, Veolia's coverage shall be primary insurance with respect to the City and its officers, council members, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the City and its officers, council members, officials, employees, agents, and volunteers shall be in excess of Veolia's insurance and shall not contribute with it.
- 5.3.2 Any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage

provided to City and its officers, council members, officials, employees, agents, and volunteers.

- 5.3.3 All insurance coverage and limits provided by Veolia and available or applicable to this Agreement are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations shall limit the application of such insurance coverage.
- 5.3.4 No required insurance coverages may include any limiting endorsement which substantially impairs the coverages set forth in this Agreement (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to the City Manager and approved in writing.
- 5.3.5 Veolia agrees to require its insurer to modify insurance endorsements to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, or that any party will "endeavor" (as opposed to being required) to comply with the requirements of the endorsements. Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay commencement of the Project. It is Veolia's obligation to ensure timely compliance with all insurance submittal requirements as provided in this Agreement.
- 5.3.6 Veolia agrees to ensure that subcontractors, and any other parties involved with the Project who are brought onto or involved in the Project by Veolia, provide the same minimum insurance coverage required of Veolia. Veolia agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Veolia agrees that upon request, all agreements with subcontractors and others engaged in the Project will be submitted to the City for review.
- 5.3.7 Veolia acknowledges and agrees that any actual or alleged failure on the part of the City to inform Veolia of non-compliance with any insurance requirement in no way imposes any additional obligations on the City nor does it waive any rights in this or any other regard.
- 5.3.8 Veolia shall provide proof that policies of insurance required in this Agreement, expiring during the term of this Agreement, have been renewed or replaced with other policies providing at least the same

coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. Endorsements as required in this Agreement applicable to the renewing or new coverage shall be provided to City no later than ten (10) days prior to expiration of the lapsing coverage.

5.3.9 Requirements of specific insurance coverage features or limits contained in this section are not intended as limitations on coverage, limits, or other requirements, or as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.

5.3.10 The requirements in this section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impair the provisions of this section.

5.3.11 Veolia agrees to provide immediate notice to City of any claim or loss against Veolia arising out of the Work performed under this Agreement and for any other claim or loss which may reduce the insurance available to pay claims arising out of this Agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City, or to reduce or dilute insurance available for payment of potential claims.

5.3.12 Veolia agrees that the provisions of this section shall not be construed as limiting in any way the extent to which the Veolia may be held responsible for the payment of damages resulting from the Veolia's activities or the activities of any person or person for which the Veolia is otherwise responsible.

5.4 Sufficiency of Insurers. Insurance required in this Agreement shall be provided by authorized insurers in good standing with the State of California. Coverage shall be provided by insurers admitted in the State of California with an A.M. Best's Key Rating of B++, Class VII, or better, unless such requirements are waived in writing by the City Manager or his designee due to unique circumstances.

5.5 Verification of Coverage. Veolia shall furnish City with both certificates of insurance and endorsements, including additional insured endorsements, affecting all of the coverages required by this Agreement. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All proof of insurance is to be received and approved by the City before work commences. City reserves the right to require Veolia's insurers to provide complete, certified copies of all required insurance policies at any time. Additional insured endorsements are not

required for Errors and Omissions and Workers' Compensation policies.

Verification of Insurance coverage may be provided by: (1) an approved General and/or Auto Liability Endorsement Form for the City of Palm Springs or (2) an acceptable Certificate of Liability Insurance Coverage with an approved Additional Insured Endorsement with the following endorsements stated on the certificate:

1. *"The City of Palm Springs, its officials, employees, and agents are named as an additional insured..." ("as respects City of Palm Springs Contract No. ___" or "for any and all work performed with the City" may be included in this statement).*

2. *"This insurance is primary and non-contributory over any insurance or self-insurance the City may have..." ("as respects City of Palm Springs Contract No. ___" or "for any and all work performed with the City" may be included in this statement).*

3. *"Should any of the above described policies be canceled before the expiration date thereof, the issuing company will mail 30 days written notice to the Certificate Holder named." Language such as, "endeavor to" mail and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representative" is not acceptable and must be crossed out.*

4. Both the Workers' Compensation and Employers' Liability policies shall contain the insurer's waiver of subrogation in favor of City, its elected officials, officers, employees, agents, and volunteers.

In addition to the endorsements listed above, the City of Palm Springs shall be named the certificate holder on the policies. All certificates of insurance and endorsements are to be received and approved by the City before work commences. All certificates of insurance must be authorized by a person with authority to bind coverage, whether that is the authorized agent/broker or insurance underwriter. Failure to obtain the required documents prior to the commencement of work shall not waive the Veolia's obligation to provide them.

6. INDEMNIFICATION

6.1 Indemnification and Reimbursement. To the fullest extent permitted by law, Veolia shall defend (at Veolia's sole cost and expense), indemnify, protect, and hold harmless City, its elected officials, officers, employees, agents, and volunteers (collectively the "Indemnified Parties"), from and against any and all liabilities, actions, suits, claims, demands, losses, costs, judgments, arbitration awards, settlements, damages, demands, orders, penalties, and expenses including legal costs and attorney fees (collectively "Claims"), including but not limited to Claims arising from injuries to or death of persons (Veolia's employees included), for damage to property, including property owned by City, from any violation of any federal, state, or local law or ordinance, and from errors and omissions committed by Veolia, its officers, employees, representatives, and agents, that arise out of or relate to Veolia's performance under

this Agreement. This indemnification clause excludes Claims arising from the sole negligence or willful misconduct of the City, its elected officials, officers, employees, agents, and volunteers. Under no circumstances shall the insurance requirements and limits set forth in this Agreement be construed to limit Veolia's indemnification obligation or other liability under this Agreement. Veolia's indemnification obligation shall survive the expiration or earlier termination of this Agreement until all actions against the Indemnified Parties for such matters indemnified are fully and finally barred by the applicable statute of limitations or, if an action is timely filed, until such action is final. This provision is intended for the benefit of third party Indemnified Parties not otherwise a party to this Agreement.

6.2 Design Professional Services Indemnification and Reimbursement. If the Agreement is determined to be a "design professional services agreement" and Veolia is a "design professional" under California Civil Code Section 2782.8, then:

A. To the fullest extent permitted by law, Veolia shall indemnify, defend (at Veolia's sole cost and expense), protect and hold harmless City and its elected officials, officers, employees, agents and volunteers and all other public agencies whose approval of the project is required, (individually "Indemnified Party"; collectively "Indemnified Parties") against any and all liabilities, claims, judgments, arbitration awards, settlements, costs, demands, orders and penalties (collectively "Claims"), including but not limited to Claims arising from injuries or death of persons (Veolia's employees included) and damage to property, which Claims arise out of, pertain to, or are related to the negligence, recklessness or willful misconduct of Veolia, its agents, employees, or subcontractors, or arise from Veolia's negligent, reckless or willful performance of or failure to perform any term, provision, covenant or condition of this Agreement ("Indemnified Claims"), but Veolia's liability for Indemnified Claims shall be reduced to the extent such Claims arise from the negligence, recklessness or willful misconduct of the City and its elected officials, officers, employees, agents and volunteers.

B. The Veolia shall require all non-design-professional sub-contractors, used or sub-contracted by Veolia to perform the Services or Work required under this Agreement, to execute an Indemnification Agreement adopting the indemnity provisions in sub-section 6.1 in favor of the Indemnified Parties. In addition, Veolia shall require all non-design-professional sub-contractors, used or sub-contracted by Veolia to perform the Services or Work required under this Agreement, to obtain insurance that is consistent with the Insurance provisions as set forth in this Agreement, as well as any other insurance that may be required by Contract Officer.

7. REPORTS AND RECORDS

7.1 Accounting Records. Veolia shall keep complete, accurate, and detailed accounts of all time, costs, expenses, and expenditures pertaining in any way to this Agreement. Veolia shall keep such books and records as shall be necessary to properly perform the Services required by this Agreement and to enable the Contract Officer to evaluate the performance of such Services. The Contract Officer shall have

full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit, and make records and transcripts from such records.

7.2 Reports. Veolia shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the Services required by this Agreement, or as the Contract Officer shall require. Veolia acknowledges that the City is greatly concerned about the cost of the Work and Services to be performed under this Agreement. For this reason, Veolia agrees that Veolia shall promptly notify the Contract Officer the estimated increased or decreased cost if Veolia becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the contemplated Work or Services. If Veolia is providing design services, Veolia shall promptly notify the Contract Officer the estimated increased or decreased cost for the project being designed if Veolia becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the design services.

7.3 Ownership of Documents. All drawings, specifications, reports, records, documents, memoranda, correspondence, computations, and other materials prepared by Veolia, its employees, subcontractors, and agents in the performance of this Agreement shall be the property of City and shall be promptly delivered to City upon request of the Contract Officer or upon the termination of this Agreement. Veolia shall have no claim for further employment or additional compensation as a result of the exercise by City of its full rights of ownership of the documents and materials. Any use of such completed documents for other projects and/or use of incomplete documents without specific written authorization by the Veolia will be at the City's sole risk and without liability to Veolia, and the City shall indemnify the Veolia for all resulting damages. Veolia may retain copies of such documents for their own use. Veolia shall have an unrestricted right to use the concepts embodied in this Agreement. Veolia shall ensure that all its subcontractors shall provide for assignment to City of any documents or materials prepared by them. In the event Veolia fails to secure such assignment, Veolia shall indemnify City for all resulting damages.

7.4 Release of Documents. All drawings, specifications, reports, records, documents, and other materials prepared by Veolia in the performance of services under this Agreement shall not be released publicly without the prior written approval of the Contract Officer. All information gained by Veolia in the performance of this Agreement shall be considered confidential and shall not be released by Veolia without City's prior written authorization.

7.5 Audit and Inspection of Records. After receipt of reasonable notice and during the regular business hours of City, Veolia shall provide City, or other agents of City, such access to Veolia's books, records, payroll documents, and facilities as City deems necessary to examine, copy, audit, and inspect all accounting books, records, work data, documents, and activities directly related to Veolia's performance under this Agreement. Veolia shall maintain such books, records, data, and documents in accordance with generally accepted accounting principles and shall clearly identify and

make such items readily accessible to such parties during the term of this Agreement and for a period of three (3) years from the date of final payment by City hereunder.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law and Venue. This Agreement shall be construed and interpreted both as to validity and as to performance of the Parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Riverside, State of California, or any other appropriate court in such County, and Veolia covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Interpretation. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. The terms of this Agreement are contractual and the result of negotiation between the Parties. Accordingly, any rule of construction of contracts (including, without limitation, California Civil Code Section 1654) that ambiguities are to be construed against the drafting party, shall not be employed in the interpretation of this Agreement. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification purposes only and shall not be deemed to limit, expand, or define the contents of the respective sections or paragraphs.

8.3 Default of Veolia. Veolia's failure to comply with any provision of this Agreement shall constitute a default.

A. If the City Manager, or his designee, determines that Veolia is in default in the performance of any of the terms or conditions of this Agreement, he/she shall notify Veolia in writing of such default. Veolia shall have ten (10) days, or such longer period as City may designate, to cure the default by rendering satisfactory performance. In the event Veolia fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice of any remedy to which City may be entitled at law, in equity, or under this Agreement. Veolia shall be liable for all reasonable costs incurred by City as a result of such default. Compliance with the provisions of this section shall not constitute a waiver of any City right to take legal action in the event that the dispute is not cured, provided that nothing shall limit City's right to terminate this Agreement without cause under Section 3.5.

B. If termination is due to the failure of the Veolia to fulfill its obligations under this Agreement, City may, after compliance with the provisions of Section 8.3A, take over the work and prosecute the same to completion by contract or otherwise. The Veolia shall be liable to the extent that the total cost for completion of the Services required hereunder exceeds the Maximum Contract Amount (provided that the City shall use reasonable efforts to mitigate such damages). The City may withhold

any payments to the Veolia for the purpose of set-off or partial payment of the amounts owed the City as previously stated. The withholding or failure to withhold payments to Veolia shall not limit Veolia's liability for completion of the Services as provided in this Agreement.

8.4 Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, or term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions.

8.5 Rights and Remedies Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

8.6 Legal Action. In addition to any other rights or remedies, either Party may take legal action, in law or in equity, to cure, correct, remedy or recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

8.7 Attorney Fees. In the event any dispute between the Parties with respect to this Agreement results in litigation or any non-judicial proceeding, the prevailing Party shall be entitled, in addition to such other relief as may be granted, to recover from the non-prevailing Party all reasonable costs and expenses. These include but are not limited to reasonable attorney fees, expert Veolia fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding. To the extent authorized by law, in the event of a dismissal by the plaintiff or petitioner of the litigation or non-judicial proceeding within thirty (30) days of the date set for trial or hearing, the other Party shall be deemed to be the prevailing Party in such litigation or proceeding.

9. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Veolia, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due to the Veolia or to its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Conflict of Interest. No officer or employee of the City shall have any direct or indirect financial interest in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects their financial interest or the financial interest of any corporation, partnership, or association in which he/she is, directly or indirectly, interested in violation of any state statute or regulation. Veolia warrants that Veolia has not paid or given, and will not pay or give, any third party any money or other consideration in exchange for obtaining this Agreement.

9.3 Covenant Against Discrimination. In connection with its performance under this Agreement, Veolia shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, age, marital status, ancestry, or national origin. Veolia shall ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, religion, color, sex, age, marital status, ancestry, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. MISCELLANEOUS PROVISIONS

10.1 Patent and Copyright Infringement. To the fullest extent permissible under law, and in lieu of any other warranty by City or Veolia against patent or copyright infringement, statutory or otherwise:

A. It is agreed that Veolia shall defend at its expense any claim or suit against City on account of any allegation that any item furnished under this Agreement, or the normal use or sale arising out of the performance of this Agreement, infringes upon any presently existing U.S. letters patent or copyright and Veolia shall pay all costs and damages finally awarded in any such suit or claim, provided that Veolia is promptly notified in writing of the suit or claim and given authority, information and assistance at Veolia's expense for the defense of same, and provided such suit or claim arises out of, pertains to, or is related to the negligence, recklessness or willful misconduct of Veolia. However, Veolia will not indemnify City if the suit or claim results from: (1) City's alteration of a deliverable, such that City's alteration of such deliverable created the infringement upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by Veolia when it is such use in combination which infringes upon an existing U.S. letters patent or copyright.

B. Veolia shall have sole control of the defense of any such claim or suit and all negotiations for settlement in the event City fails to cooperate in the defense of any suit or claim, provided, however, that such defense shall be at Veolia's expense. Veolia shall not be obligated to indemnify City under any settlement that is made without Veolia's consent, which shall not be unreasonably withheld. If the use or sale of such item is enjoined as a result of the suit or claim, Veolia, at no expense to City, shall

obtain for City the right to use and sell the item, or shall substitute an equivalent item acceptable to City and extend this patent and copyright indemnity thereto.

10.2 Notice. Any notice, demand, request, consent, approval, or communication that either party desires, or is required to give to the other party or any other person shall be in writing. All notices shall be personally delivered, sent by pre-paid First Class U.S. Mail, registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by facsimile with attached evidence of completed transmission. All notices shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) five (5) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Any notice, request, demand, direction, or other communication sent by facsimile must be confirmed within forty-eight (48) hours by letter mailed or delivered. Other forms of electronic transmission such as e-mails, text messages, and instant messages are not acceptable manners of notice required hereunder. Notices or other communications shall be addressed as follows:

To City: City of Palm springs
Attention: City Manager & City Clerk
3200 E. Tahquitz Canyon Way
Palm springs, California 92262
Telephone: (760) 323-8204
Facsimile: (760) 323-8332

To Veolia: Rick Smith, Vice President Operations
Veolia Water West Operating Services, Inc.
715 West 3rd Street
Los Angeles, CA 90071
Telephone: (909) 614-2711

10.3 Integrated Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior negotiations, arrangements, agreements, representations, and understandings, if any, made by or among the Parties with respect to the subject matter in this Agreement.

10.4 Amendment. No amendments or other modifications of this Agreement shall be binding unless through written agreement by all Parties.

10.5 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be determined to be invalid by a final judgment or decree of a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

10.5 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

10.6 Third Party Beneficiary. Except as may be expressly provided for in this Agreement, nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party to this Agreement.

10.7 Recitals. The above-referenced Recitals are hereby incorporated into the Agreement as though fully set forth in this Agreement and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

10.8. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he or she is executing this Agreement is duly authorized and existing, (ii) he or she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he or she is signing, (iii) by so executing this Agreement, the Party for which he or she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he or she is signing is bound.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates stated below.

**“CITY”
City of Palm Springs**

Date: _____

By: _____
David H. Ready
City Manager

APPROVED AS TO FORM:

ATTEST

By: _____
Douglas C. Holland,
City Attorney

By: _____
James Thompson,
City Clerk

APPROVED BY CITY COUNCIL:

Date: _____ Agreement No. _____

Corporations require two notarized signatures. One signature must be from Chairman of Board, President, or any Vice President. The second signature must be from the Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

VEOLIA NAME:

Veolia Water West Operating Services, Inc.
715 West 3rd Street
Los Angeles, CA 90071

By _____
Signature (Notarized)

By _____
Signature (Notarized)

EXHIBIT "A"

SCOPE OF SERVICES

Additional Professional Engineering Services – Veolia shall generally provide, administer and coordinate the following additional professional engineering services, as also further identified in Veolia's proposal dated March 16, 2015, and as further clarified in its response to questions by letter dated March 20, 2015, incorporated herein by reference and as attached as Exhibit "B".

Veolia shall coordinate with its consultant, Carollo Engineers, to review value engineering proposals and incorporate such proposals into the previously completed plans and specifications for the Project.

Veolia shall coordinate with its consultant, Carollo Engineers, to revise the previously completed plans and specifications for the Project to incorporate Addenda issued by Veolia and Carollo during the original bidding phase of the Project in July 2014, and to update the specifications to incorporate the City's specifications documents and other modifications as necessary to solicit bidding as a City project, including an ability to fund the Project through the State Revolving Fund Loan (SRFL).

Veolia shall coordinate the preparation of a Contractor Pre-Qualification Package for the City's use in pre-qualifying general contractors in advance of the City's bidding of the Project

Veolia shall coordinate with its consultant, Carollo Engineers, to review all Requests for Information (RFIs) and to recommend Addenda to be issued by the City during the City's bidding process of the Project, and generally assist with the City's bid process, including evaluation of bids.

Veolia shall coordinate with its consultant, Carollo Engineers, to furnish (except for those elements to be furnished by the City's contractor as identified in the bid documents), program and implement a complete and fully functional Supervisory, Control and Data Access (SCADA) system for the Wastewater Treatment Plant facility.

Veolia shall coordinate all required materials testing and special inspections for the Project.

Veolia shall coordinate all required baseline and hydraulic profile control surveying for construction of the Project.

Veolia shall coordinate with its consultant, Carollo Engineers, the purchase of selected critical equipment, and coordinate its acquisition and disposition to the City's general contractor, on behalf of the City (with full title to such equipment vested with the City) for incorporation into the Project as required.

Veolia shall coordinate with its consultant, Carollo Engineers, to reflect "as-built" or record conditions upon completion of construction of the Project.

Construction Management Services – Veolia shall generally provide, administer and coordinate the following construction phase services, as also further identified in Veolia’s proposal dated March 16, 2015, and as further clarified in its response to questions by letter dated March 20, 2015, incorporated herein by reference and as attached as Exhibit “B”.

Veolia shall provide Construction Management and Inspection, Federal and Labor Compliance and Contract Administration in compliance with Caltrans Local Assistance Procedures Manual (LAPM) or alternative approved procedures. Following is a summary of tasks generally provided for project/construction management and inspection of general engineering projects:

1. Functioning as City Engineer's Extension, and providing requested services.
2. Managing construction activities and project controls.
3. Monitoring the Contractor's baseline schedule, master construction schedule, and any updated construction schedules.
4. Conducting Pre-construction meeting with the contractor, City, and other involved parties
5. Conducting construction meetings with the contractor, City, and other involved parties.
6. Preparation and distribution of meeting minutes.
7. Performing PW inspections.
8. Responding to complaints and resolving problems as necessary.
9. Reviewing contractor change order requests, and preparing necessary documentation for submittal and approval or denial by the City.
10. Reviewing and verifying contractor pay requests and preparing necessary documentation for submittal and approval by the City.
11. Monitoring Federal Labor compliance.
12. Reviewing certified payroll submittals from contractor.
13. Managing contract cost accounting system and preparation of a log of all Contractor's Progress Billings.
14. Conducting project walk-through(s) and preparing punch list(s).
15. Ensuring the project is implemented per the approved set of plans, and preparing as-built drawings at the completion of construction.
16. Maintaining proper project files and documentation.
17. Coordinating close out of the project,
18. Presenting to the City project close out file.

