

TAB 8

POINT PAPER

EXTENSION OF VIOLIA WATER'S CONTRACT OPERATION OF THE CITY OF PALMETTO WWTP

Issue: The City of Palmetto is required to provide Viola Water of our intention to renew their contract for the operation of the Waste Water Treatment Plant (WWTP) by the end of September.

Background: Viola Water has effectively operated the WWTP for the City of Palmetto. The initial term of the current agreement was for four (4) years, commencing on January 1, 2005 and ending on December 31, 2008. The City has the sole option to renew this Agreement for an additional two-year period, upon providing Viola with three (3) months prior written notice of its intent to renew. The notification may be provided by way of a letter from the Mayor as approved by City Commission.

STAFF WILL PROVIDE INFORMATION TO CITY COMMISSION REGARDING
THE PERFORMANCE OF VIOLIA AND THE RENEWAL OF THE CONTRACT.

June 23, 2008

Mr. Ray D'auto
Violia Water

Palmetto, FL 34221

Dear Mr. D'AUTO:

Please be advised that it is my intention to propose that the City Commission approve the contract provision authorizing a two (2) year extension of the contract with Viola Water for the operation of the Waste Water Treatment Plant.

If this is acceptable, please advise me so that I am able to schedule our presentation to the City Commission at the next available meeting.

I appreciate your prompt response.

Sincerely,

Chris Lukowiak
Director



August 5, 2008

Mr. Chris Lukowiak
Director Department of Public Works
600 17th Street West
Palmetto, Florida 34221

Dear Mr. Lukowiak:

Veolia Water North America – South concurs with the two year renewal.

The budget for next year was already provided to you by contract terms as of June 30 and follows the CPI rate adjustment. The new fee is \$1,036,903 per year. Most of the cost increase is reflected in higher chemical, sludge and maintenance costs which are impacted by the economy particularly fuel prices. These fees are adjusted to you based on usage each year and would be rebated if not used.

The City has also asked for options on financing and completing capital improvements at the wastewater plant. These improvements include replacing the grit cyclone, cleaning grit out of the fermentation basins, sludge conveyor belt replacement and oxidation ditch mixer blade and shaft replacement. Veolia Water as part of its contract can carryout this work as we have done the last few years and will finance the repairs if needed. The estimated cost of improvements is \$600,000. This cost would be recaptured over the length of the contract. The longer the contract term, the lower the monthly fee. Veolia Water can provide two options – a two-year or a ten-year term. The monthly amount due Veolia for repayment is estimated to be \$27,273.40 for a two-year extension and \$7,439.14 if the O&M agreement is extended for ten years. The City could repay the balance of that debt at any time.

We appreciate the business with the City of Palmetto and look forward to two more years. Further details of the financing plan can be provided if the funding is required by the City.

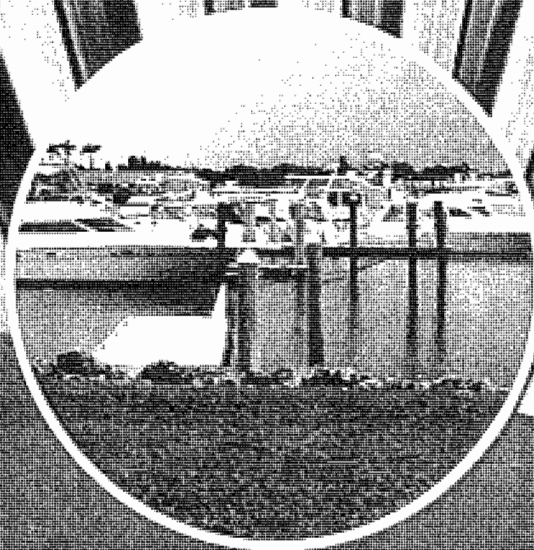
Sincerely,

VEOLIA WATER NORTH AMERICA – SOUTH, LLC

A handwritten signature in dark ink, appearing to read "Jeffrey J. Kowal", written over a circular stamp or seal.

