

**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'Auito:

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 Violia 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 17<sup>th</sup> 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 black ink, appearing to read "Jeffrey J. Kowal".

Jeffrey J. Kowal  
President

cc: R. D'Aiuto