Following is a detailed description of various tasks to be provided in compliance with LAPM:

LAPM, Chapters 16 and 17 cover requirements for the contract administration and project completion of federally funded projects. LAPM Chapter 16 covers the topics beginning with project supervision, contract time, subcontractors, Engineer’s daily reports, projects files, construction records and procedures, safety provisions, labor compliance, equal opportunity employment, disadvantaged business enterprise, contract change orders, material sampling and testing, and traffic safety in the highway and street zones. Chapter 17 covers the topic of project completion.

Pre-Construction Meeting: We will conduct a pre-construction meeting. The meeting will be attended by representatives of the local agency and contractor. The City will also invite other affected agencies, local authorities (police, fire, etc.), and public utilities personnel to attend. City will also extend an invitation to Caltrans. If necessary, we will hold additional meetings where considerable effort and time is required to cover specific areas, such as labor compliance, Equal Employment Opportunity (EEO), record keeping, etc. We will explain the various forms, reports, as well as sanctions for noncompliance with local, state, and federal requirements. Discussions will include: requirements for Equal Employment Opportunity, state and federal safety, labor compliance and DBE. Potential utility and traffic safety problems will also be discussed, as well as the National Environmental Policy Act (NEPA) compliance requirements. A written record of attendance and items discussed will be prepared and distributed to all attendees.

Contract Time Monitoring: We will review working days, contract time requirements, and document time extensions according to the requirements set forth in the bid specifications. Any contract time extension approvals will only be made if the justification demonstrates a delay to the controlling item(s) of work in the contractor's schedule. We will maintain a written record of project progress. This record will indicate factors which may affect the work, such as, weather conditions, utility delays, strikes or labor disputes, and material shortages. Based on these factors a record of working days will be maintained. We will use documentation similar to LAPM Exhibit 16-A, "Weekly Statement of Working Days," Form CEM-2701 for the record of project progress.

Engineer's Daily Reports: Veolia shall keep daily reports to record work in progress. When the report is used to determine compliance with labor provisions of the contract, the following additional information will be included:

- The names or identification numbers of the contractor's personnel
- The respective classifications of the work being performed
- The number of hours worked on the date covered by the report

Reporting for labor compliance will be done on a random spot-check basis only. One report per week on the project will be used as an initial guide. The frequency may be reduced after a high degree of compliance has been verified. We will use daily report forms used by Caltrans that are shown as Exhibit 16-C of LAPM.

Project Files: The project file will contain all data pertinent to the work and to the requirements of the specifications. In general, project files will support:

- adequacy of filed control
- conformance to contract specifications, and
- contract payments to the contractor

The file will be complete, available at a single location, organized and maintained in a manner that permits inspection by Caltrans and FHWA personnel during process reviews or random checks. Maintaining complete and accurate files is a very important aspect of managing federally funded projects. Generally, whenever the local agency is unable to produce requested data or information, it is assumed by reviewing personnel that the required actions were either never performed or not properly recorded. Organized project files can minimize these negative assumptions. The District Local Assistance Engineer (DLAE) may perform

process reviews and inspect, during construction, local agency project files for compliance with Federal and State requirements. Organization and content of the project file is one indicator of effective and efficient management of the project by the resident engineer.

Organization of Files: Project files will be organized to include the information listed below:

1. Project Personnel
2. Correspondence
3. Weekly record of working days
4. Materials Data (*Material Data will vary according to the Local Agency's Quality Assurance Program, QAP. Items listed are required for the Caltrans QAP if adopted by the local agency*)
5. Engineer's Daily Reports
6. Contract Item Pay Quantity Documents
7. Contract Change Orders
8. Extra Work Reports
9. Progress Pay Estimates and Status of Funds
10. Labor Compliance and EEO records
11. Contractor's Payrolls
12. Final Report
13. Materials Certificate
14. DBE Records

Construction Records and Accounting Procedures: The essential elements of the system are as follows:

1. It must contain a file of source documents supporting payments made to contractors. Source documents will clearly record:
 - The specified portion of work it applies;
 - The necessary measurements and/or calculations by which the quantity is determined; and
 - The name of the individual who made the determination.
2. The calculations on source documents will be checked in accordance with good engineering practice.
3. Weighmaster certificates are source documents and must be validated at the point of delivery.
4. It will contain a separate item sheet for each contract item and each appropriate accounting category such as; adjustments of compensation; extra work payments; payments for materials not yet incorporated into the work; and deductions.
5. It will contain a contingency balance and anticipated changes sheet, on which the current estimated probable final cost of the work is recorded.
6. It will provide for retention of the records in accordance with the Local Agency-State Agreement. This agreement requires that records be retained by the local agency for a period of three years from the date of final payment under the project program supplement.

Labor Compliance: The administering agency is responsible to designate a labor compliance officer. We report to City's labor compliance officer, and will assist in enforcing enforce the contract provisions and that labor compliance requirements are performed and documented in the project file.

Equal Employment Opportunity: Equal Employment Opportunity (EEO) requirements apply to all federal-aid construction contracts and all related subcontracts of \$10,000 or more. A proactive approach to ensure compliance is to discuss the requirements of the contract at the pre-construction conference.

Recordkeeping: The administering agency must document contractor's compliance with the EEO requirements according to the FHWA Form 1273, Exhibit 12-E, Chapter 12 and maintain the record for three years.

Reporting: The FHWA Form PR-1391 is prepared by the prime contractor and by each subcontractor if the federal-aid construction contract work exceeds \$10,000. It is the responsibility of the administering agency to ensure that the prime and subcontractors complete the form accurately and timely. The administering agency must review, countersign and submit the PR-1391 to the DLAE by August 25 of each year. Failure to submit the report form in a timely manner may result in sanctions and/or a process review.

EXHIBIT "B"

VEOLIA'S PROPOSALS

FOLLOW THIS PAGE



March 16, 2015

**City of Palm Springs
Waste Water Treatment Facility
Headworks and Primary Clarifier Upgrade
Proposal for Project Management and Inspection Services - FINAL**

PROJECT UNDERSTANDING

Veolia Water West Operating Services, Inc. (Veolia) is pleased to submit the following proposal to provide additional professional services and construction management services for the City of Palm Springs (City) Priority 1 Projects at the City's Wastewater Treatment Plant, herein referred to as the Headworks and Primary Clarifier Upgrade Project. The project includes the construction of the following:

- New influent junction box
- New headworks including metering structure
- New electrical building
- New full plant SCADA system
- Two new mechanical screens with isolation gates
- New bypass channel with manual bar screen and isolation gates
- New influent pump station with four vertical turbine solids handling pumps
- Two new circular primary clarifiers
- Two new scum pump stations
- Replacement weir covers for two existing gravity thickeners
- Replacement of Digester No. 2 dome cover
- Structural modifications to existing Digester No. 2
- Two new odor treatment scrubbers for redundancy to continue the treatment of odors when one unit is out of service for maintenance
- New truck dump disposal station
- Associated piping, removal of existing asbestos piping, grading, and instrumentation, electrical and programming
- Installation of new trees
- Asphalt paving of access roads around the new clarifiers

The scope of work for this project, listed above, is based upon the plans and specifications prepared by Carollo Engineers for the Headworks and Primary Clarifier Upgrade project.

Veolia advertised and received bids for the Headworks and Primary Clarifier Upgrade project. All construction bids were rejected and the City is currently considering obtaining a SRF loan from the State of California. The SRF application and approval process typically will require 10 months to complete. A contractor NTP is anticipated to be issued prior to May 2016 (13

months from April 2015) as the City is also considering a bond issuance should an SRF loan not be obtained.

The current total estimated project costs are listed in the table below. The Construction Estimate is the Engineer's estimate and 10% contingency has been added for budgetary purposes.

TOTAL PROJECT COSTS	
Design Services	\$3,312,305
Additional Professional Services	\$1,645,202
Prepurchased Equipment	\$3,341,769
Construction Estimate ¹	\$21,700,000
Change Order 10% Contingency ^{1,2}	\$2,170,000
Construction Management Services	\$1,060,295
Total Project Cost	\$33,229,571

1. Costs must be adjusted when the low contractor has been accepted by the City
 2. A 10% change order contingency is typical of the industry for conventional design- bid-build project of this type.

The City has requested that their standard front end general and special conditions be incorporated into the current bid documents.

SCOPE OF WORK

Veolia is proposing to provide Construction Management Services and Additional Professional Services to support the project. The scope of work shall include:

Increased Scope to Engineering Services:

1. Engineering services during construction escalation costs for the 13 month delay to the construction contract NTP.
2. Additional engineering services provided related to project costs, bid rejections and personnel changes.
3. Additional engineering services provided to review value engineering proposals from contractor.
4. Additional engineering services provided to develop and deliver a presentation to the City Council.
5. Engineering services to conform the plans and specifications to consolidate new bid documents.
 - a. Incorporate the design modifications that were issued by addenda including incorporating the purchase orders from the each prepurchased equipment package.
 - b. Incorporate the selected value engineering design modifications that were submitted by W.M. Lyles.
 - c. Provide PDF files of revised contract documents.
6. Rebidding engineering services.
 - a. Revise the contract documents to use the City's front end documents, Division 0 and Division 1.

- b. Add selected Carollo Division 1 provisions to the City's Division 1 specifications, as required.
- c. Revise the specification references to Divisions 0 and 1 throughout to coordinate with the City's front end specifications.
- d. Attend one prebid conference to present the project to prospective bidders.
- e. Respond to bidders questions during the bid period.
- f. Issue addenda during the bid period to refine the design as required in response to bidder questions and comments.
- g. Assist with the evaluation of bids.
7. Rebidding support services prior to bid.
8. RFI engineering services project cost and delay escalation.
9. Submittal engineering services cost and delay escalation.

SCADA System Programing Technical and Construction Services:

1. New and existing plant Supervisory, Control and Data Access (SCADA) system management, coordination and documentation services
2. SCADA project activities:
 - a. Software installation and coordination
 - b. Database preparation
 - c. System configuration
 - d. Programmable Logic Controller (PLC) programming
 - e. Communications programming
 - f. SCADA programming
 - g. Trending, alarming, annunciation and dialer programming
 - h. System testing and training
 - i. Field integration and startup
 - j. Punchlist and corrections
 - k. Vendor factory acceptance testing attendance and coordination
 - l. Seismic design for server racks and equipment
 - m. Equipment engineering, setup and configuration
3. Supply SCADA system equipment:
 - a. Network rack and equipment
 - b. Server rack and equipment
 - c. SCADA system software
 - d. PLC software
 - e. Misc. software (operating system server, alarm, historian, Rockwell's RS Linx)
 - f. Three servers
 - g. Three workstations
 - h. Network Attached Storage (NAS) device

Material Testing Services:

1. Soils testing services
2. Concrete testing services
3. Rebar testing services
4. Other required material testing services

Baseline and Hydraulic Profile Control Surveying Services:

1. Control survey to establish baseline survey for the contractor to utilize.
2. Control survey to verify critical hydraulic profile elevation points to insure the design criteria and plant performance are maintained.

State Revolving Fund Engineering Services:

1. Revise contract documents for the SRF loan.
2. Conduct an audit of the design documents to identify provisions which do not meet SRF requirements, such as sole source procurement, minimum of two named manufactures per each individual equipment and material section, American iron and steel requirements, etc.
3. Modify the contract documents based on audit results.
4. Add SRF forms and specification documents to the contract documents as required.

Construction Management and Inspection Services:

The Senior Project Manager/Construction Manager (SPM) will manage the project including managing design service during construction, construction management services and the construction general contractor. SCADA programming and material testing services are not included but the SPM will identify when these services are needed and will be responsible to ensure that they are performed in a coordinated and timely manner. Construction Management and inspection services include:

- The complete day to day operations of managing and inspecting the construction and commissioning of the project.
- Conduct an initial project kick-off meeting with project participants to review and develop the project purpose and objectives, scope of work, organization chart, project delivery schedule, and project execution flow chart.
- Coordinate, schedule and conduct biweekly progress meetings and develop and distribute meeting minutes.
- Conduct a constructability review and develop and distribute Findings and Recommendations.
- Review and approve contractor's management plans (i.e. Quality Management Plan, Risk Management Plan, Health & Safety Plan, Project Execution Plan, etc.) for compliance with industry standards and generally accepted work practices.
- Review and confirm that the design and construction teams have coordinated with the permitting agencies, local utilities, the building department and the fire marshal.
- Coordinate, schedule, attend, and document with meeting minutes all discussions held during review meetings between all stakeholders.
- Attend and participate in all field meetings and develop and distribute minutes.
- Monitor, inspect and insure compliance with the design intend and the construction contract (plans and specifications).
- Monitor environmental compliance, address specific project issues, and monitor startup and testing activities.
- Maintain a comprehensive video-graphic and photographic record of project activities on site during construction. Review contractor's documentation as well, including daily reports, photos, certified payroll documents, pre-construction documentation (photos, videos, interviews and reports), etc.
- Anticipate and address changes before they become a problem, to mitigate impacts to the project costs or schedule.

- Review all requests for change orders and changed conditions to determine their validity, appropriate scope and costs. Provide estimates, recommendations and staff reports to the City for all potential change orders and/or changed conditions. Always receive approval from the City for all change orders and changed conditions prior to proceeding with any work.
- Review and evaluate all of the contractor's contract deviation requests to ensure that all proposed changes by the contractor are approved by the engineer and the City. Provide estimates and recommendations for all contractor requested deviations to the engineer and City.
- Represent the project's interests in contract compliance discussions, change resolution, and project closeout without committing the City to any additional or deductive costs.
- Track, anticipate, and assist on tasks needed to support project implementation.
- Assist with administrative items such as meeting, planning and scheduling with the City.
- Review the contractor's monthly Application for Payment/Progress Payment describing the work completed, as of the date of the application, indicate a recommendation of payment to the City, or return the Application to be revised.
- Provide construction observation and inspection services. Construction observation and inspection will assure that the design and construction activities meet the project objectives for regulatory compliance, reliability, safety, and operability.
- Review submittals and RFIs for completeness and validity to minimize costs by the engineer their design service during construction effort. Log, track, and Process Submittals, RFIs, RFDs. NCRs and Change Orders.
- Provide detailed monthly project updates for presentation as a standing staff report to stakeholders, as needed.
- Attend any and all stakeholders meetings as needed to appropriately implement and complete the project.
- Monitor, coordinate, schedule and advise the contractor and operations staff, as needed, to minimize impacts to the treatment plant operations during construction, shutdowns, testing, system and plant startups and training activities.
- Monitor all contractor's schedules, updates, and construction progress, and insure required corrective actions are taken and provide Non-Compliance and Non-Conforming notices to the contractor as required.
- Coordinate and monitor material testing and survey activities.
- Review test results and document any deficiencies in work and provide Non-Compliance and Non-Conforming notices to the contractor as required.
- Review and approve the startup and testing plan and coordinate operational assistance in the testing and startup of all equipment and systems.
- Coordinate, review and provide comments on the project O&M manual. Submit draft (for review) and final O&M Manuals to operations staff and the City.
- Review project closeout plans and preparations to track and confirm substantial and final completion of construction. Oversee punch list development, implementation and completion.
- Manage and track development of the red-lined as-built drawings by the contractor and track and receive final record drawings from the engineer for the project.
- Complete final closeout activities, including managing all approvals needed, obtaining warranties, guarantees, bonds, insurance, certifications, installation manuals, and other items required.
- Assist the City in recording the "Notice of Completion" with the county.

Compensation:

Increased Scope to Engineering Services:	\$892,051.00
SCADA System Programing Technical and Construction Services:	\$490,600.00
Material Testing Services:	\$138,390.00
Baseline and Hydraulic Profile Control Surveying Services:	\$21,560.00
State Revolving Fund Engineering Services:	\$102,600.00
Construction Management and Inspection Services:	\$1,060,295.00

Our base not-to-exceed fee for the above scope of work: **\$2,705,496.00**

Thank you for the opportunity to present this proposal for the Professional and Construction Management Services for the Headworks and Primary Clarifier Upgrade Project. We look forward to working with you on this project. Please do not hesitate to contact me should you have any questions or need additional information on this proposal.

Sincerely,



Vice President Operations
Municipal & Commercial Business
Veolia North America



March 20, 2015

City of Palm Springs
3200 E. Tahquitz Canyon Way
Palm Springs, CA 92262

Subject: Waste Water Treatment Facility, Headworks and Primary Clarifier Upgrade Project, Professional and Construction Management Services - Responses to The City's Proposal Questions and Requests

Mr. Marcus Fuller,

Thank you for your detailed review of our proposal. We have addressed your questions and comments below. I believe that these answers to your questions and comments will provide you the information that you are looking for.

I will send you a separate draft agreement for these services early next week for your review and comments.

We would be happy to meet with you and your staff if you have further questions.

Our answers and comments are as follows:

QUESTION NO. 1 - DETAILED SCOPE OF WORK FOR PROFESSIONAL SERVICES

Below is a detailed scope of work for each of the itemized professional services that will be provided within the professional services fee of \$1,412,676.00.

A. Increased Scope to Carollo's Engineering Services:

Below is a detailed scope of work that we received from Carollo Engineers.

1. Engineering services during construction escalation costs for the 13 month delay to the construction contract NTP. Provides 3% escalation of labor rates during the project delay. $\$770,000 \times 3\% = \$23,100$.
2. Additional engineering services provided related to project costs, bid rejections and personnel changes. Additional services required to assist Veolia with bid evaluations/rejections, preparation of a letter report explaining project costs, and meetings with Veolia's team.
3. Additional engineering services provided to review value engineering proposals from contractor. Meetings with Veolia and W.M. Lyles and review of Lyles' value engineering proposals.

4. Additional engineering services provided to develop and deliver a presentation to the Council's subcommittee. The fee includes the meeting preparation efforts and Webster Environmental's fees and presentation to the Council's subcommittee on March 5.
5. Engineering services to conform the plans and specifications to consolidate new bid documents.
 - a. Incorporate the design modifications that were issued by addenda including incorporating the purchase orders from the each prepurchased equipment package.
 - b. Incorporate the selected value engineering design modifications that were submitted by W.M. Lyles. Only a limited number of "selected" Lyles VE ideas will be incorporated, but they are covered under this task.
 - c. Provide PDF files of revised contract documents.
6. Rebidding engineering services.
 - a. Revise the contract documents to use the City's front end documents, Division 0 and Division 1.
 - b. Add selected Carollo Division 1 provisions to the City's Division 1 specifications, as required.
 - c. Revise the specification references to Divisions 0 and 1 throughout to coordinate with the City's front end specifications.
 - d. Attend one prebid conference to present the project to prospective bidders.
 - e. Respond to bidders questions during the bid period.
 - f. Issue addenda during the bid period to refine the design as required in response to bidder questions and comments.
 - g. Assist with the evaluation of bids.
7. Rebidding support services prior to bid. These support services include additional meetings and responses to any City staff questions.
8. Additional RFI engineering services during construction. These items cover the RFI services required for the project. The original requested effort specified for this work was 200 RFI's and this number must be increased to 260 RFI's to meet the engineering services that will be necessary to meet the contractor's requirements. Rates are as projected to the time of the work.
9. Additional submittal engineering services during construction. These items cover the submittal services required for the project. The original requested effort specified for this work was 120 submittals and this number must be increased to 350 submittals to meet the engineering services that will be necessary to meet the contractor requirements. Rates are as projected to the time of the work.

B. SCADA System Programming Technical and Construction Services:

In general, under our fee schedule, it includes furnishing and programming the complete SCADA system required for the Headworks and Primary Clarifier Upgrade Project, as more specifically described in the proposal and below. It also includes a full plant SCADA system upgrade, excluding existing PLCs and Operator Interface Terminals for facilities that are not part of the project. In summary, the services that are provided for under our fee schedule are for furnishing and programming the complete SCADA system required for the WWTP. These SCADA furnishing and programming requirements include, but are not limited to:

1. New and existing plant Supervisory, Control and Data Access (SCADA) system management, coordination and documentation services
2. SCADA project activities:
 - a. Software installation and coordination
 - b. Database preparation
 - c. System configuration
 - d. Programmable Logic Controller (PLC) programming
 - e. Communications programming
 - f. SCADA programming
 - g. Trending, alarming, annunciation and dialer programming
 - h. System testing and training
 - i. Field integration and startup
 - j. Punchlist and corrections
 - k. Vendor factory acceptance testing attendance and coordination
 - l. Seismic design for server racks and equipment
 - m. Equipment engineering, setup and configuration
3. Supply SCADA system equipment:
 - a. Network rack and equipment
 - b. Server rack and equipment
 - c. SCADA system software
 - d. PLC software
 - e. Misc. software (operating system server, alarm, historian, Rockwell's RS Linx)
 - f. Three servers
 - g. Three workstations
 - h. Network Attached Storage (NAS) device

C. Material Testing and Specialty Inspection Services:

The general scope of the services in this fee schedule is described below. The testing and specialty inspection services will be performed by certified professionals in each specific field.