Jeffrey J. Kowal
President

cc: R. D'Aiuto



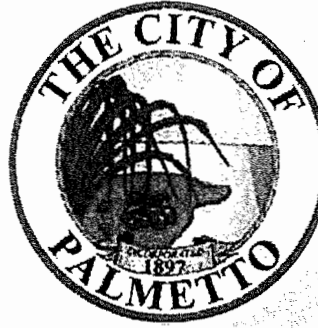
2007/2008 PARTNERSHIP SUMMARY

City of Palmetto, Florida

Wastewater Facilities

Operation & Maintenance Services Partnership





Larry Bustle

Eric Ball
Commissioner at Large
Tamara Cornwell
Commissioner at Large
Mary Lancaster
Commissioner Ward 1
Tambra Varnadore
Commissioner Ward 2
Brian Williams
Commissioner Ward 3

Chris Lukowiak
Public Works Director
Frank Woodard
Deputy Director
Duane Kinn
Deputy Director of Operations
Grace Johnson
Deputy Director of Administration

The City of Palmetto, balancing growth and expansion with the need to preserve the "Old Florida" charm that residents and visitors admire, has experienced dramatic growth over the past few years and has upheld a commitment to maintain the quality of life in the community.

Veolia Water North America – South, LLC, is proud to help maintain the coveted quality of life in Palmetto by providing reliable, high-quality and cost-effective wastewater management services. Since 1991, our philosophy has centered on delivering effective and efficient budget management and maintenance programs.

Over the past three years, we also worked with the City and capital project contractors to maintain wastewater operations during 24 major capital improvement projects (CIP) for the upgrade of the treatment plant and lift stations.

Veolia Water's operation, maintenance and management (O&M) team also identified unforeseen repairs needed in addition to the funded capital projects, including a new return activated sludge pumping station. The City responded by approving the additional projects to meet contractor deadlines and reduce the overall cost of the capital program.

We continued to interface with the City's consulting engineers to resolve conflicts with trihalomethane (THM) discharges to Terra Ceia Bay, working to avert any potential environmental damage from this contaminant to the local marine life.

Veolia Water is proud of our accomplishments under this partnership with the City over the past 17 years. This report focuses on providing you with an overview of the work of the dedicated team of professionals at Palmetto. As with all of our operations, Veolia Water's approach to delivering services to the City is based upon the successful application of human resources and technology to provide the most effective operations possible. We work for the benefit of the City by implementing cost-effective management techniques to optimize plant operations and maintenance, relieving administrative burdens on the City and maintaining consistent compliance with local, State of Florida and U.S. Federal regulations.

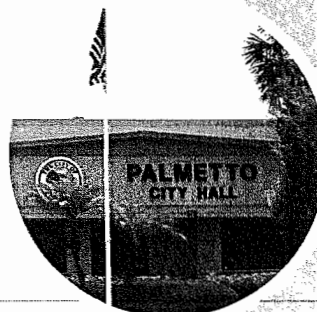
We look forward to renewing this partnership and to meeting the challenges that we both face in the next year to keep the City of Palmetto a little bit of "Old Florida" in the modern world.

SCOPE OF SERVICES:

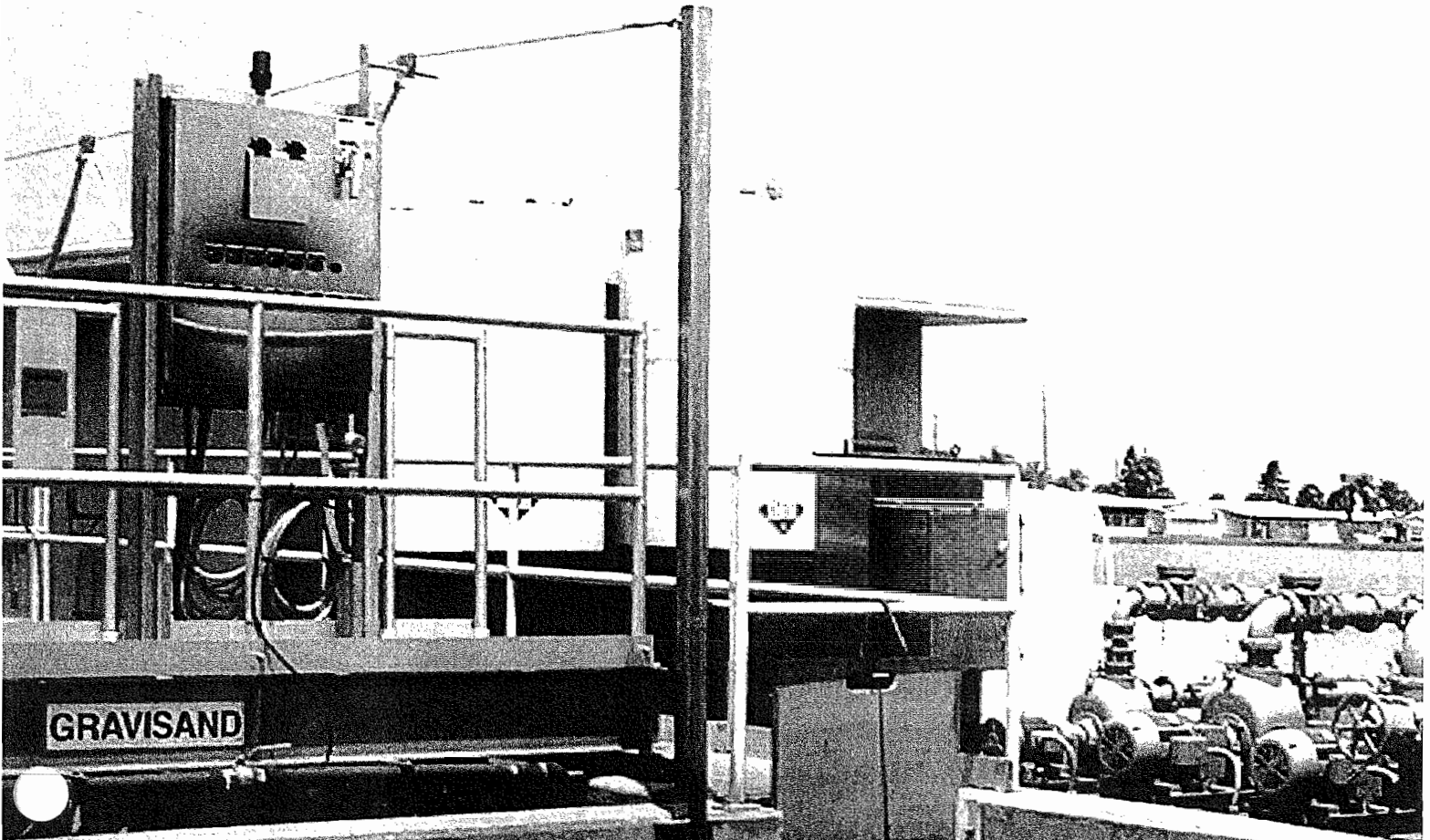
- Operation, Maintenance and Management
- Land Application Program for Sludge
(Safely disposing of 250 dry tons per year on land for agricultural uses.)
- Effluent Reuse Program with Reuse Distribution System
(Providing irrigation water for residential property to eliminate discharges to Terra Ceia Bay.)

FACILITIES:

- 2.4-MGD Bardenpho® and Oxidation Ditch Wastewater Treatment Plant
- 36 Lift Stations

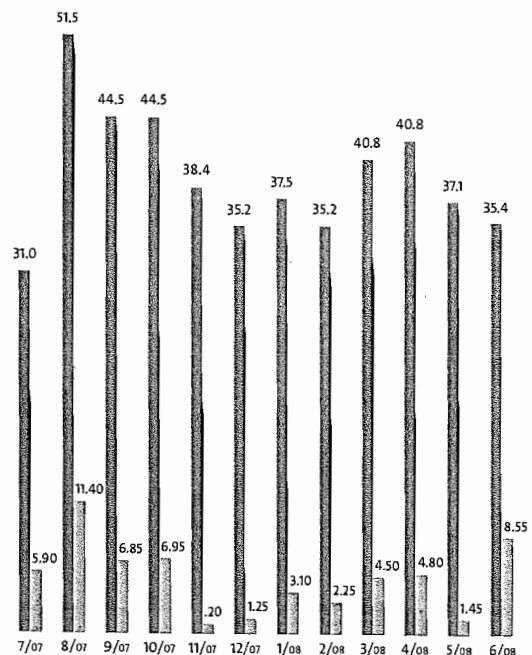


2007/2008 OPERATIONS REVIEW



(fig 1) TOTAL INFLUENT vs RAIN

- Influent (million gallons per month)
- Rain (inches)



Compliance – *protecting the environment*

Veolia Water's mission is to meet the environmental service needs of the City through the O&M of the facility, equipment and systems that treat the wastewater. As a result of Veolia Water's services, environmental quality is preserved, community and employee health and safety are enhanced, and public and private investments are protected.