1. Soils testing and inspection services
2. Concrete testing and inspection services
3. Rebar testing and inspection services
4. Welding testing and inspection services
5. All other required specialty testing and inspection services

D. Baseline and Hydraulic Profile Control Surveying Services:

These services as described in the proposal and listed below are surveying services outside of the surveying services required by the contractor as stipulated in the construction contract plans and specifications. The specifications require the engineer to establish a control survey within the plant for use by the contractor for his required surveying efforts. In addition, essential engineering control surveys are required to insure that the plant's hydraulic flow profile is maintained.

1. Control survey to establish baseline survey for the contractor to utilize.
2. Control survey to verify critical hydraulic profile elevation points to insure the design criteria and plant performance are maintained.

E. State Revolving Fund Engineering Services:

This is the effort for this fee schedule to modify the contract documents in accordance with SRF requirements, as indicated in the proposal and listed below. This requires an audit to find the items that need to be changed. Then, it requires the modifications for each of these items. This is not the effort to prepare the application, but it does include adding to the contract documents the forms that result from the process. Typically the State requires that the applicant incorporate the State's general conditions specification document which include DBE requirements, the Davis Act, bidding requirements and other general conditions. In addition the State generally requires that the project's materials and equipment specifications list the names of least two manufactures. The current bid documents do not meet this condition in all case and modifications throughout the specifications will be required.

1. Revise contract documents for the SRF loan.
2. Conduct an audit of the design documents to identify provisions which do not meet SRF requirements, such as sole source procurement, minimum of two named manufactures per each individual equipment and material section, American iron and steel requirements, etc.
3. Modify the contract documents based on audit results.
4. Add SRF forms and specification documents to the contract documents as required.

The fee of \$102,600 for the above listed services includes \$72,600 for Carollo's services and \$30,000 for Veolia's management services.

As an aside, our SRF loan acquisition specialist has stated that, for this type of project, the City may be able to get a \$2 million to \$4 million grant in the process of obtaining the SRF loan, which obviously is a big plus for getting a SRF loan.

QUESTION NO. 2 - SPECIALTY INSPECTION AND COSTS

Please see QUESTION NO .1, Section C. - "Material Testing and Specialty Inspection Services:" above for the response to your question.

QUESTION NO. 3 - INCREASE IN FEES FROM THE INITIAL SUBMITTED FEES FOR INCREASED SCOPE TO ENGINEERING SERVICES

Please see QUESTION NO .1, Section A. - "Increased Scope to Carollo's Engineering Services" above for the detailed list of services for this fee schedule.

Through carefully working through the increased scope for engineering services, Veolia was able to reduce the cost significantly that would otherwise be borne by the City for such services, as Veolia is able to provide much of these at a more advantageous rate.

The fee for the increase to the scope of engineering services (that was initially submitted to the City) was not previously verified by Carollo. For the difference between the cost initially submitted to the City and what is being submitted now, several fees were eliminated or reduced. However, the increase in the number of submittals to be reviewed by the engineer was the main reason for the increase in the fee total.

1. 12 month construction contract delay escalation fees were added to the "Engineering Services During Construction" fee schedule.

2. RFI's were increased from 200 RFI's to 260 RFI's.
3. Submittals were increased from 120 submittals to 350 submittals.
4. Rebidding support services prior to bid were reduced.
5. Progress meeting services beyond 2 per month were eliminated, as they were deemed unnecessary.
6. Contractor prequalification services were eliminated, as Veolia's staff will provide these services.
7. Engineering time to attend factory tests were eliminated, as Veolia's staff will provide these services.
8. Operations and maintenance manual and training services were eliminated, as Veolia's staff will provide these services.
9. Partnering meetings were eliminated, as they were deemed unnecessary.
10. Pre-purchase package coordination services were eliminated, as Veolia's staff will provide these services.

QUESTION NO. 4 - BREAKDOWN OF LABOR COSTS

Attached to this response letter is Veolia's Labor Schedule with a detailed breakdown showing classifications, hours, and hourly rates per your request.

The construction management team's on-site duration is 23 months for CM services only. The following assumptions that were used to determine the 23 month duration are:

1. 20 months for the construction contract duration,
2. 2 months included for anticipated inclement weather and change order delay days added to the contractor's construction contract. Typically that equates to approximately 20 to 24 calendar days per construction year.
3. Half a month included for pre-construction work.
4. Half a month included for post construction/close-out work.

The CM team is comprised of a full time senior project manager (Neil Clifton) who has over 35 years of experience in designing, constructing (as a general contractor) and managing over \$1.5 billion in capital projects of this nature. His vast experience allows for a small CM team to be on site, which will allow the City to see a significant savings in costs. In addition there will be a project manager for approximately half time. The project manager's hours are spread evenly over the duration of the project, but the bulk of the project manager's work will be during the first few months of startup and the submittal process phase and the last few months of the startup and closeout phase of the project.

There is an 11 month period before the construction phase of the project where the senior project manager will manage and coordinate the professional services required over that duration.

QUESTION NO. 5 - BREAKDOWN OF TRAVEL/LIVING COSTS

Attached to this response letter is a detailed breakdown showing the travel costs, per your request. No living expenses/costs were included in our proposal. Travel costs were included for visits to 10 factory equipment witness tests. Labor for these witness tests is included in Veolia's labor summary of costs. We believe that the 10% mark-up for this construction requirement was appropriate. However, we eliminated the mark-up per your request.

QUESTION NO. 6 - BREAKDOWN OF SITE COSTS

Attached to this response letter is a detailed breakdown showing the site costs, per your request.

QUESTION NO. 7 - VARIANCE IN PROFESSIONAL SERVICES COSTS

Please see QUESTION NO. 8, below, for the response to your question.

QUESTION NO. 8 - VARIANCE IN CONSTRUCTION MANAGEMENT COSTS

Veolia's original "Project Cost Summary Sheet" spreadsheet itemizes the following costs:

• Professional Services -	\$1,553,944.00
• Veolia's Labor Fees -	\$1,087,647.00
• Travel and Living Fees -	\$13,118.00
• Site Costs -	\$52,245.00

ORIGINAL TOTAL SUMMARY OF COSTS - \$2,706,954.00

Veolia's Labor Fees include \$996,389.00 for CM labor fees, \$61,258.00 for Professional Services management fees and \$30,000.00 for SRF management fees which total \$1,087,647 as itemized above.

The reason for the confusion is that our Labor Schedule is not able to split labor costs into separate fees categories. As such, we had to separate these labor fees manually.

The following is how we calculated each fee category:

- Professional Fees = \$1,553,944.00 + \$61,258.00 + \$30,000.00 = \$1,645,202.00
- Total CM Fees including Veolia's labor fees and Professional services fees is \$996,389.00 (labor) + \$13,118.00 (travel) + \$52,245.00 (site) = \$1,061,752.00

The revised CM fee (without the travel fee mark-up of \$1,458.00) is now \$1,060,295.00.

In summary, the fees listed in the table for CM Services for \$1,095,234 is incorrect. It should have read \$1,061,752. With the reduction of the travel mark-up, it will now read \$1,060,295 and the TOTAL REVISED SUMMARY OF COSTS IS NOW \$2,705,496.00 (see table below).

COMMENT NO. 9 - TOTAL PROJECT COSTS REVISIONS

The City is correct. The 10% change order contingency of \$2,170,000.00 is correct.

The revised current total estimated project costs are listed in the table below. Again the Construction Estimate is the Engineer's estimate and 10% contingency has been added for budgetary purposes.

TOTAL PROJECT COSTS	
Design Services	\$3,312,305
Additional Professional Services	\$1,645,202
Prepurchased Equipment	\$3,341,769
Construction Estimate ¹	\$21,700,000
Change Order 10% Contingency ^{1,2}	\$2,170,000
Construction Management Services	\$1,060,295
Total Project Cost	\$33,229,571

1. Costs must be adjusted when the low contractor has been accepted by the City
 2. A 10% change order contingency is typical of the industry for conventional design- bid-build project of this type.

QUESTION NO. 10 - INCREASED SCOPE TO ENGINEERING SERVICES, ITEMS 1 - 4 DISCRIPTIONS AND JUSTIFICATION

Please see QUESTION NO .1, Section A. - "Increased Scope to Carollo's Engineering Services:", Items 1 through 4 above for the response to your question.

QUESTION NO. 11 - INCREASED SCOPE TO ENGINEERING SERVICES, ITEM 5b DISCRIPTIONS AND JUSTIFICATION

Please see QUESTION NO .1, Section A. - "Increased Scope to Carollo's Engineering Services:", Item 5.b above for the response to your question.

QUESTION NO. 12 - INCREASED SCOPE TO ENGINEERING SERVICES, ITEMS 8 AND 9 DISCRIPTIONS AND JUSTIFICATION

Please see QUESTION NO .1, Section A. - "Services Increased Scope to Carollo's Engineering:", Items 8 and 9 above for the response to your question.

QUESTION ITEM NO. 13 - PREPARATION OF PREQUALIFICATION PACKAGE

The preparation of the contractor prequalification package will be provided by Veolia's team. The cost for these services is included in Veolia's attached labor summary of costs.

QUESTION NO. 14 - SCADA SCOPE CLAIRIFICATION

Please see QUESTION NO .1, Section B. - "SCADA System Programming Technical and Construction Services:" above for the response to your question.

QUESTION NO. 15 - SRF FEE AND SCOPE JUSTIFICATION

Please see QUESTION NO .1, Section E. - "State Revolving Fund Engineering Services:" above for the response to your question.

QUESTION ITEM NO. 16 - CONSTRUCTION MANAGEMENT SCOPE CLAIRIFICATION

The construction management and inspection services under our fee schedule are all inclusive, with the exception of material testing and specialty inspection services which are

covered under the Material Testing and Special Inspection Services section under Professional Services.

Your scope of work for CM services that you submitted to us is acceptable and we will incorporate your CM scope of work into our agreement. DBE monitoring during construction is included in our scope of CM services. However, any DBE monitoring and coordination services prior to construction are included in the SRF engineering service fee schedule under the Professional Services category.

It was always our intent to provide an all-inclusive CM services package when we developed our fee. As such, our fee will not change.

The Senior Project Manager/Construction Manager (SPM) will manage the project including managing design service during construction, construction management services and the construction general contractor. SCADA programming and material testing services are not included but the SPM will identify when these services are needed and will be responsible to ensure that they are performed in a coordinated and timely manner.

Note: If the City chooses to use a different company to provide CM services for this project then the management of the design services during construction and implementation of the SCADA services, baseline and hydraulic profile control surveying services, material testing and special inspection services will need to unbundled.

Revised Compensation:

Increased Scope to Engineering Services:	\$892,051.00
SCADA System Programing Technical and Construction Services:	\$490,600.00
Material Testing and Specialty Inspection Services:	\$138,390.00
Baseline and Hydraulic Profile Control Surveying Services:	\$21,560.00
State Revolving Fund Engineering Services:	\$102,600.00
Construction Management and Inspection Services:	\$1,060,295.00

Our revised base not-to-exceed fee for the above scope of work: \$2,705,496.00

Thank you for the opportunity to present and discuss our proposal for the Professional and Construction Management Services for the Headworks and Primary Clarifier Upgrade Project. We look forward to working with you on this project. Please do not hesitate to contact me should you have any questions or need additional information on this proposal.

Sincerely,

Vice President
Veolia Water West Operating Services, Inc.



EXHIBIT "C"

SCHEDULE OF COMPENSATION

Tasks listed below are identical to tasks identified in Exhibits A and B of this Agreement. Payments to Contractor shall be made no more frequently than monthly, and shall be based on lump sum costs per task item of work as indicated herein, which may be approved as a percentage basis or on a time/material basis. Lump sum payments shall be made to Contractor based upon completion of tasks, or pro-rata portions thereof noted below until completion of such task item as determined by the Contract Officer. Each request for payment shall contain Contractor's statement of the work or tasks completed or portion performed, with supporting documentation. The determination of payment due shall be made based upon the reasonable judgment of the Contract Officer.

Increased Scope fo Engineering Services	\$892,051
SCADA System Programming Technical & Construction Services	\$490,600
Material Testing Services	\$138,390
Baseline and Hydraulic Profile Control Surveying Services	\$21,560
State Revolving Fund Engineering Services	\$102,600
Construction Management and Inspection Services	\$1,060,295
Total Maximum Not to Exceed	\$2,705,496

Detailed schedules of compensation follow this page.



**Project Cost
Summary Sheet
City of Palm Springs**

PROJECT DATA INPUT

Job No.	Project Name	Location	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	Palm Springs WWTP	2	03/09/15	V1.8 PS

PROPOSAL INFORMATION

Project Name:	WWTP Upgrades Construction
Job Number:	1006740
Location:	Palm Springs WWTP
Project Manager:	Neil Clifton
Proposal Manager:	Neil Clifton
Date:	3/9/2015
Revision:	2

Master
Job Cost Estimate Model
Version 1.8 City of Palm Springs
Password (1111)

MULTIPLIERS

	CONTINGENCY	MARK UP
Construction Subcontractors	0.0%	10.0%
Engineering Consultants	0.0%	10.0%
Intercompany Services	0.0%	10.0%
Material & Equipment	0.0%	10.0%
Labor	0.0%	10.0%
Travel and Living	0.0%	0.0%
Taxes Bonds Other	0.0%	0.0%
Site Costs	0.0%	0.0%
TOTAL:	\$ -	\$ 144,073

10 - CONSTRUCTION & PROFESSIONAL SERVICES		Direct Cost	Contingency	Mark up	Total	% of Sell
100	Demolition Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
101	Site Remediation Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
102	Earthwork Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
103	Civil/Concrete Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
104	General/Building Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
105	Mechanical Installation Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
106	Electrical Installation Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
107	Field Erected Tanks Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
108	Miscellaneous Installation Subcontractors	\$ -	\$ -	\$ -	\$ -	0.0%
150	Professional Services	\$ 1,412,676	\$ -	\$ 141,268	\$ 1,553,944	57.4%
160	Intercompany Services	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ 1,412,676	\$ -	\$ 141,268	\$ 1,553,944	57.4%

20 - MATERIAL & EQUIPMENT		Direct Cost	Contingency	Mark up	Total	% of Sell
200	Mechanical Equipment	\$ -	\$ -	\$ -	\$ -	0.0%
210	Electrical Equipment	\$ -	\$ -	\$ -	\$ -	0.0%
220	Intercompany Equipment	\$ -	\$ -	\$ -	\$ -	0.0%
230	Other Equipment	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ -	\$ -	\$ -	\$ -	0.0%

30 - LABOR		Direct Cost	Contingency	Mark up	Total	% of Sell
300	Project Management	\$ 297,326	\$ -	\$ -	\$ 297,326	11.0%
305	Senior Project Management	\$ 790,322	\$ -	\$ -	\$ 790,322	29.2%
310	Principal	\$ -	\$ -	\$ -	\$ -	0.0%
320	Administration	\$ -	\$ -	\$ -	\$ -	0.0%
330	Construction Manager	\$ -	\$ -	\$ -	\$ -	0.0%
340	Assistant Project Manager	\$ -	\$ -	\$ -	\$ -	0.0%
350	Sr. Construction Manager	\$ -	\$ -	\$ -	\$ -	0.0%
360	Project Engineer	\$ -	\$ -	\$ -	\$ -	0.0%
370	x	\$ -	\$ -	\$ -	\$ -	0.0%
380	Labor - Commissions	\$ -	\$ -	\$ -	\$ -	0.0%
390	Operations Labor	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ 1,087,648	\$ -	\$ -	\$ 1,087,648	40.2%

40 - TRAVEL & LIVING / CONCUR		Direct Cost	Contingency	Mark up	Total	% of Sell
400	Travel & Living	\$ 11,660	\$ -	\$ -	\$ 11,660	0.4%
400	Travel & Living Other	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ 11,660	\$ -	\$ -	\$ 11,660	0.4%

41 - (CM) TRAVEL & LIVING / CONCUR		Direct Cost	Contingency	Mark up	Total	% of Sell
410	Travel & Living	\$ -	\$ -	\$ -	\$ -	0.0%
410	Travel & Living Other	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ -	\$ -	\$ -	\$ -	0.0%

50 - TAXES-BONDS-OTHER		Direct Cost	Contingency	Mark up	Total	% of Sell
500	Freight	\$ -	\$ -	\$ -	\$ -	0.0%
500	Surety Bonds	\$ -	\$ -	\$ -	\$ -	0.0%
500	Bid Bonds	\$ -	\$ -	\$ -	\$ -	0.0%
500	Builders Risk Insurance	\$ -	\$ -	\$ -	\$ -	0.0%
500	General Liability Insurance	\$ -	\$ -	\$ -	\$ -	0.0%
500	Sales & Use Tax	\$ -	\$ -	\$ -	\$ -	0.0%
500	License/Permit Fees	\$ -	\$ -	\$ -	\$ -	0.0%
500	Southern California Edison installation	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ -	\$ -	\$ -	\$ -	0.0%

60 - SITE COSTS		Direct Cost	Contingency	Mark up	Total	% of Sell
600	General Site Costs	\$ 22,440	\$ -	\$ 2,805	\$ 25,245	0.9%
600	CM Living/Travel Expenses	\$ 27,000	\$ -	\$ -	\$ 27,000	1.0%
610	Fleet Vehicle	\$ -	\$ -	\$ -	\$ -	0.0%
620	Start-up Costs	\$ -	\$ -	\$ -	\$ -	0.0%
SUBTOTAL:		\$ 49,440	\$ -	\$ 2,805	\$ 52,245	1.9%

TOTALS		Cost	Contingency	Gross Mark Up	Sell	% of Sell
		\$ 2,581,423.52	\$ -	\$ 144,072.60	\$ 2,705,496.12	100.0%



JOB COST ESTIMATE

Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Account Code	Cost Code	Sub-Ledger S/L	Description	Original Cost Budget	Change Order	Adjusted Current Cost Budget
				A	B	C
						A+B
	10		CONSTRUCTION & PROFESSIONAL SERVICES			
	100		Demolition Subcontractors			
	101		Site Remediation Subcontractors			
	102		Earthwork Subcontractors			
	103		Civil/Concrete Subcontractors			
	104		General/Building Subcontractors			
	105		Mechanical Installation Subcontractors			
	106		Electrical Installation Subcontractors			
	107		Field Erected Tanks Subcontractors			
	108		Miscellaneous Installation Subcontractors			
	150		Professional Services			
	160		Inter-Company Services			
	20		MATERIAL & EQUIPMENT			
	200		Mechanical Equipment			
	210		Electrical Equipment			
	220		Intercompany Equipment			
	230		Other Equipment			
	30		LABOR			
	40		TRAVEL & LIVING / CONCUR			
	50		TAXES-BONDS-OTHER			
	60		SITE COSTS	\$ -	\$ -	\$ -
	70		CONTINGENCY			
					\$ -	

END OF SHEET

Job Cost Estimate Subcontractors



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

100 Subcontractors

		Company Name / Description	Quantity	Unit Measure	Unit Cost	Extended Cost
	100	Demolition Subcontractors				
603010	1001	-		-	\$ -	\$ -
603010	1002	-		-	\$ -	\$ -
603010	1003	-		-	\$ -	\$ -
603010	1004	-		-	\$ -	\$ -
603010	1005	-		-	\$ -	\$ -
		Total Demolition				\$ -
	101	Site Remediation Subcontractors				
603010	1011	-		-	\$ -	\$ -
603010	1012	-		-	\$ -	\$ -
603010	1013	-		-	\$ -	\$ -
603010	1014	-		-	\$ -	\$ -
603010	1015	-		-	\$ -	\$ -
		0.00 Total Site Remediation				\$ -
	102	Earthwork Subcontractors				
603010	1021	-		-	\$ -	\$ -
603010	1022	-		-	\$ -	\$ -
603010	1023	-		-	\$ -	\$ -
603010	1024	-		-	\$ -	\$ -
603010	1025	-		-	\$ -	\$ -
		Total Earthwork				\$ -
	103	Civil/Concrete Subcontractors				
603010	1031	-		-	\$ -	\$ -
603010	1032	-		-	\$ -	\$ -
603010	1033	-		-	\$ -	\$ -
603010	1034	-		-	\$ -	\$ -
603010	1035	-		-	\$ -	\$ -
		Total Demolition				\$ -
	104	General/Building Subcontractors				
603010	1041	-		-	\$ -	\$ -
603010	1042	-		-	\$ -	\$ -
603010	1043	-		-	\$ -	\$ -
603010	1044	-		-	\$ -	\$ -
603010	1045	-		-	\$ -	\$ -
		Total General/Building				\$ -
	105	Mechanical Installation Subcontractors				
603010	1051	-		-	\$ -	\$ -
603010	1052	-		-	\$ -	\$ -
603010	1053	-		-	\$ -	\$ -
603010	1054	-		-	\$ -	\$ -
603010	1055	-		-	\$ -	\$ -
		Total Mechanical				\$ -
	106	Electrical Installation Subcontractors				
603010	1061	-		-	\$ -	\$ -
603010	1062	-		-	\$ -	\$ -
603010	1063	-		-	\$ -	\$ -
603010	1064	-		-	\$ -	\$ -
603010	1065	-		-	\$ -	\$ -
		Total Electrical				\$ -
	107	Field Erected Tanks Subcontractors				
603010	1071	-		-	\$ -	\$ -
603010	1072	-		-	\$ -	\$ -
603010	1073	-		-	\$ -	\$ -
603010	1074	-		-	\$ -	\$ -
603010	1075	-		-	\$ -	\$ -
		Total Tanks				\$ -
	108	Miscellaneous Installation Subcontractors				
603010	1081	-		-	\$ -	\$ -
603010	1082	-		-	\$ -	\$ -

Job Cost Estimate Subcontractors



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

603010	1083	-	-	\$	-	\$	-	
603010	1084	-	-	\$	-	\$	-	
603010	1085	-	-	\$	-	\$	-	
603010	1086	-	-	\$	-	\$	-	
603010	1087	-	-	\$	-	\$	-	
603010	1088	-	-	\$	-	\$	-	
603010	1089	-	-	\$	-	\$	-	
603010	1090	-	-	\$	-	\$	-	
603010	1091	-	-	\$	-	\$	-	
603010	1092	-	-	\$	-	\$	-	
603010	1093	-	-	\$	-	\$	-	
603010	1094	-	-	\$	-	\$	-	
603010	1095	-	-	\$	-	\$	-	
Total Misc. Subcontractors							\$	-

150 Professional Services								
		Company Name / Description	Quantity	Unit Measure	Unit Cost	Extended Cost		
	150	Professional Services						
603125	1501	Increased Scope to Engineering Services - Carollo	1.00	LS	\$ 755,266.00	\$	755,266.00	
603125	1502	SCADA System Programing Technical and Construction Services	1.00	LS	\$ 446,000.00	\$	446,000.00	
603125	1503	Materials Testing and Specialty Inspection Services	1.00	LS	\$ 125,810.00	\$	125,810.00	
603125	1504	Baseline and Hydraulic Profile Control Surveying	1.00	LS	\$ 19,600.00	\$	19,600.00	
603125	1505	State Revolving Fund Engineering Services Support - Carollo	1.00	LS	\$ 66,000.00	\$	66,000.00	
603125	1506				\$ -	\$	-	
603125	1507				\$ -	\$	-	
603125	1508				\$ -	\$	-	
603125	1509				\$ -	\$	-	
603125	1510				\$ -	\$	-	
603125	1511				\$ -	\$	-	
603125	1512				\$ -	\$	-	
603125	1513				\$ -	\$	-	
603125	1514				\$ -	\$	-	
603125	1515				\$ -	\$	-	
Total Professional Services							\$	1,412,676.00

160 Inter-Company Services								
		Company Name / Description	Quantity	Unit Measure	Unit Cost	Extended Cost		
	160	Inter-Company Services						
603020	1601					\$	-	
603020	1602				\$ -	\$	-	
603020	1603				\$ -	\$	-	
603020	1604				\$ -	\$	-	
603020	1605				\$ -	\$	-	
603020	1606				\$ -	\$	-	
603020	1607				\$ -	\$	-	
603020	1608				\$ -	\$	-	
603020	1609				\$ -	\$	-	
603020	1610				\$ -	\$	-	
Total Intercompany Services							\$	-

END OF SHEET

Job Cost Estimate
2013 Palm Springs CPM
Labor Rates



Job No.	Project Name	Revision	Date	JCE Model
				V1.8 PS

CPM Group
2013 City of Palm Springs Rates By Class

		Labor Portion	Burdon Portion	Indirect OH/Hr	FBC
		601025	601382	607670	
Rates					
Project Manager (PM)	3000	\$ 161.59	\$ -		\$ 161.59
Sr. Project Manager (SPM)	3050	\$ 175.16	\$ -		\$ 175.16
Principal	3100	\$ 240.52	\$ -		\$ 240.52
Admin	3200	\$ 71.11	\$ -		\$ 71.11
Construction Manager (CM)	3300	\$ 111.74	\$ -		\$ 111.74
Assistant Project Manager	3400	\$ 135.05	\$ -		\$ 135.05
Sr. Construction Manager (SCM)	3500	\$ 147.94	\$ -		\$ 147.94
Sr. PM w/ Travel	3600	\$ 189.46	\$ -		\$ 189.46
X	3700				
		Labor Portion	Burdon Portion	Indirect OH/Hr	FBC
		601025	601382	607670	
Rates					
Project Manager (PM)	3000	100.00%	0.00%	0.00%	100.00%
Sr. Project Manager (SPM)	3050	100.00%	0.00%	0.00%	100.00%
Principal	3100	100.00%	0.00%	0.00%	100.00%
Admin	3200	100.00%	0.00%	0.00%	100.00%
Construction Manager (CM)	3300	100.00%	0.00%	0.00%	100.00%
Scheduler/Estimator	3400	100.00%	0.00%	0.00%	100.00%
Sr. Construction Manager (SCM)	3500	100.00%	0.00%	0.00%	100.00%
Project Engineer (PE)	3600	100.00%	0.00%	0.00%	100.00%
X	3700				

END OF SHEET

Job Cost Estimate Travel & Living



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	12/19/2014	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

400 Travel & Living

	No. of Trips	
Negotiations Phase	0	
Engineering and Design Phase	0	Neil Clifton
Construction Phase	11	Visit 10 Factory Equipment Witness Tests
	11	
Ave. Trip Duration (Days)	1	Witness Tests

Average Airfare / Expedia Charges	Round Trip	\$ 350.00	Witness Tests
Average Hotel Costs	Per Night	\$ 150.00	Witness Tests
Breakfast, Lunch, Dinner (Meals)	Per Day	\$ 75.00	Witness Tests
Business Meals	Lump Sum	\$ -	
Average Rental Car	Per Day	\$ 70.00	Witness Tests
Rental Car Fuel	Per Day	\$ 35.00	Witness Tests
Commuting Mileage	Lump Sum	\$ -	
Airport Parking, Taxis, Tips, Tolls	Lump Sum	\$ -	

Extended Cost

		Units	Cost	Extended	# Trips		
601910	4000	Breakfast, Lunch, Dinner (Meals)	2	\$ 75.00	\$ 150.00	11	\$ 1,650.00
601910	4000	Business Meals	1	\$ -	\$ -	11	\$ -
						\$	1,650.00
601915	4000	Airfare / Expedia Charges	2	\$ 350.00	\$ 700.00	11	\$ 7,700.00
601915	4000	Hotel / Lodging	0	\$ 150.00	\$ -	11	\$ -
601915	4000	Rental Car / Rental Gas:	2	\$ 105.00	\$ 210.00	11	\$ 2,310.00
601915	4000	Local Mileage	1	\$ -	\$ -	1	\$ -
601915	4000	Travel-Other	1	\$ -	\$ -	11	\$ -
Average Trip Costs				\$ 1,060.00	\$	10,010.00	\$
						Total T&L Budget	\$ 11,660.00

Travel & Living - Other

Project Duration (Months)	0		
Number of Team Members	0		

Cost/Mo.

Extended Cost

602515	4000	Office Supplies-Other	Month	\$ -		
602810	4000	Postage/UPS Charges	Month	\$ -		
604610	4000	Mobile / Cellular Telephone	Month	\$ -		
		Cell Phone				
		Conference Calls/Webcasts				
		Internet Service/VPN				
		Pager				
		Phone/Accessories				

Total T&L Other

\$ -

END OF SHEET

Job Cost Estimate Construction Manager (CM) Travel & Living



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

410 (CM) Travel

Construction Phase	Months	
Number of Trips per Month		
Total No. of Trips		
Ave. Trip Duration (Days)		
Average Airfare / Expedia Charges	Round Trip	\$ -
Average Lodging Costs	Per Month	\$ -
Breakfast, Lunch, Dinner (Meals)	Per Day	\$ -
Business Meals	Lump Sum	\$ -
Average Rental Car	Per Day	\$ -
Rental Car Fuel	Per Day	\$ -
Local Mileage	Lump Sum	\$ -
Airport Parking, Taxis, Tips, Tolls	Lump Sum	\$ -

Extended Cost

			Units	Cost	Extended	# Trips	
601910	4100	Breakfast, Lunch, Dinner (Meals)	0	\$ -	\$ -	0	\$ -
601910	4100	Business Meals	1	\$ -	\$ -	0	\$ -
Average Trip Costs \$ -							
Total T&L Budget \$ -							
601915	4100	Airfare / Expedia Charges	1	\$ -	\$ -	0	\$ -
601915	4100	Hotel / Lodging	1	\$ -	\$ -	24	\$ -
601915	4100	Rental Car / Rental Gas	0	\$ -	\$ -	0	\$ -
601915	4100	Local Mileage	1	\$ -	\$ -	0	\$ -
601915	4100	Travel-Other	1	\$ -	\$ -	0	\$ -

CM Travel & Living - Other

Project Duration (Months)	24
Number of Field Staff	2

Cost/Mo.

Extended Cost

602515	4100	Office Supplies-Other	Month	\$ -		
602810	4100	Postage/UPS Charges	Month	\$ -		
604610	4100	Mobile / Cellular Telephone	Month	\$ -		
		Cell Phone				
		Conference Calls/Webcasts				
		Internet Service/VPN				
		Pager				
		Phone/Accessories				
Total T&L Other						\$ -

END OF SHEET

Job Cost Estimate Taxes - Bonds - Other



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

500 TAXES-BONDS-OTHER

					Extended Cost	
				Contract Value	Rate/Amount	
602810	5000	Freight (Generally In Eq. No. & Not Used)	Lump Sum	\$ -	\$ -	-
604310	5000	Surety Bonds (Consult Indianapolis)	\$ -	0.00%	\$ -	-
604310	5000	Bid Bonds (Consult Indianapolis)	\$ -	0.00%	\$ -	-
604320	5000	Builders Risk Insurance (Consult Indianapolis)	Lump Sum	\$ -	\$ -	-
607070	5000	General Liability Insurance		0.000%	\$ -	-
607315	5000	Sales & Use Tax	\$ -	0.00%	\$ -	-
607615	5000	License/Permit Fees	Lump Sum	\$ -	\$ -	-
607675	5000		Estimate		\$ -	-

END OF SHEET

Job Cost Estimate General Site Costs



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

600 General Site Costs

		Construction Phase	Months	24	Extended Cost	
					Cost/Mo.	
602510	6000	Office Equipment Rental / Lease	Month	\$ 400.00	\$	9,600.00
603010	6000	Cleaning / Janitorial	Month	\$ 60.00	\$	1,440.00
604610	6000	Long-Distance Telephone	Month	\$ 75.00	\$	1,800.00
606110	6000	Water	Month	\$ -	\$	-
606115	6000	Electricity	Month		\$	-
606125	6000	Sewage	Month	\$ -	\$	-
606135	6000	Utilities-Other	Month	\$ -	\$	-
606420	6000	Equip/Trailer Rental	Month	\$ -	\$	-
607635	6000	Office Supplies	Month	\$ 400.00	\$	9,600.00
Total Site Costs					\$	22,440.00

CM Living/Travel Expenses

See Accounting	6000	CM Living/Travel Expenses	Unit Cost	
		Mileage	Month \$ 1,125.00	\$ 27,000.00
		Furniture Rent	Month \$ -	\$ -
		Gas and Elect	Month \$ -	\$ -
		Cable TV	Month \$ -	\$ -
		Food \$200/Wk	Month \$ -	\$ -
		Phone	Month \$ -	\$ -

Cost Per Month \$ 1,125.00

Mileage = 100 miles rd trip/day x 20 days x \$0.56/mile = \$1,125.00

Total CM Living Expenses \$ 27,000.00

END OF SHEET

Job Cost Estimate Fleet -Vehicles & Start-Up Chemicals



Job No.	Project Name	Revision	Date	JCE Model
1006740	WWTP Upgrades Construction	2	3/9/2015	V1.8 PS

Instructions:
Input Only Light Yellow Colored Cells

610 Fleet Vehicle

Project Duration (Months)	0
Number of Vehicles	0

Extended Cost

Code	Code	Description	Unit	Rate	Amount
602210	6100	Vehicle Lease Expense	Month Ea.	\$ -	\$ -
					\$ -
602215	6100	Vehicle Fuel - Gasoline	Week Ea.	\$ -	\$ -
602215	6100	Vehicle Maintenance	Month Ea.	\$ -	\$ -
602215	6100	Other Vehicle Expense	Month Ea.	\$ -	\$ -
Total Fleet Vehicle					\$ -

620 Start-up Costs

Code	Code	Description	Unit	Rate	Amount
605210	6200	Start-Up Chemicals			\$ -
		Chemicals			
		Caustic	Lump Sum	\$ -	
		Sodium Hypochlorite	Lump Sum	\$ -	
		Diesel Fuel	Lump Sum	\$ -	
		Seed Sludge	Lump Sum	\$ -	
		Ferric Chloride	Lump Sum	\$ -	
		Polymer	Lump Sum	\$ -	
		Other (Specify)	Lump Sum	\$ -	
603010	6201	Other Outside Services			\$ -
		Acceptance Test Lab	Lump Sum	\$ -	
		Sampler Rental	Lump Sum	\$ -	
		Other (Specify)	Lump Sum	\$ -	
		Other (Specify)	Lump Sum	\$ -	
		Other (Specify)	Lump Sum	\$ -	
Total Start-up Costs					\$ -

END OF SHEET

EXHIBIT "D"

SCHEDULE OF PERFORMANCE

Services shall be provided throughout the entire duration of the contract time associated with the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, and shall include such other time required during pre-construction and post-construction phases. It is anticipated that the term of this Agreement shall commence on April 1, 2015, and shall proceed for a maximum term of three (3) years, through April 1, 2018, unless otherwise extended upon mutual agreement by the Contract Officer and Veolia.

ATTACHMENT 4



March 16, 2015

**City of Palm Springs
Waste Water Treatment Facility
Headworks and Primary Clarifier Upgrade
Prepurchase Equipment Selection Criteria**

Prepurchase Equipment Selection Criteria -

The City of Palm Springs is procuring nine (9) pieces of equipment prior to the construction of the Headworks and Primary Clarifiers upgrade project. The following is a list of equipment and Vendors that were selected:

VENDOR	EQUIPMENT
Vulcan	Mechanical Bar Screens <u>and</u> Screening Compactor System
Pentair	Vertical Turbine Solids Handling Pumps (VTSH)
Rockwell Engineering and Equipment Co.	Submersible Chopper Centrifugal Pumps
Wemco, Weir Specialty Pumps	Recessed Impeller Pump <u>and</u> Grit Cyclone & Classifier
Daniel Mechanical, LLC	Bio-trickling Filter Odor Control System
New York Blower Company	Fans
Pacific Power Systems Integration	Prefabricated Electrical Building

Mechanical Bar Screens and Screening Compactor System:

The following three vendors submitted bid proposals to provide both the Mechanical Bar Screens and Screening Compactor Systems:

Huber Technologies
Vulcan
Headworks USA

Vulcan was selected as they submitted the lowest cost proposal. Vulcan is providing Multi-Rake Bar Screens, Model No. VMR and Screening Compactor System, Model No. EWP. Both pieces of equipment are in compliance with the strict design specifications which are required to insure that the hydraulic and plant operation conditions are met. Vulcan's bar screens and screening compactor systems are both automatic and self-cleaning and are designed for tough primary and secondary screening applications.



Vertical Turbine Solids Handling Pumps (VTSH):

The following two vendors submitted bid proposals to provide Vertical Turbine Solids Handling Pumps:

Pentair/Fairbanks Nijuhis
Flowsolve

Pentair was selected as they submitted the lowest cost proposal. Pentair is providing the vertical turbine solids handling pumps (VTSH) manufactured by Fairbanks Nijuhis. These proposed pumps are in compliance with the strict design specifications which are required to insure that the hydraulic and plant operation conditions are met. VTSH pumps are designed to resist clogging, are durable and last for a long period of time.

Submersible Chopper Centrifugal Pumps:

The following two vendors submitted bid proposals to provide chopper pumps:

BJM Pumps
Vaughan

Vaughan was selected as they submitted the lowest cost proposal. Vaughan is providing chopper pumps, Model No. SE3L2-460V-075. The proposed pumps are in compliance with the strict design specifications which are required to insure that the hydraulic and plant operation conditions are met. The Vaughan pumps are non-clogging with a belt driven configuration. The pumps rated capacity is over 13,000 gallons per minute, the hydraulic efficiency is over 70% and the vendor has over 50 years of experience.

Recessed Impeller Pump and Grit Cyclone and Classifier:

The following two vendors submitted bid proposals to provide both the recessed impeller pump and grit cyclone and classifier:

Huber Technology
Wemco

Wemco was selected as they submitted the lowest cost proposal. Wemco is providing Recessed Impeller Pump and Grit Cyclone & Classifier. The proposed equipment is in compliance with the strict design specifications which are required to insure that the hydraulic and plant operation conditions are met. Wemco, Weir Specialty Pumps' recessed impeller pumps and grit cyclone & classifiers are both automatic and self-cleaning, non-clog systems and designed for tough primary solids sludge pumping and grit removal applications.



Biotrickling Filter Odor Control System

The following two vendors submitted bid proposals to provide the pre-engineered two stage biotrickling filter odor control system:

Daniel Company
Global Environmental Solution

Daniel Company was selected as they submitted the lowest cost proposal. Daniel Company is providing the pre-engineered two stage biotrickling filter odor control system. The proposed filtration system is in compliance with the strict design specifications which are required to insure that the foul air is scrubbed. The biotrickling filtration system will be custom manufactured for the proposed project.

Fans:

The following two vendors submitted bid proposals to provide fans:

New York Blower Company (NYB)
Hertzell Fans

NYB was selected as they submitted the lowest cost proposal. NYB is providing Fans for the biotrickling filtration system. The proposed fans are in compliance with the strict design specifications which are required to insure that the exhaust system for the biotrickling filter will work properly.

Pre-Fabricated Electrical Building:

Pacific Power Integrated System (PPIS) was the only firm to submit a cost proposal for the pre-fabricated walk-in electrical enclosure. The proposed building is in compliance with the strict design specifications which are required to insure that the all electrical needs are met with the design criteria. The Electrical Building will be custom manufactured for the proposed project.

ATTACHMENT 5

**CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT UPGRADE
CITY PROJECT NO. 15-14
PRE-PURCHASED EQUIPMENT PROPOSAL**

VENDOR	EQUIPMENT	Vendor's Price	% of Total Price	Veolia's Labor	Veolia's Markup										
Vulcan	Mechanical Bar Screens and Screening Compactor System	\$ 516,129.10	17%	\$ 5,160.23	\$ 61,935.49										
Pentair	Vertical Turbine Solids Handling Pumps (VTSH)	\$ 438,071.00	15%	\$ 4,379.81	\$ 52,568.52										
Rockwell Engineering and EQ. Co.	Submersible Chopper Centrifugal Pumps.	\$ 78,590.09	3%	\$ 785.74	\$ 9,430.81										
Wemco, Weir Specialty Pumps	Recessed Impeller Pump And Grit Cyclone & Classifier	\$ 391,726.26	13%	\$ 3,916.46	\$ 47,007.15										
Daniel Mechanical, LLC	Biotrickling Filter Odor Control System	\$ 827,310.00	28%	\$ 8,271.40	\$ 99,277.20										
New York Blower Company	Fans	\$ 39,284.69	1%	\$ 392.77	\$ 4,714.16										
Pacific Power Systems Integration	Prefabricated Electrical Building,	\$ 675,000.00	23%	\$ 6,748.61	\$ 81,000.00										
Total Equipment Cost		\$ 2,966,111.14													
Labor		\$ 28,395.00													
Travel		\$ 1,260.00													
		\$ -													
		\$ -													
Total Labor Cost		\$ 29,655.00		\$ 29,655.00	\$ 355,933.34										
Veolia Mark Up		\$ 355,933.34		\$ 385,588.34	MU + Lab.										
Grand Total		\$ 3,351,699.48													

ATTACHMENT 6

Print Form

Notice of Determination

Appendix D

To:

Office of Planning and Research
 U.S. Mail: _____ Street Address: _____
 P.O. Box 3044 1400 Tenth St., Rm 113
 Sacramento, CA 95812-3044 Sacramento, CA 95814

County Clerk
 County of: Riverside
 Address: 2720 Gateway Drive
 Riverside, CA 92507

From:

Public Agency: City of Palm Springs
 Address: 3200 E. Tahquitz Canyon Way
 Palm Springs, CA 92262

Contact: Savat Khamphou
 Phone: (760) 323.8253

Lead Agency (if different from above): _____
 Address: _____
 Contact: _____
 Phone: _____

FILED
 RIVERSIDE COUNTY
 JUN 25 2014
 MARY M. WARD, CLERK
 M. Meyer
 Deput.