We have maintained compliance at the plant during times of average flow and during times when weather and seasonal tourist activity caused influent flow to double and even triple, exceeding plant capacity. The quantity of flow varies with the time of day and the season, which requires continuous monitoring and changes in the operation of the plant. Additionally, as shown on the rainfall/influent chart (*fig 1*), the seasonal rainfall and population variation in the City service area causes significant fluctuations in wastewater flows. During the summer, average daily flows drop to 0.9 MGD, while jumping to 4 MGD during the rain season.

Veolia Water's operations approach for the City's wastewater system uses tools and processes designed to address large fluctuations in flow and to maintain compliance. These include computerized record keeping and analyses, standard operating procedures, emergency response plans and regular staff meetings.

Operation of the plant requires more than 18,000 analyses per year to comply with the discharge permit and to provide information for optimized operation of the plant; Veolia Water performs more than 17,520 tests in-house. These analyses provide information required by the permit and aid operators in adjusting air flows and sludge ratios to ensure

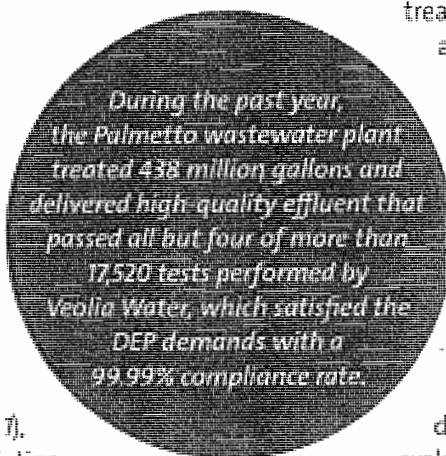
peak performance. A series of permit-required testing is performed by an outside certified laboratory. This arrangement provides third-party verification of results for the plant and offers more time for operators to improve the treatment processes. The Palmetto wastewater treatment staff has the distinction of 100 percent acceptable results for Laboratory Wastewater Proficiency testing for the last two years.

Another challenge in operating the City's advanced wastewater treatment process includes performing tests every hour to determine specific actions to take. This adds up to more than 30 readings at the plant each day.

Veolia Water's computerized software system, OPS 32, collates the data to determine the performance of the plant and evaluate options to use in manipulating the flow of water. The effectiveness of the procedures is shown in the high level of CBOD (carbonaceous biochemical oxygen demand, which is a measure of the organic content of wastewater) removal (*fig 2*) – 99.9% of the CBOD from the plant – and high levels of TSS (the amount total solids suspended in the wastewater) removal (*fig 3*).

The quality of the effluent has also helped limit the discharges into Terra Ceia Bay by allowing for a portion of the wastewater to be reused by Dickinson Nursery, Terra Ceia Golf Course, City parks and residents. In 2007, reuse represented an average of 80% of the plant's total flow, which equates to 0.96 MGD.

The solid waste from the plant, sludge (biosolids), are also beneficially reused. All of the treated biosolids from the facility, 78 tractor trailer loads, are applied on local farmland for soil enrichment.



Safety and Training – *protecting workers and the community*

Veolia Water staffs the Palmetto wastewater operations seven days per week, 365 days per year, with a staff of seven. All employees are assessed on their training progress, level of responsibility, reliability and work efficiency and are compensated accordingly. Employees are encouraged to upgrade skills and achieve higher levels of certification through our training programs, certification bonuses and tuition reimbursement.

The safe completion of projects is the obligation of every Veolia Water employee, and ongoing and effective safety training programs are vital components contributing to the successful operation. Operations, maintenance and management training programs are emphasized for all employees.

The Palmetto wastewater treatment plant has a permanent safety committee that consists of management and staff personnel. Monthly safety meetings and activities are held

for the entire staff in order to introduce new policies and update existing procedures.

The success of the operation of the Palmetto wastewater treatment plant is based on teamwork supported by an effective cross-training program. This approach has improved staff efficiency through better skills and increased motivation.