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): _____

Project Title: City of Palm Springs Wastewater Treatment Plant Headworks and Clarifier Upgrade Project

Project Applicant: City of Palm Springs

Project Location (include county): 4376 Mesquite Drive, Palm Springs, CA Riverside County

Project Description:

Construction of new replacement facilities on the existing WWTP site influent sewer, headworks, scum pump station, primary clarifiers, primary sludge pump station, primary sludge de-gritting, gravity thickener cover, Digester No. 2 cover, foul air treatment facility, new electrical building, and a lighting system designed to minimize off-site impacts, including to the neighboring park and residential land uses.

This is to advise that the City of Palm Springs has approved the above (X) Lead Agency or () Responsible Agency

described project on June 18, 2014 and has made the following determinations regarding the above described project.

- The project () will (X) will not have a significant effect on the environment.
- () An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA. (X) A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
- Mitigation measures (X) were () were not made a condition of the approval of the project.
- A mitigation reporting or monitoring plan (X) was () was not adopted for this project.
- A statement of Overriding Considerations () was (X) was not adopted for this project.
- Findings () were (X) were not made pursuant to the provisions of CEQA.

This is to certify that the final EIR with comments and responses and record of project approval, or the negative Declaration, is available to the General Public at:

City of Palm Springs, 3200 East Tahquitz Canyon Way, & at the WWTP, 4375 Mesquite Drive, Palm Springs, 92262

Signature (Public Agency): [Signature] Title: PRINCIPAL CITY PLANNER

Date: 6.19.14 Date Received for filing at OPR: _____

STATE OF CALIFORNIA - THE RESOURCES AGENCY
DEPARTMENT OF FISH AND GAME
ENVIRONMENTAL FILING FEE CASH RECEIPT

Receipt #: 201400365

State Clearinghouse # (if applicable): _____

Lead Agency: CITY OF PALM SPRINGS Date: 06/25/2014

County Agency of Filing: Riverside Document No: 201400365

Project Title: WASTEWATER TREATMENT PLANT HEADWORKS & CLARIFIER UPGRADE PROJECT

Project Applicant Name: CITY OF PALM SPRINGS Phone Number: 760 323-8253

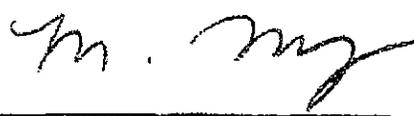
Project Applicant Address: 3200 E. TAHQUITZ CANYON WAY PALM SPRINGS CA 92262

Project Applicant: Private Entity

CHECK APPLICABLE FEES:

- Environmental Impact Report
- Negative Declaration 2181.25
- Application Fee Water Diversion (State Water Resources Control Board Only)
- Project Subject to Certified Regulatory Programs
- County Administration Fee \$50.00
- Project that is exempt from fees (DFG No Effect Determination (Form Attached))
- Project that is exempt from fees (Notice of Exemption)

Total Received 2231.25

Signature and title of person receiving payment: 

Notes:

ATTACHMENT 7



February 26, 2015

Assumptions for WWTP Projections

- Rates continue to increase by \$1 per year until \$35 reached – assumes successful Prop 218 hearing every five years
- Interest rates for debt based on AA rating, rates as of February 26, 2015 and 20 bp contingency
- No cash funded reserve fund for bonds
- Working capital reserve 7 months because of tax roll billing cycle
- Depreciation/Emergency Repair Reserve starts at \$3,000,000, increases \$500,000 each year. Lower than existing because assets will be new.
- Additional \$2M capital costs each year
- \$750,000 design costs remaining as of July 1, 2014
- Project costs of \$32M including prepurchase equipment and installation but excluding design costs already paid (\$2.55M)
- Operating Costs based on Rate Study

Option 1 Funding:

	<u>Project Costs</u>	<u>Remaining Design</u>	<u>Total</u>
Bond Proceeds	\$25,000,000		\$25,000,000
Fund Balance	<u>7,000,000</u>	<u>\$750,000</u>	<u>\$7,750,000</u>
Total	\$32,000,000	\$750,000	\$32,750,000

Minimum Coverage 1.47x taking into account \$20 monthly fee

Option 2 Funding (Maximize Bond Proceeds):

	<u>Project Costs</u>	<u>Remaining Design</u>	<u>Total</u>
Bond Proceeds	\$29,000,000		\$29,000,000
Fund Balance	<u>3,000,000</u>	<u>\$750,000</u>	<u>\$3,750,000</u>
Total	\$32,000,000	\$750,000	\$32,750,000

Minimum Coverage 1.25x taking into account \$20 monthly fee

OPTION 1 - CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT CASHFLOW - RAISE \$25M FOR PROJECT/FUND \$7,750,000 FROM FUND BALANCE (TOTAL PROJECT \$32M PLUS \$750,000 REMAINING DESIGN)

FYE	Monthly	Service	Operating	Net	Debt	Coverage	Remaining	Connection	Interest	Other	Available	Beginning	Available	Bond	Ending	7 Month	Depreciation	Unreserved	
June 30	EDU	Rate	Charge	Expense	Income	Ratio	Balance	Fees	Income	Income	Cashflow	Fund Balance	Fund Cashflow	Proceeds	Fund Balance	Operating Reserve	Reserve	Fund Balance	
2013	44,200	12	6,364,800																
2014	44,775	14	7,522,200	(5,544,968)	1,977,232	-	1,977,232	673,754	184,273	24,859	2,860,118	12,764,948	2,860,118		(2,324,022)	13,301,044	(3,234,565)	(3,000,000)	7,066,479
2015	44,775	16	8,596,800	(6,345,000)	2,251,800	-	2,251,800	300,000	80,000	15,000	2,646,800	13,301,044	2,646,800	25,000,000	(32,750,000)	8,197,844	(3,701,250)	(3,500,000)	996,594
2016	44,775	18	9,671,400	(6,708,000)	2,962,400	(1,535,000)	193%	1,427,400	300,000	80,000	1,822,400	8,197,844	1,822,400		(2,000,000)	8,020,244	(3,913,583)	(4,000,000)	106,661
2017	44,775	20	10,746,000	(7,095,000)	3,651,000	(1,535,000)	238%	2,116,000	300,000	80,000	2,511,000	8,020,244	2,511,000		(2,000,000)	8,531,244	(4,138,750)	(4,500,000)	(107,506)
2018	44,775	21	11,283,300	(7,308,000)	3,975,300	(1,535,000)	259%	2,440,300	-	80,000	2,535,300	8,531,244	2,535,300		(2,000,000)	9,066,544	(4,263,000)	(5,000,000)	(196,456)
2019	44,775	22	11,820,600	(7,527,000)	4,293,600	(1,535,000)	280%	2,758,600	-	80,000	2,853,600	9,066,544	2,853,600		(2,000,000)	9,920,144	(4,390,750)	(5,500,000)	29,394
2020	44,775	23	12,357,900	(7,753,000)	4,604,900	(1,535,000)	300%	3,069,900	-	80,000	3,164,900	9,920,144	3,164,900		(2,000,000)	11,085,044	(4,522,583)	(6,000,000)	562,461
2021	44,775	24	12,895,200	(7,986,000)	4,909,200	(1,535,000)	320%	3,374,200	-	80,000	3,469,200	11,085,044	3,469,200		(2,000,000)	12,554,244	(4,658,500)	(6,500,000)	1,395,744
2022	44,775	25	13,432,500	(8,226,000)	5,206,500	(1,535,000)	339%	3,671,500	-	80,000	3,766,500	12,554,244	3,766,500		(2,000,000)	14,320,744	(4,798,500)	(7,000,000)	2,522,244
2023	44,775	26	13,969,800	(8,473,000)	5,496,800	(1,535,000)	358%	3,961,800	-	80,000	4,056,800	14,320,744	4,056,800		(2,000,000)	16,377,544	(4,942,583)	(7,500,000)	3,834,961
2024	44,775	27	14,507,100	(8,727,000)	5,780,100	(1,535,000)	377%	4,245,100	-	80,000	4,340,100	16,377,544	4,340,100		(2,000,000)	18,717,644	(5,099,750)	(8,000,000)	5,626,894
2025	44,775	28	15,044,400	(8,989,000)	6,055,400	(1,535,000)	394%	4,520,400	-	80,000	4,615,400	18,717,644	4,615,400		(2,000,000)	21,333,044	(5,243,583)	(8,500,000)	7,589,461
2026	44,775	29	15,581,700	(9,259,000)	6,322,700	(1,535,000)	412%	4,787,700	-	80,000	4,882,700	21,333,044	4,882,700		(2,000,000)	24,215,744	(5,401,083)	(9,000,000)	9,814,661
2027	44,775	30	16,119,000	(9,537,000)	6,582,000	(1,535,000)	429%	5,047,000	-	80,000	5,142,000	24,215,744	5,142,000		(2,000,000)	27,357,744	(5,563,250)	(9,500,000)	12,294,494
2028	44,775	31	16,656,300	(9,823,000)	6,833,300	(1,535,000)	445%	5,298,300	-	80,000	5,393,300	27,357,744	5,393,300		(2,000,000)	30,751,044	(5,730,083)	(10,000,000)	15,020,961
2029	44,775	32	17,193,600	(10,118,000)	7,075,600	(1,535,000)	461%	5,540,600	-	80,000	5,635,600	30,751,044	5,635,600		(2,000,000)	34,386,644	(5,902,167)	(10,500,000)	17,984,477
2030	44,775	33	17,730,900	(10,422,000)	7,308,900	(1,535,000)	476%	5,773,900	-	80,000	5,869,900	34,386,644	5,869,900		(2,000,000)	38,255,544	(6,079,500)	(11,000,000)	21,176,044
2031	44,775	34	18,268,200	(10,735,000)	7,533,200	(1,535,000)	491%	5,998,200	-	80,000	6,093,200	38,255,544	6,093,200		(2,000,000)	42,348,744	(6,262,083)	(11,500,000)	24,586,661
2032	44,775	35	18,805,500	(11,057,000)	7,748,500	(1,535,000)	505%	6,213,500	-	80,000	6,308,500	42,348,744	6,308,500		(2,000,000)	46,657,244	(6,449,917)	(12,000,000)	28,207,327
2033	44,775	35	18,805,500	(11,389,000)	7,416,500	(1,535,000)	483%	5,881,500	-	80,000	5,976,500	46,657,244	5,976,500		(2,000,000)	50,633,744	(6,643,583)	(12,500,000)	31,490,161
2034	44,775	35	18,805,500	(11,731,000)	7,074,500	(1,535,000)	461%	5,539,500	-	80,000	5,634,500	50,633,744	5,634,500		(2,000,000)	54,268,244	(6,843,083)	(13,000,000)	34,425,161
2035	44,775	35	18,805,500	(12,083,000)	6,722,500	(1,535,000)	438%	5,187,500	-	80,000	5,282,500	54,268,244	5,282,500		(2,000,000)	57,550,744	(7,048,417)	(13,500,000)	37,002,327
2036	44,775	35	18,805,500	(12,445,000)	6,360,500	(1,535,000)	414%	4,825,500	-	80,000	4,920,500	57,550,744	4,920,500		(2,000,000)	60,471,244	(7,259,583)	(14,000,000)	39,211,661
2037	44,775	35	18,805,500	(12,818,000)	5,987,500	(1,535,000)	390%	4,452,500	-	80,000	4,547,500	60,471,244	4,547,500		(2,000,000)	63,018,744	(7,477,167)	(14,500,000)	41,041,577
2038	44,775	35	18,805,500	(13,203,000)	5,602,500	(1,535,000)	365%	4,067,500	-	80,000	4,162,500	63,018,744	4,162,500		(2,000,000)	65,181,244	(7,701,750)	(15,000,000)	42,479,494
2039	44,775	35	18,805,500	(13,599,000)	5,206,500	(1,535,000)	339%	3,671,500	-	80,000	3,766,500	65,181,244	3,766,500		(2,000,000)	66,947,744	(7,932,750)	(15,500,000)	43,514,994
2040	44,775	35	18,805,500	(14,007,000)	4,798,500	(1,535,000)	313%	3,263,500	-	80,000	3,358,500	66,947,744	3,358,500		(2,000,000)	68,306,244	(8,170,750)	(16,000,000)	44,135,494
2041	44,775	35	18,805,500	(14,427,000)	4,378,500	-	4,378,500	-	80,000	4,473,500	68,306,244	4,473,500		(2,000,000)	70,779,744	(8,415,750)	(16,500,000)	45,863,994	
2042	44,775	35	18,805,500	(14,860,000)	3,945,500	-	3,945,500	-	80,000	4,040,500	70,779,744	4,040,500		(2,000,000)	72,820,244	(8,668,333)	(17,000,000)	47,151,911	
2043	44,775	35	18,805,500	(15,306,000)	3,499,500	-	3,499,500	-	80,000	3,594,500	72,820,244	3,594,500		(2,000,000)	74,414,744	(8,928,500)	(17,500,000)	47,986,244	
2044	44,775	35	18,805,500	(15,765,000)	3,040,500	-	3,040,500	-	80,000	3,135,500	74,414,744	3,135,500		(2,000,000)	75,550,244	(9,196,250)	(18,000,000)	48,353,994	

OPTION 2 - CITY OF PALM SPRINGS WASTEWATER TREATMENT PLANT CASHFLOW - RAISE \$29M FOR PROJECT/FUND \$3,750,000 FROM FUND BALANCE (TOTAL PROJECT \$32M PLUS \$750,000 REMAINING DESIGN)

FYE	Monthly	Service	Operating	Net	Debt	Coverage	Remaining	Connection	Interest	Other	Available	Beginning	Available	Bond	Ending	7 Month	Depreciation	Unreserved	
June 30	EDU	Rate	Charge	Expense	Income	Ratio	Balance	Fees	Income	Income	Cashflow	Fund Balance	Cashflow	Proceeds	Fund Balance	Operating Reserve	Reserve	Fund Balance	
2013	44,200	12	6,364,800																
2014	44,775	14	7,522,200	(5,544,968)	1,977,232		1,977,232	673,754	184,273	24,859	2,860,118	12,764,948	2,860,118		(2,324,022)	13,301,044	(3,234,565)	(3,000,000)	7,068,479
2015	44,775	16	8,596,800	(6,345,000)	2,251,800	125%	2,251,800	300,000	80,000	15,000	2,646,800	13,301,044	2,646,800	29,000,000	(32,750,000)	12,197,844	(3,701,250)	(3,500,000)	4,996,594
2016	44,775	18	9,671,400	(6,709,000)	2,962,400	(1,800,000)	1,162,400	300,000	80,000	15,000	1,557,400	12,197,844	1,557,400		(2,000,000)	11,755,244	(3,913,583)	(4,000,000)	3,841,661
2017	44,775	20	10,746,000	(7,095,000)	3,651,000	(1,800,000)	1,851,000	300,000	80,000	15,000	2,446,000	11,755,244	2,246,000		(2,000,000)	12,001,244	(4,138,750)	(4,500,000)	3,362,494
2018	44,775	21	11,283,300	(7,308,000)	3,975,300	(1,800,000)	2,175,300	-	80,000	15,000	2,270,300	12,001,244	2,270,300		(2,000,000)	12,271,544	(4,263,000)	(5,500,000)	3,008,544
2019	44,775	22	11,820,600	(7,527,000)	4,293,600	(1,800,000)	2,493,600	-	80,000	15,000	2,588,600	12,271,544	2,588,600		(2,000,000)	12,860,144	(4,390,750)	(5,500,000)	2,969,394
2020	44,775	23	12,357,900	(7,753,000)	4,604,900	(1,800,000)	2,804,900	-	80,000	15,000	2,899,900	12,860,144	2,899,900		(2,000,000)	13,760,044	(4,522,583)	(6,000,000)	3,237,461
2021	44,775	24	12,895,200	(7,986,000)	4,909,200	(1,800,000)	3,109,200	-	80,000	15,000	3,204,200	13,760,044	3,204,200		(2,000,000)	14,964,244	(4,658,500)	(6,500,000)	3,805,744
2022	44,775	25	13,432,500	(8,226,000)	5,206,500	(1,800,000)	3,406,500	-	80,000	15,000	3,501,500	14,964,244	3,501,500		(2,000,000)	16,465,744	(4,798,500)	(7,000,000)	4,667,244
2023	44,775	26	13,969,800	(8,473,000)	5,496,800	(1,800,000)	3,696,800	-	80,000	15,000	3,791,800	16,465,744	3,791,800		(2,000,000)	18,257,544	(4,942,583)	(7,500,000)	5,814,961
2024	44,775	27	14,507,100	(8,727,000)	5,780,100	(1,800,000)	3,980,100	-	80,000	15,000	4,075,100	18,257,544	4,075,100		(2,000,000)	20,332,644	(5,098,750)	(8,000,000)	7,241,894
2025	44,775	28	15,044,400	(8,980,000)	6,055,400	(1,800,000)	4,255,400	-	80,000	15,000	4,350,400	20,332,644	4,350,400		(2,000,000)	22,683,044	(5,243,583)	(8,500,000)	8,939,461
2026	44,775	29	15,581,700	(9,258,000)	6,322,700	(1,800,000)	4,522,700	-	80,000	15,000	4,617,700	22,683,044	4,617,700		(2,000,000)	25,300,744	(5,401,083)	(9,000,000)	10,899,661
2027	44,775	30	16,119,000	(9,537,000)	6,582,000	(1,800,000)	4,782,000	-	80,000	15,000	4,877,000	25,300,744	4,877,000		(2,000,000)	28,177,744	(5,565,250)	(9,500,000)	13,114,494
2028	44,775	31	16,656,300	(9,823,000)	6,833,300	(1,800,000)	5,033,300	-	80,000	15,000	5,128,300	28,177,744	5,128,300		(2,000,000)	31,306,044	(5,730,083)	(10,000,000)	15,575,961
2029	44,775	32	17,193,600	(10,118,000)	7,075,600	(1,800,000)	5,275,600	-	80,000	15,000	5,370,600	31,306,044	5,370,600		(2,000,000)	34,676,644	(5,902,167)	(10,500,000)	18,274,477
2030	44,775	33	17,730,900	(10,422,000)	7,308,900	(1,800,000)	5,508,900	-	80,000	15,000	5,603,900	34,676,644	5,603,900		(2,000,000)	38,280,544	(6,079,500)	(11,000,000)	21,201,044
2031	44,775	34	18,268,200	(10,735,000)	7,533,200	(1,800,000)	5,733,200	-	80,000	15,000	5,828,200	38,280,544	5,828,200		(2,000,000)	42,108,744	(6,262,083)	(11,500,000)	24,346,661
2032	44,775	35	18,805,500	(11,057,000)	7,748,500	(1,800,000)	5,948,500	-	80,000	15,000	6,043,500	42,108,744	6,043,500		(2,000,000)	46,152,244	(6,449,917)	(12,000,000)	27,702,327
2033	44,775	35	18,805,500	(11,389,000)	7,416,500	(1,800,000)	5,616,500	-	80,000	15,000	5,711,500	46,152,244	5,711,500		(2,000,000)	49,863,744	(6,643,583)	(12,500,000)	30,720,161
2034	44,775	35	18,805,500	(11,731,000)	7,074,500	(1,800,000)	5,274,500	-	80,000	15,000	5,369,500	49,863,744	5,369,500		(2,000,000)	53,233,244	(6,843,083)	(13,000,000)	33,390,161
2035	44,775	35	18,805,500	(12,083,000)	6,722,500	(1,800,000)	4,922,500	-	80,000	15,000	5,017,500	53,233,244	5,017,500		(2,000,000)	56,250,744	(7,048,417)	(13,500,000)	35,702,327
2036	44,775	35	18,805,500	(12,445,000)	6,360,500	(1,800,000)	4,560,500	-	80,000	15,000	4,655,500	56,250,744	4,655,500		(2,000,000)	58,906,244	(7,259,583)	(14,000,000)	37,646,661
2037	44,775	35	18,805,500	(12,818,000)	5,987,500	(1,800,000)	4,187,500	-	80,000	15,000	4,282,500	58,906,244	4,282,500		(2,000,000)	61,188,744	(7,477,167)	(14,500,000)	39,211,577
2038	44,775	35	18,805,500	(13,203,000)	5,602,500	(1,800,000)	3,802,500	-	80,000	15,000	3,897,500	61,188,744	3,897,500		(2,000,000)	63,086,244	(7,701,750)	(15,000,000)	40,384,494
2039	44,775	35	18,805,500	(13,599,000)	5,206,500	(1,800,000)	3,406,500	-	80,000	15,000	3,501,500	63,086,244	3,501,500		(2,000,000)	64,587,744	(7,932,750)	(15,500,000)	41,154,994
2040	44,775	35	18,805,500	(14,007,000)	4,798,500	(1,800,000)	2,998,500	-	80,000	15,000	3,093,500	64,587,744	3,093,500		(2,000,000)	65,681,244	(8,170,750)	(16,000,000)	41,510,494
2041	44,775	35	18,805,500	(14,427,000)	4,378,500	-	4,378,500	-	80,000	15,000	4,473,500	65,681,244	4,473,500		(2,000,000)	66,154,744	(8,415,750)	(16,500,000)	43,239,994
2042	44,775	35	18,805,500	(14,860,000)	3,945,500	-	3,945,500	-	80,000	15,000	4,040,500	66,154,744	4,040,500		(2,000,000)	70,195,244	(8,668,333)	(17,000,000)	44,526,911
2043	44,775	35	18,805,500	(15,306,000)	3,499,500	-	3,499,500	-	80,000	15,000	3,594,500	70,195,244	3,594,500		(2,000,000)	71,789,744	(8,928,500)	(17,500,000)	45,361,244
2044	44,775	35	18,805,500	(15,765,000)	3,040,500	-	3,040,500	-	80,000	15,000	3,135,500	71,789,744	3,135,500		(2,000,000)	72,925,244	(9,196,250)	(18,000,000)	45,728,994

ATTACHMENT 8

**PROFESSIONAL SERVICES AGREEMENT
STATE REVOLVING FUND APPLICATION ASSISTANCE
WASTEWATER TREATMENT PLANT UPGRADE
CITY PROJECT NO. 15-14**

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into, and effective on April 1, 2015, between the CITY OF PALM SPRINGS, a California charter city and municipal corporation, ("City") and **AndersonPenna Partners, Inc., a California corporation**, ("Consultant"). City and Consultant are individually referred to as "Party" and are collectively referred to as the "Parties".

RECITALS

A. City has determined that there is a need for professional assistance in the preparation of applications forms, documents, financial and technical assistance in the submittal of a funding request to the California State Water Resources Control Board for a government loan of as much as \$30 Million from the Clean Water State Revolving Fund (SRF) Program to finance the construction of the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project").

B. Consultant has submitted to City a proposal to provide professional services to City for the Project under the terms of this Agreement.

C. Consultant is qualified by virtue of its experience, training, education, reputation, and expertise to provide these services and has agreed to provide such services as provided in this Agreement.

D. City desires to retain Consultant to provide such professional services.

In consideration of these promises and mutual obligations, covenants, and conditions, the Parties agree as follows:

AGREEMENT

1. SERVICES OF CONSULTANT

1.1 Scope of Services. In compliance with all terms and conditions of this Agreement, Consultant agrees to perform the professional services set forth in the Scope of Services described in Exhibit "A" (the "Services" or "Work") , which is attached and incorporated by reference. As a material inducement to the City entering into this Agreement, Consultant represents and warrants that Consultant is a provider of first class work and professional services and that Consultant is experienced in performing the Work and Services contemplated and, in light of such status and experience, Consultant covenants that it shall follow the highest professional standards in performing the Work and Services required in this Agreement. For purposes of this Agreement, the phrase "highest professional standards" shall mean those standards of

practice recognized as high quality among well-qualified and experienced professionals performing similar work under similar circumstances.

1.2 Contract Documents. The Agreement between the Parties shall consist of the following: (1) this Agreement; (2) the Scope of Services; (3) the Consultant's signed, original proposal submitted to the City ("Consultant's Proposal"), (collectively referred to as the "Contract Documents"). The Consultant's Proposal is attached as Exhibits "B," and is incorporated by reference and made a part of this Agreement. The Scope of Services shall include the Consultant's Proposal. All provisions of the Scope of Services and the Consultant's Proposal shall be binding on the Parties. Should any conflict or inconsistency exist in the Contract Documents, the conflict or inconsistency shall be resolved by applying the provisions in the highest priority document, which shall be determined in the following order of priority: (1st) the provisions of the Scope of Services (Exhibit "A"); (2nd) the terms of this Agreement; and, (3rd) the provisions of the Consultant's Proposal (Exhibit "B").

1.3 Compliance with Law. Consultant warrants that all Services rendered shall be performed in accordance with all applicable federal, state, and local laws, statutes, ordinances lawful orders, rules, and regulations.

1.4 Licenses, Permits, Fees, and Assessments. Consultant represents and warrants to City that it has obtained all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession and perform the Work and Services required by this Agreement. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit, qualification, or approval that is legally required for Consultant to perform the Work and Services under this Agreement. Consultant shall have the sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Consultant's performance of the Work and Services required by this Agreement. Consultant shall indemnify, defend, and hold harmless City against any such fees, assessments, taxes penalties, or interest levied, assessed, or imposed against City to the fullest extent permitted by law.

1.5 Familiarity with Work. By executing this Agreement, Consultant warrants that Consultant (a) has thoroughly investigated and considered the Scope of Services to be performed, (b) has carefully considered how the Services should be performed, and (c) fully understands the facilities, difficulties, and restrictions attending performance of the Services under this Agreement. If the Services involve work upon any site, Consultant warrants that Consultant has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of any Services. Should the Consultant discover any latent or unknown conditions that will materially affect the performance of the Services, Consultant shall immediately inform the City of such fact and shall not proceed except at Consultant's risk until written instructions are received from the City.

1.6 Care of Work. Consultant shall adopt reasonable methods during the term of the Agreement to furnish continuous protection to the Work and the equipment, materials, papers, documents, plans, studies, and/or other components to prevent losses or damages. Consultant shall be responsible for all such damages, to persons or property, until acceptance of the Work by the City, except such losses or damages as may be caused by City's own negligence.

1.7 Further Responsibilities of Parties. Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement.

1.8 Additional Services. City shall have the right at any time during the performance of the Services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services or make changes by altering, adding to, or deducting from such Work. No such extra work may be undertaken unless a written order is first given by the City to the Consultant, incorporating any adjustment in (i) the Maximum Contract Amount, as defined below, and/or (ii) the time to perform this Agreement. Any adjustments must also be approved in writing by the Consultant. Any increase in compensation of up to twenty-five percent (25%) of the Maximum Contract Amount or \$25,000, whichever is less, or in the time to perform of up to thirty (30) days, may be approved by the City Manager, or his designee, as may be needed to perform any extra work. Any greater increases, occurring either separately or cumulatively, must be approved by the Palm Springs City Council. It is expressly understood by Consultant that the provisions of this section shall not apply to the services specifically set forth or reasonably contemplated within the Scope of Services.

2. COMPENSATION

2.1 Maximum Contract Amount. For the Services rendered under this Agreement, Consultant shall be compensated by City in accordance with the Schedule of Compensation, which is attached as Exhibit "D" and incorporated in this Agreement by reference. Compensation shall not exceed the maximum contract amount of **Thirty Nine Thousand Two Hundred Twenty Dollars, (\$39,220)** ("Maximum Contract Amount"), except as may be provided under Section 1.8. The method of compensation shall be as set forth in Exhibit "C." Compensation for necessary expenditures for reproduction costs, telephone expenses, and transportation expenses must be approved in advance by the Contract Officer designated under Section 4.2 and will only be approved if such expenses are also specified in the Schedule of Compensation. The Maximum Contract Amount shall include the attendance of Consultant at all Project meetings reasonably deemed necessary by the City. Consultant shall not be entitled to any increase in the Maximum Contract Amount for attending these meetings. Consultant accepts the risk that the services identified in the Scope of Services may be more costly and/or time-consuming than Consultant anticipates, that Consultant shall not be entitled to additional compensation, and that the provisions of Section 1.8 shall not be applicable to the services identified in the Scope of Services. The maximum

amount of city's payment obligation under this section is the amount specified in this Agreement. If the City's maximum payment obligation is reached before the Consultant's Services under this Agreement are completed, Consultant shall complete the Work and City shall not be liable for payment beyond the Maximum Contract Amount.

2.2. Method of Payment. Unless another method of payment is specified in the Schedule of Compensation (Exhibit "C"), in any month in which Consultant wishes to receive payment, Consultant shall submit to the City an invoice for services rendered prior to the date of the invoice. The invoice shall be in a form approved by the City's Finance Director and must be submitted no later than the tenth (10) working day of such month. Such requests shall be based upon the amount and value of the services performed by Consultant and accompanied by such reporting data including an itemized breakdown of all costs incurred and tasks performed during the period covered by the invoice, as may be required by the City. City shall use reasonable efforts to make payments to Consultant within forty-five (45) days after receipt of the invoice or as soon as is reasonably practical. There shall be a maximum of one payment per month.

2.3 Changes in Scope. In the event any change or changes in the Scope of Services is requested by City, Parties shall execute a written amendment to this Agreement, specifying all proposed amendments, including, but not limited to, any additional fees. An amendment may be entered into:

A. To provide for revisions or modifications to documents, work product, or work, when required by the enactment or revision of any subsequent law; or

B. To provide for additional services not included in this Agreement or not customarily furnished in accordance with generally accepted practice in Consultant's profession.

2.4 Appropriations. This Agreement is subject to and contingent upon funds being appropriated by the City Council for each fiscal year covered by the Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to the City.

3. SCHEDULE OF PERFORMANCE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement. The time for completion of the services to be performed by Consultant is an essential condition of this Agreement. Consultant shall prosecute regularly and diligently the Work of this Agreement according to the agreed upon attached Schedule of Performance (Exhibit "D"), incorporated by reference.

3.2 Schedule of Performance. Consultant shall commence the Services under this Agreement upon receipt of a written notice to proceed and shall perform all Services within the time period(s) established in the Schedule of Performance. When requested by Consultant, extensions to the time period(s) specified in the Schedule of

Performance may be approved in writing by the Contract Officer, but such extensions shall not exceed one hundred eighty (180) days cumulatively; however, the City shall not be obligated to grant such an extension.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the Services rendered under this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant (financial inability excepted) if Consultant, within ten (10) days of the commencement of such delay, notifies the Contract Officer in writing of the causes of the delay. Unforeseeable causes include, but are not limited to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, and/or acts of any governmental agency, including the City. The City Manager shall ascertain the facts and the extent of delay, and extend the time for performing the Services for the period of the enforced delay when and if in the judgment of the City Manager such delay is justified. The City Manager's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement under this section.

3.4 Term. Unless earlier terminated under this Agreement, this Agreement shall commence upon the effective date of this Agreement and continue in full force and effect until completion of the Services. However, the term shall not exceed three (3) years from the commencement date, except as otherwise provided in the Schedule of Performance described in Section 3.2 above. Any extension must be through mutual written agreement of the Parties.

3.5 Termination Prior to Expiration of Term. City may terminate this Agreement for its convenience at any time, without cause, in whole or in part, upon giving Consultant thirty (30) days written notice. Where termination is due to the fault of Consultant and constitutes an immediate danger to health, safety, and general welfare, the period of notice shall be such shorter time as may be determined by the City. Upon such notice, City shall pay Consultant for Services performed through the date of termination. Upon receipt of such notice, Consultant shall immediately cease all work under this Agreement, unless stated otherwise in the notice or by written authorization of the Contract Officer. After such notice, Consultant shall have no further claims against the City under this Agreement. Upon termination of the Agreement under this section, Consultant shall submit to the City an invoice for work and services performed prior to the date of termination. Consultant may terminate this Agreement, with or without cause, upon sixty (60) days written notice to the City, except that where termination is due to material default by the City, the period of notice may be such shorter time as the Consultant may determine.

4. COORDINATION OF WORK

4.1 Representative of Consultant. The following principal of Consultant is designated as being the principal and representative of Consultant authorized to act in its behalf and make all decisions with respect to the Services to be performed under this Agreement: **Ms. Sudi Shoja, PE; Project Manager**. It is expressly understood that the experience, knowledge, education, capability, expertise, and reputation of the foregoing principal is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the services performed hereunder. The foregoing principal may not be changed by Consultant without prior written approval of the Contract Officer.

4.2 Contract Officer. The Contract Officer shall be the City Manager or his/her designee ("Contract Officer"). Consultant shall be responsible for keeping the Contract Officer fully informed of the progress of the performance of the services. Consultant shall refer any decisions that must be made by City to the Contract Officer. Unless otherwise specified, any approval of City shall mean the approval of the Contract Officer.

4.3 Prohibition Against Subcontracting or Assignments. The experience, knowledge, capability, expertise, and reputation of Consultant, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Consultant shall not assign full or partial performance of this Agreement, nor any monies due, voluntarily or by operation of law, without the prior written consent of City. Consultant shall not contract with any other entity to perform the Services required under this Agreement without the prior written consent of City. If Consultant is permitted to subcontract any part of this Agreement by City, Consultant shall be responsible to City for the acts and omissions of its subcontractor(s) in the same manner as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationships between any subcontractor and City. All persons engaged in the Work will be considered employees of Consultant. City will deal directly with and will make all payments to Consultant. In addition, neither this Agreement nor any interest in this Agreement may be transferred, assigned, conveyed, hypothecated, or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written consent of City. Transfers restricted in this Agreement shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Consultant, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release Consultant or any surety of Consultant from any liability under this Agreement without the express written consent of City.

4.4 Independent Contractor. The legal relationship between the Parties is that of an independent contractor, and nothing shall be deemed to make Consultant a City employee.

A. During the performance of this Agreement, Consultant and its officers, employees, and agents shall act in an independent capacity and shall not act or represent themselves as City officers or employees. The personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officers, employees, or agents shall have control over the conduct of Consultant or any of its officers, employees, or agents, except as set forth in this Agreement. Consultant, its officers, employees, or agents shall not maintain an office or any other type of fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Consultant's employees, servants, representatives, or agents, or in fixing their number, compensation, or hours of service. Consultant shall pay all wages, salaries, and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, including but not limited to social security income tax withholding, unemployment compensation, workers' compensation, and other similar matters. City shall not in any way or for any purpose be deemed to be a partner of Consultant in its business or otherwise a joint venturer or a member of any joint enterprise with Consultant.

B. Consultant shall not have any authority to bind City in any manner. This includes the power to incur any debt, obligation, or liability against City.

C. No City benefits shall be available to Consultant, its officers, employees, or agents in connection with any performance under this Agreement. Except for professional fees paid to Consultant as provided for in this Agreement, City shall not pay salaries, wages, or other compensation to Consultant for the performance of Services under this Agreement. City shall not be liable for compensation or indemnification to Consultant, its officers, employees, or agents, for injury or sickness arising out of performing Services. If for any reason any court or governmental agency determines that the City has financial obligations, other than under Section 2 and Subsection 1.8 in this Agreement, of any nature relating to salary, taxes, or benefits of Consultant's officers, employees, servants, representatives, subcontractors, or agents, Consultant shall indemnify City for all such financial obligations.

5. INSURANCE

5.1 Types of Insurance. Consultant shall procure and maintain, at its sole cost and expense, the insurance described below. The insurance shall be for the duration of this Agreement and includes any extensions, unless otherwise specified in this Agreement. The insurance shall be procured in a form and content satisfactory to City. The insurance shall apply against claims which may arise from the Consultant's performance of Work under this Agreement, including Consultant's agents, representatives, or employees. In the event the City Manager determines that the Work or Services to be performed under this Agreement creates an increased or decreased risk of loss to the City, the Consultant agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the City Manager or his designee. Consultant shall immediately substitute any insurer whose

A.M. Best rating drops below the levels specified in this Agreement. Except as otherwise authorized below for professional liability (errors and omissions) insurance, all insurance provided under this Agreement shall be on an occurrence basis. The minimum amount of insurance required shall be as follows:

A. Errors and Omissions Insurance. Consultant shall obtain and maintain in full force and effect throughout the term of this Agreement, standard industry form professional liability (errors and omissions) insurance coverage in an amount of not less than one million dollars (\$1,000,000.00) per occurrence and two-million dollars (\$2,000,000.00) annual aggregate, in accordance with the provisions of this section.

(1) Consultant shall either: (a) certify in writing to the City that Consultant is unaware of any professional liability claims made against Consultant and is unaware of any facts which may lead to such a claim against Consultant; or (b) if Consultant does not provide the certification under (a), Consultant shall procure from the professional liability insurer an endorsement providing that the required limits of the policy shall apply separately to claims arising from errors and omissions in the rendition of services under this Agreement.

(2) If the policy of insurance is written on a "claims made" basis, the policy shall be continued in full force and effect at all times during the term of this Agreement, and for a period of three (3) years from the date of the completion of the Services provided hereunder. In the event of termination of the policy during this period, Consultant shall obtain continuing insurance coverage for the prior acts or omissions of Consultant during the course of performing Services under the terms of this Agreement. The coverage shall be evidenced by either a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier or other insurance arrangements providing for complete coverage, either of which shall be subject to the written approval by the City Manager.

(3) In the event the policy of insurance is written on an "occurrence" basis, the policy shall be continued in full force and effect during the term of this Agreement, or until completion of the Services provided for in this Agreement, whichever is later. In the event of termination of the policy during this period, new coverage shall immediately be obtained to ensure coverage during the entire course of performing the Services under the terms of this Agreement.

B. Workers' Compensation Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, workers' compensation insurance in at least the minimum statutory amounts, and in compliance with all other statutory requirements, as required by the State of California. Consultant agrees to waive and obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies. If Consultant has no employees, Consultant shall complete the City's Request for Waiver of Workers' Compensation Insurance

Requirement form.

C. Commercial General Liability Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of commercial general liability insurance written on a per occurrence basis with a combined single limit of at least one million dollars (\$1,000,000.00) and two million dollars (\$2,000,000.00) general aggregate for bodily injury and property damage including coverages for contractual liability, personal injury, independent contractors, broad form property damage, products and completed operations.

D. Business Automobile Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of business automobile liability insurance written on a per occurrence basis with a single limit liability in the amount of one million dollars (\$1,000,000.00) bodily injury and property damage. The policy shall include coverage for owned, non-owned, leased, and hired cars.

E. Employer Liability Insurance. Consultant shall obtain and maintain, in full force and effect throughout the term of this Agreement, a policy of employer liability insurance written on a per occurrence basis with a policy limit of at least one million dollars (\$1,000,000.00) for bodily injury or disease.

5.2 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City Manager or his/her designee prior to commencing any work or services under this Agreement. Consultant guarantees payment of all deductibles and self-insured retentions. City reserves the right to reject deductibles or self-insured retentions in excess of \$10,000, and the City Manager or his/her designee may require evidence of pending claims and claims history as well as evidence of Consultant's ability to pay claims for all deductible amounts and self-insured retentions proposed in excess of \$10,000.

5.3 Other Insurance Requirements. The following provisions shall apply to the insurance policies required of Consultant under this Agreement:

5.3.1 For any claims related to this Agreement, Consultant's coverage shall be primary insurance with respect to the City and its officers, council members, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the City and its officers, council members, officials, employees, agents, and volunteers shall be in excess of Consultant's insurance and shall not contribute with it.

5.3.2 Any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to City and its officers, council members, officials, employees, agents, and volunteers.

- 5.3.3 All insurance coverage and limits provided by Consultant and available or applicable to this Agreement are intended to apply to each insured, including additional insureds, against whom a claim is made or suit is brought to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations shall limit the application of such insurance coverage.
- 5.3.4 No required insurance coverages may include any limiting endorsement which substantially impairs the coverages set forth in this Agreement (e.g., elimination of contractual liability or reduction of discovery period), unless the endorsement has first been submitted to the City Manager and approved in writing.
- 5.3.5 Consultant agrees to require its insurer to modify insurance endorsements to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, or that any party will "endeavor" (as opposed to being required) to comply with the requirements of the endorsements. Certificates of insurance will not be accepted in lieu of required endorsements, and submittal of certificates without required endorsements may delay commencement of the Project. It is Consultant's obligation to ensure timely compliance with all insurance submittal requirements as provided in this Agreement.
- 5.3.6 Consultant agrees to ensure that subcontractors, and any other parties involved with the Project who are brought onto or involved in the Project by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Project will be submitted to the City for review.
- 5.3.7 Consultant acknowledges and agrees that any actual or alleged failure on the part of the City to inform Consultant of non-compliance with any insurance requirement in no way imposes any additional obligations on the City nor does it waive any rights in this or any other regard.
- 5.3.8 Consultant shall provide proof that policies of insurance required in this Agreement, expiring during the term of this Agreement, have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall

be submitted prior to expiration. Endorsements as required in this Agreement applicable to the renewing or new coverage shall be provided to City no later than ten (10) days prior to expiration of the lapsing coverage.

5.3.9 Requirements of specific insurance coverage features or limits contained in this section are not intended as limitations on coverage, limits, or other requirements, or as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.