Asset Management – protecting the City's investment in the wastewater facilities

Veolia Water has maintained a strong commitment to the City, working to diligently complete the repair and maintenance activities covered under the O&M scope, advising and assisting the City in implementing capital improvement projects, and also providing the City with out-of-scope repairs at no additional cost.

Through this approach, we saved the City of Palmetto in excess of \$366,860 over the last three years!

As a partner to the City, Veolia Water had a third-party comprehensive maintenance audit at the wastewater treatment plant performed in 2006 to identify deficient equipment and establish a future CIP schedule. We subsequently performed all necessary corrective and preventive maintenance, and have completed all CIP projects on time and under budget. The major activities performed last year involved 1,494 repairs: 937 preventive and 557 corrective. Additionally, on six occasions we performed electrical repairs for the City at no additional cost. All equipment is automatically scheduled for preventive maintenance tasks on a monthly basis, with corrective maintenance performed as required.



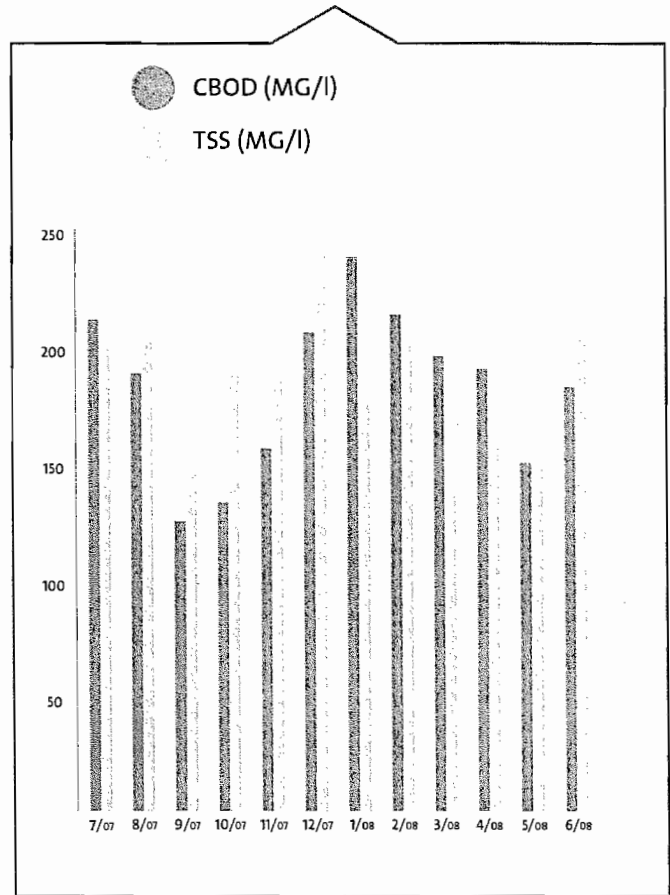
In 2008, Veolia Water will update the maintenance management program used for scheduling, tracking and documenting all necessary corrective and preventive maintenance.

Veolia Water is also committed to controlling odors from the plant and lift stations. While odors are a normal byproduct of a wastewater operation, we take very aggressive steps to prevent odors from being a nuisance to our neighbors. We respond promptly to any and all odor complaints, as we have a genuine and honest concern for our neighbors. Following are odor control projects that have been completed to-date:

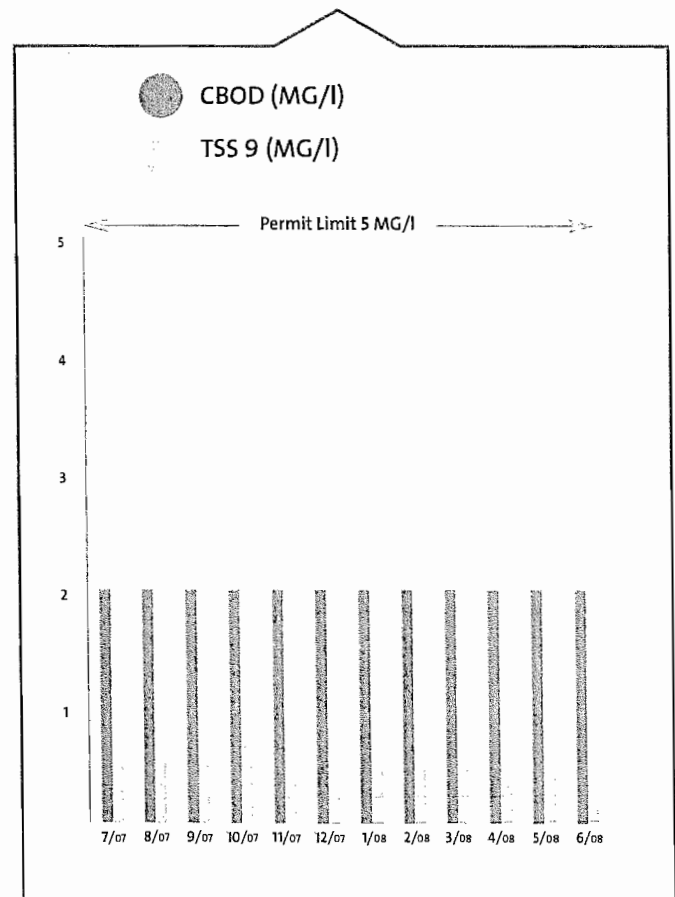
- Installation of a new scrubber system, designed and built to filter air at the headworks, which has significantly reduced odors.
- Installation of a bagging system on the wash press to reduce odors from screenings discharged to headworks' dumpster.
- Installation of a fogging system to reduce odors from the fermentation splitter box.
- Installation of a pilot microbe-injection system at lift station #19 to reduce odor, fats, oil and grease.
- Installation of a pilot chemical injection system at lift station #5 to reduce odor and corrosion.
- Diligent housekeeping to keep equipment clean and free of odor-causing buildups.

< (Pictured left to right) Ray D'Aiuto (Project Manager), Paul Fulford, Keith McCloskey, Jozef Piwowarczyk, Scott Patterson, Roger Pipkins and Mike Farrell

(fig 2) INFLUENT COMPOSITION



(fig 3) EFFLUENT COMPOSITION



SUMMARY OF VEOLIA WATER'S COST SAVINGS FOR THE CITY

- \$119,060 - 2005-2006 CIP: Engineered, administered and managed 25 CIP projects for the City, at a 9% direct cost savings for the City.
- \$50,000 - 2005-2006 CIP: Headworks Scrubber – Used our corporate buying power, saved engineering costs and provided free labor to save the City 50% of the cost of the original contractor quotes.
- \$50,000 - 2005-2006 CIP: Analyzer Room – Provided all labor for moving chemical feed pumps, sample water pumps, compliance analyzers, flow meters, lightning protection, 24-hour sampler, electrical work and SCADA RTU system into a wind-loaded structure.
- \$29,700 - 2007-2008 CIP: Engineered, administered and managed 10 CIP projects for the City, providing a 9% direct cost savings.
- \$5,000 - 2007-2008 CIP: WWTP Lighting Upgrades – Provided all labor to install new lighting fixtures throughout the facility, and saved additional lift rental costs by utilizing the contractor's equipment already on property.
- \$5,000 - 2007-2008 CIP: WWTP North Filter Rehabilitation Project – Negotiated cost savings with the contractor by utilizing our in-house electrician to perform the electrical portion of the installation.
- \$21,000 - 2007-2008 CIP: WWTP Facility Painting – Negotiated with the paint contractor and supplier to hold their prices stable for over one year, consequently saving on lift rental costs by using the contractor's equipment already on site. 
- \$12,000 - 2007-2008 CIP: WWTP Belt Filter Press Upgrades – Utilized in-house labor to replace drums, bearings, belts and hydraulic cylinders on the belt filter press and conveyor belt.
- \$6,000 - 2007-2008 CIP: WWTP Polymer System Replacement—Engineered a simplistic replacement polymer feed system and utilized a local contractor to build and install this system.
- \$21,000 - 2007-2008 CIP: WWTP Lift Station Upgrades – Utilized in-house labor to install electrical panels at lift stations 2, 3, 4, 6, 11, 18 and 19 at no cost to the City. 
- \$2,500 - 2007-2008 CIP: Aeration Pilot THM Removal – Utilized in-house labor to install a second change order design from the City's engineers at no additional cost to the City.
- \$27,600 - RAS Pump Station: Provided engineering assistance and management for the return activated sludge pump station CIP project for the City, providing a 9% direct cost savings.
- \$10,000 - RAS Pump Station: Flow Meters – Utilized our corporate buying power to purchase three 10-inch flow meters at a 70% discount from list price, and passed these cost savings directly to the City.
- \$3,000 - RAS Pump Station: Purchased materials for this project at a discount from list price, and passed on these cost savings to the City.
- \$5,000 - Collection System I&I Assistance: Provided smoke testing for some 20,000 feet of sewer line, at no additional cost to the City.
- \$5,000 (approx.) - Collection System I&I Assistance: Assisted the City with a manhole rehabilitation project for basin #4, and inspected (manholes, laterals and clean-outs) three other basins—all at no additional cost to the City.
- \$2,500 (approx.) - Industrial Pretreatment: Performed industrial pretreatment inspections for six different businesses, and provided detailed reports to the City at no additional cost.
- \$5,000 (approx.) - Additional Sampling: Collected more than 200 additional samples from the collection system, looking for illegal discharges, at no additional cost to the City.