5.3.10 The requirements in this section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impair the provisions of this section.

5.3.11 Consultant agrees to provide immediate notice to City of any claim or loss against Consultant arising out of the Work performed under this Agreement and for any other claim or loss which may reduce the insurance available to pay claims arising out of this Agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City, or to reduce or dilute insurance available for payment of potential claims.

5.3.12 Consultant agrees that the provisions of this section shall not be construed as limiting in any way the extent to which the Consultant may be held responsible for the payment of damages resulting from the Consultant's activities or the activities of any person or person for which the Consultant is otherwise responsible.

5.4 Sufficiency of Insurers. Insurance required in this Agreement shall be provided by authorized insurers in good standing with the State of California. Coverage shall be provided by insurers admitted in the State of California with an A.M. Best's Key Rating of B++, Class VII, or better, unless such requirements are waived in writing by the City Manager or his designee due to unique circumstances.

5.5 Verification of Coverage. Consultant shall furnish City with both certificates of insurance and endorsements, including additional insured endorsements, affecting all of the coverages required by this Agreement. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All proof of insurance is to be received and approved by the City before work commences. City reserves the right to require Consultant's insurers to provide complete, certified copies of all required insurance policies at any time. Additional insured endorsements are not required for Errors and Omissions and Workers'

Compensation policies.

Verification of Insurance coverage may be provided by: (1) an approved General and/or Auto Liability Endorsement Form for the City of Palm Springs or (2) an acceptable Certificate of Liability Insurance Coverage with an approved Additional Insured Endorsement with the following endorsements stated on the certificate:

1. *"The City of Palm Springs, its officials, employees, and agents are named as an additional insured..." ("as respects City of Palm Springs Contract No. ____" or "for any and all work performed with the City" may be included in this statement).*

2. *"This insurance is primary and non-contributory over any insurance or self-insurance the City may have..." ("as respects City of Palm Springs Contract No. ____" or "for any and all work performed with the City" may be included in this statement).*

3. *"Should any of the above described policies be canceled before the expiration date thereof, the issuing company will mail 30 days written notice to the Certificate Holder named." Language such as, "endeavor to" mail and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representative" is not acceptable and must be crossed out.*

4. Both the Workers' Compensation and Employers' Liability policies shall contain the insurer's waiver of subrogation in favor of City, its elected officials, officers, employees, agents, and volunteers.

In addition to the endorsements listed above, the City of Palm Springs shall be named the certificate holder on the policies. All certificates of insurance and endorsements are to be received and approved by the City before work commences. All certificates of insurance must be authorized by a person with authority to bind coverage, whether that is the authorized agent/broker or insurance underwriter. Failure to obtain the required documents prior to the commencement of work shall not waive the Consultant's obligation to provide them.

6. **INDEMNIFICATION**

6.1 Indemnification and Reimbursement. To the fullest extent permitted by law, Consultant shall defend (at Consultant's sole cost and expense), indemnify, protect, and hold harmless City, its elected officials, officers, employees, agents, and volunteers (collectively the "Indemnified Parties"), from and against any and all liabilities, actions, suits, claims, demands, losses, costs, judgments, arbitration awards, settlements, damages, demands, orders, penalties, and expenses including legal costs and attorney fees (collectively "Claims"), including but not limited to Claims arising from injuries to or death of persons (Consultant's employees included), for damage to property, including property owned by City, from any violation of any federal, state, or local law or ordinance, and from errors and omissions committed by Consultant, its officers, employees, representatives, and agents, that arise out of or relate to

Consultant's performance under this Agreement. This indemnification clause excludes Claims arising from the sole negligence or willful misconduct of the City, its elected officials, officers, employees, agents, and volunteers. Under no circumstances shall the insurance requirements and limits set forth in this Agreement be construed to limit Consultant's indemnification obligation or other liability under this Agreement. Consultant's indemnification obligation shall survive the expiration or earlier termination of this Agreement until all actions against the Indemnified Parties for such matters indemnified are fully and finally barred by the applicable statute of limitations or, if an action is timely filed, until such action is final. This provision is intended for the benefit of third party Indemnified Parties not otherwise a party to this Agreement.

6.2 Design Professional Services Indemnification and Reimbursement. If the Agreement is determined to be a "design professional services agreement" and Consultant is a "design professional" under California Civil Code Section 2782.8, then:

A. To the fullest extent permitted by law, Consultant shall indemnify, defend (at Consultant's sole cost and expense), protect and hold harmless City and its elected officials, officers, employees, agents and volunteers and all other public agencies whose approval of the project is required, (individually "Indemnified Party"; collectively "Indemnified Parties") against any and all liabilities, claims, judgments, arbitration awards, settlements, costs, demands, orders and penalties (collectively "Claims"), including but not limited to Claims arising from injuries or death of persons (Consultant's employees included) and damage to property, which Claims arise out of, pertain to, or are related to the negligence, recklessness or willful misconduct of Consultant, its agents, employees, or subcontractors, or arise from Consultant's negligent, reckless or willful performance of or failure to perform any term, provision, covenant or condition of this Agreement ("Indemnified Claims"), but Consultant's liability for Indemnified Claims shall be reduced to the extent such Claims arise from the negligence, recklessness or willful misconduct of the City and its elected officials, officers, employees, agents and volunteers.

B. The Consultant shall require all non-design-professional sub-contractors, used or sub-contracted by Consultant to perform the Services or Work required under this Agreement, to execute an Indemnification Agreement adopting the indemnity provisions in sub-section 6.1 in favor of the Indemnified Parties. In addition, Consultant shall require all non-design-professional sub-contractors, used or sub-contracted by Consultant to perform the Services or Work required under this Agreement, to obtain insurance that is consistent with the Insurance provisions as set forth in this Agreement, as well as any other insurance that may be required by Contract Officer.

7. REPORTS AND RECORDS

7.1 Accounting Records. Consultant shall keep complete, accurate, and detailed accounts of all time, costs, expenses, and expenditures pertaining in any way to this Agreement. Consultant shall keep such books and records as shall be necessary to properly perform the Services required by this Agreement and to enable

the Contract Officer to evaluate the performance of such Services. The Contract Officer shall have full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit, and make records and transcripts from such records.

7.2 Reports. Consultant shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the Services required by this Agreement, or as the Contract Officer shall require. Consultant acknowledges that the City is greatly concerned about the cost of the Work and Services to be performed under this Agreement. For this reason, Consultant agrees that Consultant shall promptly notify the Contract Officer the estimated increased or decreased cost if Consultant becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the contemplated Work or Services. If Consultant is providing design services, Consultant shall promptly notify the Contract Officer the estimated increased or decreased cost for the project being designed if Consultant becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the design services.

7.3 Ownership of Documents. All drawings, specifications, reports, records, documents, memoranda, correspondence, computations, and other materials prepared by Consultant, its employees, subcontractors, and agents in the performance of this Agreement shall be the property of City and shall be promptly delivered to City upon request of the Contract Officer or upon the termination of this Agreement. Consultant shall have no claim for further employment or additional compensation as a result of the exercise by City of its full rights of ownership of the documents and materials. Any use of such completed documents for other projects and/or use of incomplete documents without specific written authorization by the Consultant will be at the City's sole risk and without liability to Consultant, and the City shall indemnify the Consultant for all resulting damages. Consultant may retain copies of such documents for their own use. Consultant shall have an unrestricted right to use the concepts embodied in this Agreement. Consultant shall ensure that all its subcontractors shall provide for assignment to City of any documents or materials prepared by them. In the event Consultant fails to secure such assignment, Consultant shall indemnify City for all resulting damages.

7.4 Release of Documents. All drawings, specifications, reports, records, documents, and other materials prepared by Consultant in the performance of services under this Agreement shall not be released publicly without the prior written approval of the Contract Officer. All information gained by Consultant in the performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization.

7.5 Audit and Inspection of Records. After receipt of reasonable notice and during the regular business hours of City, Consultant shall provide City, or other agents of City, such access to Consultant's books, records, payroll documents, and facilities as City deems necessary to examine, copy, audit, and inspect all accounting books,

records, work data, documents, and activities directly related to Consultant's performance under this Agreement. Consultant shall maintain such books, records, data, and documents in accordance with generally accepted accounting principles and shall clearly identify and make such items readily accessible to such parties during the term of this Agreement and for a period of three (3) years from the date of final payment by City hereunder.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law and Venue. This Agreement shall be construed and interpreted both as to validity and as to performance of the Parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Riverside, State of California, or any other appropriate court in such County, and Consultant covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Interpretation. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. The terms of this Agreement are contractual and the result of negotiation between the Parties. Accordingly, any rule of construction of contracts (including, without limitation, California Civil Code Section 1654) that ambiguities are to be construed against the drafting party, shall not be employed in the interpretation of this Agreement. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification purposes only and shall not be deemed to limit, expand, or define the contents of the respective sections or paragraphs.

8.3 Default of Consultant. Consultant's failure to comply with any provision of this Agreement shall constitute a default.

A. If the City Manager, or his designee, determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, he/she shall notify Consultant in writing of such default. Consultant shall have ten (10) days, or such longer period as City may designate, to cure the default by rendering satisfactory performance. In the event Consultant fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice of any remedy to which City may be entitled at law, in equity, or under this Agreement. Consultant shall be liable for all reasonable costs incurred by City as a result of such default. Compliance with the provisions of this section shall not constitute a waiver of any City right to take legal action in the event that the dispute is not cured, provided that nothing shall limit City's right to terminate this Agreement without cause under Section 3.5.

B. If termination is due to the failure of the Consultant to fulfill its obligations under this Agreement, City may, after compliance with the provisions of

Section 8.3A, take over the work and prosecute the same to completion by contract or otherwise. The Consultant shall be liable to the extent that the total cost for completion of the Services required hereunder exceeds the Maximum Contract Amount (provided that the City shall use reasonable efforts to mitigate such damages). The City may withhold any payments to the Consultant for the purpose of set-off or partial payment of the amounts owed the City as previously stated. The withholding or failure to withhold payments to Consultant shall not limit Consultant's liability for completion of the Services as provided in this Agreement.

8.4 Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, or term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions.

8.5 Rights and Remedies Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

8.6 Legal Action. In addition to any other rights or remedies, either Party may take legal action, in law or in equity, to cure, correct, remedy or recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

8.7 Attorney Fees. In the event any dispute between the Parties with respect to this Agreement results in litigation or any non-judicial proceeding, the prevailing Party shall be entitled, in addition to such other relief as may be granted, to recover from the non-prevailing Party all reasonable costs and expenses. These include but are not limited to reasonable attorney fees, expert consultant fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding. To the extent authorized by law, in the event of a dismissal by the plaintiff or petitioner of the litigation or non-judicial proceeding within thirty (30) days of the date set for trial or hearing, the other Party shall be deemed to be the prevailing Party in such litigation or proceeding.

9. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Consultant, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Conflict of Interest. No officer or employee of the City shall have any direct or indirect financial interest in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects their financial interest or the financial interest of any corporation, partnership, or association in which he/she is, directly or indirectly, interested in violation of any state statute or regulation. Consultant warrants that Consultant has not paid or given, and will not pay or give, any third party any money or other consideration in exchange for obtaining this Agreement.

9.3 Covenant Against Discrimination. In connection with its performance under this Agreement, Consultant shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, age, marital status, ancestry, or national origin. Consultant shall ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, religion, color, sex, age, marital status, ancestry, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

10. MISCELLANEOUS PROVISIONS

10.1 Patent and Copyright Infringement. To the fullest extent permissible under law, and in lieu of any other warranty by City or Consultant against patent or copyright infringement, statutory or otherwise:

A. It is agreed that Consultant shall defend at its expense any claim or suit against City on account of any allegation that any item furnished under this Agreement, or the normal use or sale arising out of the performance of this Agreement, infringes upon any presently existing U.S. letters patent or copyright and Consultant shall pay all costs and damages finally awarded in any such suit or claim, provided that Consultant is promptly notified in writing of the suit or claim and given authority, information and assistance at Consultant's expense for the defense of same, and provided such suit or claim arises out of, pertains to, or is related to the negligence, recklessness or willful misconduct of Consultant. However, Consultant will not indemnify City if the suit or claim results from: (1) City's alteration of a deliverable, such that City's alteration of such deliverable created the infringement upon any presently existing U.S. letters patent or copyright; or (2) the use of a deliverable in combination with other material not provided by Consultant when it is such use in combination which

infringes upon an existing U.S. letters patent or copyright.

B. Consultant shall have sole control of the defense of any such claim or suit and all negotiations for settlement in the event City fails to cooperate in the defense of any suit or claim, provided, however, that such defense shall be at Consultant's expense. Consultant shall not be obligated to indemnify City under any settlement that is made without Consultant's consent, which shall not be unreasonably withheld. If the use or sale of such item is enjoined as a result of the suit or claim, Consultant, at no expense to City, shall obtain for City the right to use and sell the item, or shall substitute an equivalent item acceptable to City and extend this patent and copyright indemnity thereto.

10.2 Notice. Any notice, demand, request, consent, approval, or communication that either party desires, or is required to give to the other party or any other person shall be in writing. All notices shall be personally delivered, sent by pre-paid First Class U.S. Mail, registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by facsimile with attached evidence of completed transmission. All notices shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) five (5) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Any notice, request, demand, direction, or other communication sent by facsimile must be confirmed within forty-eight (48) hours by letter mailed or delivered. Other forms of electronic transmission such as e-mails, text messages, and instant messages are not acceptable manners of notice required hereunder. Notices or other communications shall be addressed as follows:

To City: City of Palm springs
Attention: City Manager & City Clerk
3200 E. Tahquitz Canyon Way
Palm springs, California 92262
Telephone: (760) 323-8204
Facsimile: (760) 323-8332

To Consultant: Angelique M. Lucero, Principal
AndersonPenna Partners, Inc.
3737 Birch Street, Suite 250
Newport Beach, CA 92660
Telephone: (949) 428-1500
Facsimile: (949) 258-5053
Email: alucero@andpen.com

10.3 Integrated Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior negotiations, arrangements, agreements, representations, and understandings, if any, made by or among the Parties with respect to the subject matter in this Agreement.

10.4 Amendment. No amendments or other modifications of this Agreement shall be binding unless through written agreement by all Parties.

10.5 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be determined to be invalid by a final judgment or decree of a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

10.5 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

10.6 Third Party Beneficiary. Except as may be expressly provided for in this Agreement, nothing contained in this Agreement is intended to confer, nor shall this Agreement be construed as conferring, any rights, including, without limitation, any rights as a third-party beneficiary or otherwise, upon any entity or person not a party to this Agreement.

10.7 Recitals. The above-referenced Recitals are hereby incorporated into the Agreement as though fully set forth in this Agreement and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

10.8. Corporate Authority. Each of the undersigned represents and warrants that (i) the Party for which he or she is executing this Agreement is duly authorized and existing, (ii) he or she is duly authorized to execute and deliver this Agreement on behalf of the Party for which he or she is signing, (iii) by so executing this Agreement, the Party for which he or she is signing is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the Party for which he or she is signing is bound.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates stated below.

**“CITY”
City of Palm Springs**

Date: _____

By: _____

David H. Ready
City Manager

APPROVED AS TO FORM:

ATTEST

By: _____

Douglas C. Holland,
City Attorney

By: _____

James Thompson,
City Clerk

APPROVED BY CITY COUNCIL:

Date: _____ Agreement No. _____

Corporations require two notarized signatures. One signature must be from Chairman of Board, President, or any Vice President. The second signature must be from the Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

CONSULTANT NAME:

AndersonPenna Partners, Inc., a California corporation
3737 Birch Street, Suite 250
Newport Beach, CA 92660

By _____

Signature (Notarized)

By _____

Signature (Notarized)

EXHIBIT "A"

SCOPE OF SERVICES

Consultant shall provide City with professional assistance in the preparation of applications forms, documents, financial and technical assistance in the submittal of a funding request to the California State Water Resources Control Board for a government loan of as much as \$30 Million from the Clean Water State Revolving Fund (SRF) Program to finance the construction of the City of Palm Springs Wastewater Treatment Plant Upgrade, City Project No. 15-14, (the "Project"). Anticipated start date for construction is January 2016. SRF Loan approval must be obtained prior to the construction start date.

Consultant's task shall include, but not be limited to the following:

1. Project Administration

- a. Meetings/Conference calls – Consultant shall attend progress meetings and/or conference calls with City to provide Project updates and shall identify outstanding Project issues (up to 5 meetings, one of which includes the Start-up meeting).
Consultant shall attend Kick-off meeting with State Water Resources Control Board (SWRCB) to introduce Project to SWRCB and other meetings with SWRCB, as needed to ensure progress with submittal and processing of the SRF Loan for the Project.
- b. Reports – Consultant shall provide a monthly status report including work performed to date, for the month, what is upcoming and any potential issues. Report will include an updated schedule in table form indicating significant submittal dates.
- c. Presentation Assistance – Consultant shall assist City staff with presentations, presentation boards, or other presentation materials required to adequately describe the Project to City Council members (up to six boards, one per meeting).
- d. Process Development – Consultant shall develop an internal process for City to follow now, and in the future, for identifying potential SRF loan projects, submitting the application, successfully securing the loan, and meeting subsequent reporting requirements.

2. Pre-Application Preparation

- a. Consultant shall familiarize itself with the City's Project and all associated documents to determine if any other information is needed from City to meet the SRF Loan application requirements. Consultant shall provide necessary assistance to City to obtain all documents needed to complete application and successfully secure SRF funding in a timely manner.

Current City Project documents include:

- Notice of Intent to Adopt a Mitigated Negative Declaration
- Final Initial Study / Mitigated Negative Declaration (IS/MND)
- CEQA Notice of Determination
- Project Plans and Specifications (100% complete)
- Detailed engineer's cost estimates
- Addenda issued during prior bid process (July 2014)
- Bid results and bid analysis
- Rejected construction bids (3)
- Bid analysis of pre-purchased equipment
- Geotechnical Reports (2)
- AQMD Permit application
- Other related information

3. Submittal of Application – Consultant shall coordinate with City staff to prepare the SRF Loan application to submit to SWRCB. Documentation to be prepared will include all applicable application forms and the various attachments required to initiate the SWRCB's review of the Project. Submittals necessary to complete the SRF application include, but are not limited to:

- a. General Information Package – Consultant shall complete and submit the General Information Package to SWRCB. Package includes basic information such as Project Description, preliminary cost estimate, and benefits summary used to assist SWRCB in categorizing Project.
- b. Technical Package – Consultant shall complete and submit the Technical Package to SWRCB including all necessary data, reports, tables and figures for successful presentation of the SRF-required Project Report. Consultant shall prepare a draft of the Project Report for City review and a Final Project Report for submittal to the SWRCB staff.

Consultant shall work with City and review all current Project technical information to ensure that all required information is available, that City is compliant with all State required discharge and conservation measures, and that all environmental work has been completed.

- c. Environmental Package – Consultant shall review City's environmental documents and perform any work necessary to complete and submit the Environmental Package to SWRCB. Consultant shall ensure that City complies with any additional requirements relative to cultural resources or preservation.
- d. Financial Security Package – Consultant shall complete and submit the Financial Security Package to SWRCB. Consultant shall work with the City's Finance Director and Financial Advisor to gather audited financials and budgets, and any legal opinions or resolutions relevant to the Financial Security Package.

Consultant shall coordinate the submittal of any documents (i.e. resolutions, tax questionnaires, etc.) prepared by others which are required for the application and ensure they are submitted to the SWRCB.

- 4. Assist with Review of Financing Agreement – Consultant shall assist City with the review of the SWRCB standard Financing Agreement and preparation of the appendices to the Financing Agreement.

END OF EXHIBIT "A"

EXHIBIT "B"

CONSULTANT'S PROPOSAL

FOLLOWS THIS PAGE

Proposal to provide



Professional Engineering and Consulting Services
State Revolving Fund Application Assistance

March 5, 2015

Submitted by:



AndersonPenna Partners, Inc.

3737 Birch Street, Suite 250

Newport Beach, CA 92660

(949) 428-1500

www.andpen.com



March 5, 2015

Mr. Marcus Fuller, MPA, PE, PLS
Assistant City Manager/City Engineer
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262

Re: Proposal for State Water Resources Control Board State Revolving Fund Application Assistance

Dear Mr. Fuller:

AndersonPenna Partners, Inc. welcomes this opportunity to submit our proposal to provide state revolving fund application assistance to the City of Palm Springs. We are a California corporation that has been in business since 2005, and are a woman-owned certified small business enterprise. We currently have 60 employees serving roles as program/project managers, design engineers, construction managers, inspectors, code enforcement officers, plan check engineers, and grant administrators.