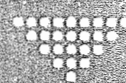
The City of Palmetto's wastewater treatment facilities are unique in the industry – the dual-train treatment plant features a Bardenpho process (the first of its kind built in North America) and an oxidation ditch process. These treatment schemes provide for a combined daily average treatment capacity of 2.4 million gallons a day (MGD) and now treat an average of 1.2 MGD, or 438 million gallons for 2007, of flow for households and businesses in the City. The Bardenpho side also has a limited capacity to discharge to Terra Ceia Bay (1.4 MGD) and features wastewater reclamation and reuse systems.

Over the past contract year, Veolia Water has continued to provide high-quality effluent – with strict adherence to State of Florida Department of Environmental Protection regulations through expert process control, preventive maintenance, corrective maintenance and staff training.

Looking to the future

The City of Palmetto's wastewater facilities are undergoing great changes through ongoing work under the City's aggressive CIP program, as well as the continued expansion of the reuse system, which offers irrigation water to household users throughout the City and further limits discharges to the bay. Veolia Water recognizes that the completion of the capital projects will be among the challenges of the coming year, with key activities that include the installation of the return activated sludge pumping station, the replacement of the grit removal system, the inspection of the oxidation ditch mechanical system, the improved computer maintenance system, and the aquifer storage and recovery exploratory well.

Veolia Water remains committed as your O&M services partner, working with you to meet other immediate challenges that you face.



Delivering Safe and Compliant Operations:

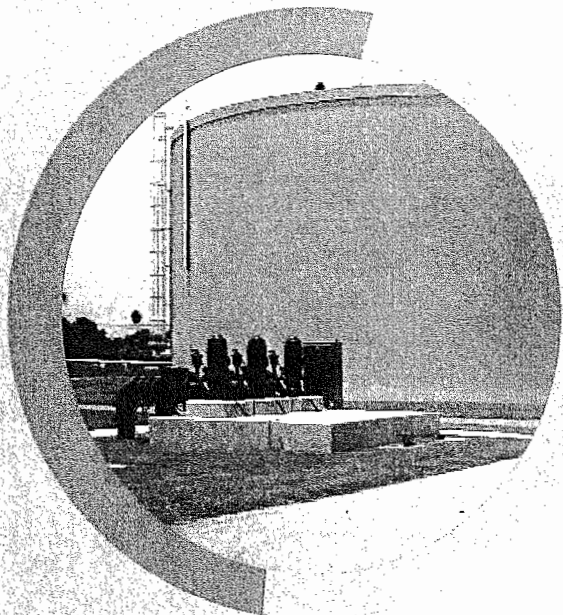
- **Improvements in Compliance** – Operating the facility in compliance with all State of Florida and U.S. Environmental Protection Agency (EPA) regulations and assisting the City with the resolution of the long-standing dispute with this agency regarding the wastewater plant. The plant performance has improved dramatically under Veolia Water management – to a 99.9% compliance rate, meeting the State's standard.
- **Predictable Costs** – With only the costs of CPI adjustments and additional City-requested services added to the new budget.
- **A Perfect Safety Record** – 17 years with no lost-time accidents.
- **Training and Certification** – Maintaining an aggressive employee development training program that resulted in two employees upgrading their operator certifications.