Our Principals and staff are experienced in assisting with project finance and delivering many types of public infrastructure projects. We are proposing Sudi Shoja, PE as Project Manager, with support from Angel Lucero, Principal-in-charge, and APP's engineering and document preparation staff resources. Our familiarity with the state revolving loan processes, the SWRCB staff, and the schedule requirements; will assist the City in successfully obtaining one or more SWRCB state revolving fund loans.

Ms. Shoja, PE is a former City Engineer/ Assistant Director of Public Works who brings more than 25 years of municipal engineering responsible for budgeting, and management of Capital Improvement Programs and special projects, fund administration and formation and administration of various types of assessment districts. She has extensive experience in securing and managing various federal, state and local funds and bond measures including more than \$57million in state revolving fund loans for various capital improvement projects for the City of Vista.

Anderson Penna Partners, Inc. was selected by South Coast Water District(SCWD) in 2013 by responding to the Request for Proposal from the District. Sudi Shoja was the Project Manager that was responsible for submittal of the SRF application for the \$102million that was approved in record time and received no corrections. Anderson Penna Partners, Inc. has since been selected as the Grant Assistance Consultant for the District.

Ms. Lucero assisted the City of La Canada Flintridge in obtaining three SRF loans, of which the City utilized two of these loans to fund more than \$60 million in sewer improvements. The third loan was approved, but property owners in the City did not support the assessment district that was going to be used to repay the loan.

The undersigned is the contact person for City correspondence and contracting:

Angelique M. Lucero, Principal
AndersonPenna Partners, Inc.

3737 Birch Street, Suite 250, Newport Beach, CA 92660

Business Ph: (949) 428-1500 Cell Ph: (714) 504-2753 Fax: (949) 258-5053 email: alucero@andpen.com

3737 Birch Street, Ste 250 • Newport Beach, CA 92660
PHN 949 428 1500 • FAX 949 258 5053

www.andpen.com

City of Palm Springs
March 5, 2015
Page 2



AndersonPenna and its principals have no interest, ownership, nor have they received or anticipate to receive any remuneration of any type from any manufacturer, supplier or distributor which may be recommended on the Project.

We look forward to meeting with you to develop a specific scope of work that meets the City's needs for funding projects through the Clean Water State Revolving Fund, and answering any questions you may have about our proposal.

Sincerely,
AndersonPenna Partners, Inc.


Angelique M. Lucero,
Principal



Contents

Table with 2 columns: Content Item and Page Number. Items include Project Approach, Scope of Work, Estimated Project Schedule, Key Personnel, Relevant Experience, References, Organizational Structure, and Level of Effort.



**Proposal for State Revolving Fund Assistance
City of Palm Springs**

Executive Summary

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Council approved April 21, 2010.

The SWRCB offers Clean Water State Revolving Fund (CWSRF) loans with a 30 year repayment period that begins one year after construction is certified complete. The loans have fixed interest rates equal to one-half the rate of the latest state general obligation bond. The City would like assistance in applying for the loan. This would include getting the project on the CWSRF Program's Project Priority list, prepar

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Key Issues

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Key Staff Assignments

- Sudi

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State Water Resources Control Board
Department of Financial Assistance
Financial Assistance Application

Type of Assistance Requested

A. Clean Water State Revolving Fund (CWSRF) Loans
 B. Water Recycling Funding Program (WRFP)
 C. Small Communities Clean Water State Program (SCWSP)

Amount of Assistance Requested: \$ _____ State Assigned Project No: _____

I. Applicant Information

Agency Name: _____
 Street Address: _____
 Mailing Address: _____
 E-mail: _____ County: _____ Federal ID Number: _____
 Authorized Representative, Title: _____ Phone: _____
 Contact Person, Title: _____ Phone: _____

II. Project Information

1. Project Description: Detritus from sewer lines, Lineduo Milemark 1
 2. Project Name: _____
 3. Regional Water Quality Control Board: _____ Est. Construction Start Date: _____
 4. Current Project Status: Planning Underway Planning Complete Other _____

5. Estimated Project Capital Costs and Funding Summary

Cost Classification	SWRF B Program Share, \$	Applicant's Share, \$	Other Loans or Grants, etc., \$	Total, \$
A. Landfill Construction (a, b)				
B. Landfill siting (a, b)				
C. Landfill Design (a, b)				
D. Construction (a, b)				
E. Land and Right-of-Way (a, b)				
F. Plant Engineering (a, b)				
G. Construction (a, b)				
H. Refuse-to-Payments (a, b)				
I. Engineering Services (a, b)				

Figure 1. The AndersonPenna staff assigned to this project have successfully completed Clean Water SRF loans. Our track record, staff augmentation background, and familiarity with the latest SWRCB procedures and issues provides the City with the expertise necessary to complete its first SRF loan, and establish appropriate procedures for future project loans.

 Title: _____





Proposal for State Revolving Fund Assistance City of Palm Springs

through the Federal Railroad Administration, transportation funding through the California Transportation Commission, and a variety of assessment district and Mello-Roos district formations.

- **Additional Support Staff.** As necessary, AndersonPenna’s engineering and administrative staff will assist in the compilation and submittal of documents. Debby Cobb will assist with compiling and submitting the various application pieces. With a staff of more than 60 people, AndersonPenna has sufficient depth of resources to ensure a timely completion of the funding application. The resume of Dennis Jue, PE is included for information, although based on the scope outlined, it is not anticipated that Dennis will be involved in this project.

Through the use of highly experienced staff, AndersonPenna provides the needed expertise and knowledge to complete these services in the most cost effective way.

AndersonPenna Partners, Inc. – Background

transportation autho

oversight and inspection, project and construction management, and grant applications and management.

APP also provides staff augmentation for public works and planning departments, administration of federally services.

-Corporation that has been in

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design, our staff is comprised of professionals with extensive experience working directly for public agencies.

-how gained by working side-by-side with local and regional agency staff, in developing collaborative relationships with community and business stakeholders, and by partnering effectively with state and federal regulatory agencies, delivers successfully completed projects and services, well-managed budgets, and thoroughly satisfied stakeholders and clients.

APP tailors its management approach to carefully monitor program effectiveness, and closely track work

administration, and oversight of project development teams from inception to completion with committed, complete ownership of all aspects.





Proposal for State Revolving Fund Assistance
City of Palm Springs

Project Approach

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APP's Project Manager Sudi Sho
agencies' approval processes. Consistent contact with SWRCB staff is required to ensure that documents

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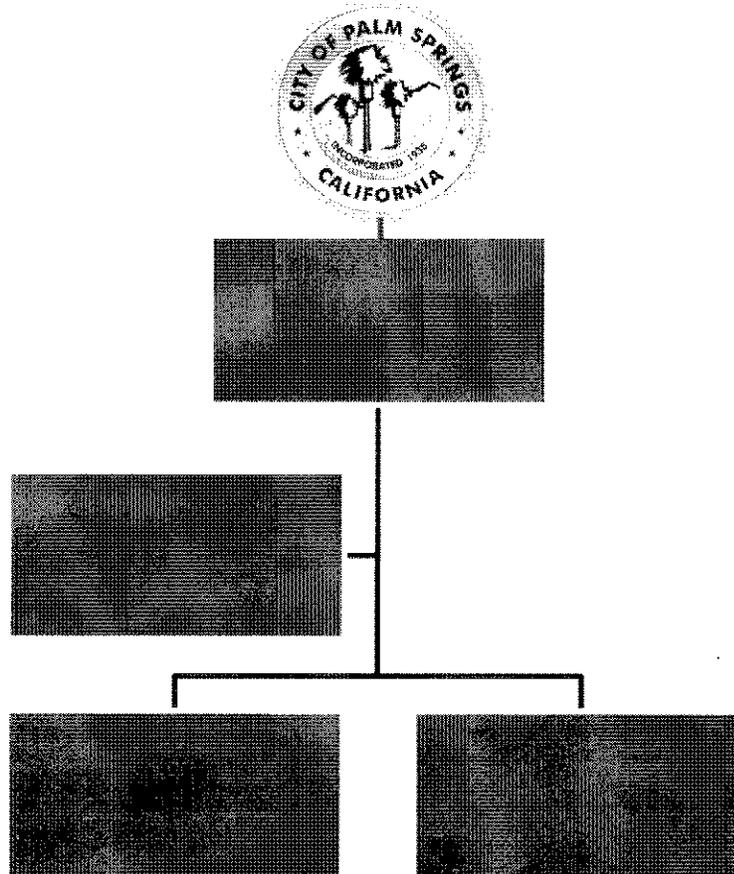
Package will be prepared for the financing team's review.

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Organizational Structure



Resumes



Proposal for State Revolving Fund Assistance
City of Palm Springs

Sudi Shoja, PE, F. ASCE
Proj

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Professional Affiliations

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Sheriff Hutchen's Community

responsible for preparing loan application materials for the District's Tunnel



Proposal for State Revolving Fund Assistance City of Palm Springs

Successfully secured multiple annual grants to fund CIP projects and other projects that resulted in conversion of staff charges from general funds to enterprise funds.

- Part of the management team overseeing \$110 million of sewer system improvements, including a successful rate increase process, design, construction and maintenance of the system. Secured \$26M in State Revolving Funds (SRF) for 14 projects and submitted for additional \$31ML SRF applications before departure from the City. This resulted in abandoning the bond option and pursuing the SRF loan options for the entire program. This translated to substantial savings for the City. Sudi worked directly with State staff to process the applications, establish City's financial capacity for loan repayment, and meet and discuss the project to expedite the process.
- Member of the leadership management team responsible for development of a successful ballot measure for 1/2cent tax increase that resulted in a \$100ML bond measure towards construction of a new city hall, two fire stations and a park complex
- Responsible for formation and administration of all aspects of various assessment districts including coordination of the process with various city and outside stakeholders including financial advisors and bond council, holding community meetings and council presentations to provide methodology, cost estimates, contributions, and engineering reports, design and construction of all work.
- Responsible for management of all right-of-way acquisitions within assessment districts and for all capital improvement projects, negotiations and settlements.
- Responsible for daily activities of Design and Contract Administration, Construction Management of CIP and sewer program, Right-of Way Division, Storm Water, and Traffic Engineering.

Municipal Engineering, City of Santa Ana, CA. Managed complex projects from conceptual planning to project completion.

- Actively involved in the planning and development of CIP and grant application process.
- Established a financial reporting system for tracking budget, grant funding and staff time.
- Supervised the staff effort that led to the recovery of \$2 million of City funds and earned an Exceptional Quality Service Award.
- Responsible for process improvement and implementation of liability prevention and customer service measures.
- Responsible for the development of the Public Works component of the Santa Ana Property Information Network (SAPIN) and supervised the department's internal database systems.
- Agency liaison to Historical Resources commission and Santa Ana Unified School District.
- Recommended and implemented staff cross-training program to achieve improved customer service.
- Established the Omnibus contract procedure to maximize construction funding and scheduling of public improvements.



Proposal for State Revolving Fund Assistance
City of Palm Springs

Angelique M. Lucero
Principal in

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and CFD's

Professional Affiliations

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Proposal for State Revolving Fund Assistance City of Palm Springs

- Setting up and attending meetings with SWRCB staff and City Council members, and presentations to City Council and property owners
- Preparing and implementing public outreach programs for the first two project areas.

North Coast Railroad Authority: As NCRA's on-call planner and financial consultant, responsible for completing special projects including:

- Exploring economic stimulus opportunities and preparing TIGER, ISTEPA, and SAFETEA-LU reauthorization grant applications.
- Compiling and processing an application with the Federal Railroad Administration for a Railroad Rehabilitation Infrastructure Financing loan.
- TCRP grant applications to program more than \$40 million, including meeting with Caltrans District and Headquarters and California Transportation Commission staff.
- Project administration including the invoice review, scheduling, financial modeling for a \$40 million rehabilitation program.
- Preparing their first Disadvantaged Business Enterprise Program documentation.
- Preparing a Policies and Procedures Manual to incorporate state and federal regulations.
- Coordinating information and drafting/finalizing NCRA's strategic plan and subsequent updates
- As an extension of staff, managing the environmental assessment process including the release of an extensive Environmental Impact Report for a four-county area.

City of Irvine On-call Consulting: Responsible for administering the day-to-day activities of the City's capital facilities funding program as an extension of city staff. Responsibilities include:

- Staff report preparation and coordination with departments.
- Coordination with the City's financing team including public works and finance staff, attorneys, underwriters, financial advisors, appraisers, and economists to address specific issues, changes, and formations of the city's 16 assessment districts and community facilities districts.
- Being in City Hall to answer questions and address specific needs.
- Working closely with City staff to keep them informed of pertinent issues including the preparation of multiple financing schedules, recordation and noticing requirements, and financial documentation



Dennis H. Jue, PE, TE

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<p>Professional Registrations</p> <p>Professional Affiliations</p>

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ngineer responsible for managing the City's
and operating the City's computerized traffic signal control system.

Engineering Services

Planning Commission meeting support, attendance at staff and/or community meetings, analysis of City's



Proposal for State Revolving Fund Assistance City of Palm Springs

needs and the preparation of short and long-term CIP recommendations, review of planning programs and land development controls, regulation and ordinance recommendations pertaining to engineering matters, coordination with other agencies and utility companies on engineering matters, assist with RFP development and the candidate selection process, provide advice regarding funding availability and the completion of grant applications, assistance in the preparation of the City's operational budget, and the preparation of general correspondence and staff reports.

Consulting Program Manager, City of Tustin, CA. Provided assistance in coordinating the design, right-of-way acquisition and construction management of the City's major capital improvement program. Projects included major arterial street widening, extension of arterial streets, a new on and off ramp with the SR-55 Freeway, and a new 17-acre community park. Provided assistance for seven projects that required the partial acquisition of 35 properties with a total construction value of over \$75 million.

- Construction of and right-of-way acquisition for the Newport Avenue/SR-55 ramp reconfiguration project
- Construction of Valencia Avenue/Armstrong Avenue, the backbone infrastructure at Tustin Legacy
- Design administration for the Newport Avenue Extension/Grade Separation Project Phase II
- Design administration for the Red Hill Avenue Grade Separation Project at the OCTA/SCRRA Railway

Project Management, City of Newport Beach, CA. Project manager responsible for overseeing building and safety plan check for the new Civic Center project as well as the building inspection of the Civic Center that includes a new city hall, council chambers, parking structure, and expansion of an existing library.

Alley Rehabilitation Project, City of Laguna Beach, CA. Responsible as the City's representative to provide project and construction management for the rehabilitation of 14 alleys.

Cities of Dana Point, Lake Forest, and Seal Beach Contract Services, CA. Directly responsible for planning, directing, coordinating and administering the City Engineering/Capital Improvement functions for all three cities. This included a total annual allocation of \$8 million in capital improvements, extensive development review, managing public works maintenance functions, attending/making presentations at City Council meetings and coordinating department responsibilities with adjoining water, sanitary and other special districts.

Assessment District No. 10-23 (Planning Area 18), City of Irvine, CA. Assessment engineer for this district funding of \$32 million in capital improvements including SR-133 widening, Lake Forest Drive extension, and utilities for a 750 unit development.

White Avenue Construction Support Services, City of Pomona, CA. Responsible as the City's representative to manage the construction management consultant and processes for this ARRA funded project to rehabilitate three miles of White Avenue.

Anaheim Street Rehabilitation and Reconstruction Project, Port of Long Beach, CA. Funding program manager responsible for developing a funding strategy and subsequent funding applications for this roadway project. Funding options being explored include grant funding from the Los Angeles County Metropolitan Transportation Agency (LACMTA), and through the State of California Proposition 1B, and Proposition 42 programs.



Relevant Experience

Following is APP's staff experience of completing projects similar in nature in the last seven years:

Agency	Project Funded	Funding Mechanism	Value
South Coast Water District Michele Collins, Contracts Officer	Tunnel Rehabilitation and Replacement Project	Clean Water SRF	\$102 million
City of Vista Larry Pierce, Former Public Works Director (Retired) (760) 525-8651	14 projects as identified in Sewer Master Plan	Clean Water SRF	\$26 million
City of Vista Larry Pierce, Former Public Works Director (Retired) (760) 525-8651	Application submittal for 5 additional projects identified in the master plan	Clean Water SRF	\$31 million
City of La Canada Flintridge Mark Alexander, City Manager (818) 790-8880	Sewer Master Planning Areas 3A and 3B	Clean Water SRF	\$27 million
City of La Canada Flintridge Mark Alexander, City Manager (818) 790-8880	Sewer Master Planning Areas 5A and 5B	Clean Water SRF	\$40 million ¹
City of Lake Forest Tom Wheeler, PE, Public Works Director, (949) 461-3480	Applications for various traffic calming and safe routes to school	Active Transpiration Grant	\$700, 000
City of Vista Larry Pierce, Former Public Works Director (Retired) (760) 525-8651	EPA Grant Application for Detention Basin and Creek restoration projects	Proposition 84	\$1.5 million
City of Newport Beach	Emergency Management	FEMA/Cal EMA	\$9 million
County of Orange	various grants for street improvement and recycled pavement	Various funding sources	\$4.5 million
City of Rancho Santa Margarita Ehab Maximous, PE, City Engineer (949) 635-1805	Storm Damage to Antonio Parkway, Pavement Replacement, Intersection Improvements and Bridge Projects	Federal Highway Administration/ Caltrans	\$15 million
City of Tustin Doug Stack, PE, Public Works Director (714) 573-3150	Design, R/W acquisition and construction management of the major capital improvement program. Projects included major arterial street widening and extension, new on- and off-ramps to the SR-55, and a new 17-acre community park.	Regional Agency, Measure M Funds	\$75 million
TOTAL			\$124 million

¹ Funding approved by SWRCB, property owners did not approve assessment district.



Proposal for State Revolving Fund Assistance
City of Palm Springs

References

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City of Vista

(760) 525-8651

EXHIBIT "C"

SCHEDULE OF COMPENSATION

Fee Proposal - State Revolving Fund Assistance with Financial Application

Task Item		AndersonPenna Partners Labor Hours				Direct Costs	Total Hours	Total per Task
		Principal	Project Manager	Admin	Project Engineer			
Hourly Rates		\$ 140	\$ 140	\$ 85	\$ 140	\$ -		
Task 1 Project Coordination								
1.1 Project Management / Invoicing	Hours	8	12				20	
1.2 Kickoff and Coordination Meetings	Hours	10	60				70	
Subtotal of Task 1	Hours	18	72	0	0	0	90	
	Fee	\$ 2,520	\$ 10,080	\$ -	\$ -	\$ -		\$ 12,600
Task 2 Clean Water SRF Submittals								
2.1 Review Existing Information	Hours	2	16				18	
2.2 Draft Documentation for Review	Hours	2	96	12	0		110	
2.3 Finalize Submittals	Hours	2	16	12	0		30	
2.4 Finalize Financing Agreement	Hours	1	8	0	0		9	
Subtotal of Task 2	Hours	7	136	24	0	0	167	
	Fee	\$ 980	\$ 19,040	\$ 2,040	\$ -	\$ -		\$ 22,060
TOTAL PROJECT HOURS		25	208	24	-		257	
TOTAL PROJECT COSTS		\$ 3,500	\$ 29,120	\$ 2,040	\$ -	\$ -		\$ 34,660

Task 3 Reimbursement Processing - Optional								
3.1 Initial Documentation Setup	Hours		4	8			12	
3.2 Reimbursement Request (Each)	Hours		2	12			14	
Subtotal of Task 3	Hours	0	6	20	0	0	26	
Task 4 Meetings with SWRCB Staff in Sacramento - Optional								
3.1 Preparation and Meeting	Hours		12	0			12	
Subtotal of Task 4	Hours	0	12	0	0	0	12	

Other Direct Costs by Task	1	2	3	4		
Printing/Reproduction		240				\$ 240
Overnight Delivery/Messenger		100				\$ 100
Travel				at cost		\$ -
Subtotal ODC's	\$ -	\$ 340	\$ -	\$ TBD		\$ 340

TOTAL CONTRACT						\$ 35,000
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Optional items included: Task 3 = \$2,540

Task 4 = \$1,680

Total Maximum Not To Exceed = \$39,220

EXHIBIT "D"

SCHEDULE OF PERFORMANCE

Professional services shall be provided to the City with submittal to the SWRCB of the various items for the SRF Loan application by the following dates:

Description	Estimated Date
Notice to Proceed to AndersonPenna	04/06/2015
General Application Submittal	04/15/2015
City Council Meeting – Approve SRF Resolution designating an authorized representative and stating intention to use State Revolving Funds to fund the project	5/06/2015
Environmental Submittal	05/11/2015
Technical Submittal	06/15/2015
Financial Submittal	06/17/2015
City Council Meeting Commit revenue source to repayment of SWRCB loan	06/17/2015
Execute Funding Commitment and Installment Sales Agreement	10/31/2015
1 st Disbursement Request to SWRCB	11/15/2015
1 st Disbursement to City	12/31/2015

END OF EXHIBIT "D"