Providing for System Longevity Through Preventive, Predictive and Corrective Maintenance:

- Performed 937 preventive maintenance actions, 557 corrective repairs and assisted the City with six electrical repairs in 2007.
- Reviewed the City's capital improvement projects (CIP), plant expansion designs and recommendations, saving the City more than \$214,000 for the 2006-2007 CIP budgets.
- Provided added value, "no cost" projects such as industrial pretreatment sampling, manhole inspections, collection system corrosion evaluation and smoke testing, THM aeration system and standby generator contract administration.
- Worked with outside vendors, at no cost to the City, to address odor control needs for the wastewater facility and collection system.

Ongoing Commitment to the Community

- Sponsor site tours and education programs.
- Donate to community causes and organizations, including the Sickle Cell Anemia Foundation, Kappa Alpha Psi Project Guide Right and Manatee County Fair Association.



Veolia Environnement is the world leader in environmental services. With operations on every continent and nearly 320,000 employees, we provide customized solutions to meet the needs of municipal and industrial customers in four complementary segments: water, environmental services, energy and passenger transportation.

Founded over 150 years ago, Veolia Environnement is a truly global operator with unmatched human capital, technological capabilities and business references. We are ideally positioned to deal with the contemporary trends of urban growth and more stringent environmental requirements.

Veolia Water

Veolia Water specializes in water and wastewater services for municipal and industrial clients, deploying specific solutions tailored to local needs worldwide. The division has more than 150 years of experience managing public water and wastewater services under public-private partnerships. Our expertise also includes the capabilities of our research and development teams and our subsidiary, Veolia Water Solutions & Technologies, which continually develops analytical, treatment, wastewater and recycling techniques that span the entire water cycle.

Our program includes:

- Management of water and wastewater services for municipal and industrial clients.
- Design/build of technological solutions and the infrastructure necessary to deliver water and wastewater services.
- Global resources provided locally to our clients through best-practice exchanges deployed on behalf of the millions of people the division serves each day in 60 countries.
- Quality services in public health protection, leak reduction, improved productivity (plants and pipelines) and water conservation.

Veolia Environmental Services

Turning waste into a mineral, organic or energy resource, Veolia Environmental Services manages municipal and industrial waste processes, from flow logistics upstream to technologically advanced treatments downstream. The only global operator to provide a complete range of waste management services, Veolia Environmental Services covers the entire waste cycle, including urban cleaning services, soil and site remediation, collection, sorting, transfer, treatment and recycling/recovery.

Their services include:

- Environmental and flow logistics services—including cleaning, site remediation, pipe systems maintenance, collection, consolidation and transfer—for local authorities and businesses.
- Hazardous and non-hazardous waste sorting, treatment and recycling, composting, landfilling and physical-chemical treatment.
- Conversion of waste to energy, organic matter and recycled raw materials.

Veolia Energy

Veolia Energy provides custom, sustainable energy services and facility management solutions to a wide range of industries. Veolia Energy's services encompass operating and maintaining heating and cooling networks, providing facility management services, and managing all energy utilities for customers.

Their services include:

- District Energy (heating and cooling) networks.
- Management of all technical installations and electrical systems inside a building.
- Combined heat and power/cogeneration and trigeneration.
- Comprehensive building management, incorporating energy purchases, site management, logistics and landscaping.
- Climate control and power equipment installations, industrial maintenance.
- Public lighting.

Veolia Transportation

Veolia Transportation partners with local authorities and is a major environmental stakeholder. Its public transit services provide urban transportation and greenhouse gas reduction solutions and help improve quality of life.

Veolia Transportation is also interested in industrial markets, including rail freight lines, airport hub services and managing rail branch lines and their logistics for industry.

Their services include:

- Management of urban, regional and national public transit systems under public-private partnerships.
- All types of vehicles, including buses, motor coaches, trains, metro systems, light rail, trolleys, ferries and taxis.
- Freight transportation and associated logistics.

Report prepared by Veolia Water North America – South, LLC, at Palmetto and in Florida: Veolia Water North America – South, LLC, Telephone: (813) 983-2807

