



January 27, 2016

Rick Howard
General Manager
Town of Discovery Bay CSD
1800 Willow Lake Road
Discovery Bay, CA 94505

Dear Rick,

Veolia North America is proud of the partnership that is in place with the Town of Discovery Bay for the operations, management, and maintenance of your water and wastewater systems. The partnership began in January 2009 on a month to month basis, with the current five year agreement beginning in May of 2011, and expiring on April, 30 2016.

The project scope of services has included the operations and maintenance for the following facilities and infrastructure:

- Wastewater Treatment Plant #1
- Wastewater Treatment Plant #2
- Willow Lakes Water Treatment Plant
- Newport Water Treatment Plant
- 16 Wastewater Lift Stations
- 5 Potable water wells
- Approximately 49 miles of wastewater collections lines, 29 air relief valves, and all of the associated manholes.
- Approximately 49 miles of water lines of various sizes with approximately 1200 isolation valves

Over the course of the last few years the Town has been very proactive to ensure that their systems have been maintained and upgraded regularly to ensure years of reliability. The Town has also had the foresight to plan for future growth in the community and has constructed and placed the following new processes into service:

- 2 new belt presses for solids dewatering at Plant #2
- 2 new green houses for bio-solids drying at Plant #2
- 1 new oxidation ditch at Plant #2
- 1 new clarifier at plant #2
- 1 new water booster pump station
- 1 potable water well
- 1 generator
- A new SCADA and radio communications system

It is also anticipated that the next plant expansion will break ground in March of this year to include 6 new tertiary filters at Plant #2. Followed by 1 new potable well in the distribution system and 1 additional water filter at the Willows Lake Water Treatment Plant.

The Town has asked Veolia to begin preparing for the upcoming contract renewal and we are excited to begin the process.

Veolia has performed a salary survey with neighboring cities, and adjusted staff's wages successfully to retain talent and subsequently reduce a turnover in staff. We are partnered with over 100+ companies nationwide to provide products and services at discounted rates. This leverage has allowed the Town to realize between 10% to 40% in savings. We are asking and in the future contract Veolia be allowed to apply a nominal 8% markup to cover our overhead for any out of scope goods and services.

Veolia is very sensitive of the need to keep operations cost down. However, the plant expansion, along with the addition of the ancillary systems and processes, has created operational challenges and we are realizing the need to increase our staffing level by 2 full time employees. The project originally had 1000 assets and now has 1200+. We are proposing to bring a new Instrumentation and Controls Technician on board as well as a new Utility Worker. This will increase our level of staffing from 8 full time employees to 10. The asset distribution will be 300 assets per maintenance staff as opposed to 600 assets per maintenance staff. Due to the increase in staffing of the 2 additional employees because of additional labor requirements associated with the expanded facilities, we are proposing an increase in our annual fee. Our current annual fee is \$1,254,072. We are asking to increase this annual fee to \$1,588,700 to operate and maintain the old, new and upcoming facilities as outlined above and the scope defined in Exhibit A. The majority of the increase in fee is due to the salary, benefit and overhead cost related to the 2 new employees and increasing the salaries of some of our existing employees to retain them and pay them market competitive rate.

It is our understanding that you would like to finalize our agreement and get it to the Town Board by late February. This would allow for a July 1st contract start date to coincide with the Towns fiscal year. Please let us know at your convenience a good time to discuss our proposal.

Regards,



Sachin Chawla
VP of Operations
Veolia North America
310-863-4749

Exhibit A

General Scope

Operate, maintain and monitor the Project on a 24-hour per day, seven-day per week schedule, using the Town's alarm system (SCADA) to notify operators of need for immediate attention. The alarm system automatically forwards notice of emergency until response is made.

Responsible for all Maintenance and Minor Repairs for the Project. Veolia is required to purchase materials and services necessary to perform the scope of work directly or through the Town's purchasing system.

Maintain all facilities with a neat and clean appearance. All weeds and trash are regularly removed from all sites and equipment, tools, and Town assets properly stored.

Maintain and continuously update the Town's Computer Maintenance Management System (CMMS). The current system is Jobs Plus.

Maintain and continuously update the Town's collection and distribution system GIS system. The system current GIS system is through INFONET.

Assist the Town in creating and/or revising ordinances with regard to utilities operation responsibilities.

Provide technical and operational support in relation to any new or existing utility infrastructure plans, including but limited to plans, specifications, and/or contract review. Veolia is responsible for providing appropriate personnel to attend design review and pre-construction/construction meetings as needed.

Organize, and maintain a store for the purpose of controlling inventory used in the maintenance and operations of the project, water, and wastewater. All inventories shall be tracked through the CMMS as goods received and goods expended by work order activities. Provide statistics of these activities in a quarterly report to the Town.

1. Scope Item: Water Operations

1. Provide properly certified employees as required by federal, state, and local laws.
2. Test the water and maintain chlorine residuals throughout the Town.
3. Operate, maintain, and make minor repairs to the Town's municipal water wells, booster pumps, electrical equipment, and all equipment necessary to produce safe drinking water for the customers of the Town.
4. Operate, manage and perform required maintenance along with minor repairs on the Town's water wells, water storage tanks and treatment facilities.

5. Provide standby personnel for emergencies involving the Water System twenty-four hours/seven days a week as needed.

We are also required to respond to all service calls for emergencies regarding water production and distribution, and in no event later than one (1) hour after being notified of such incidents

2. Scope Item: Water Distribution

1. Operate and maintain the Town's water transmission and distribution systems and air release valves.
2. Clean/flush twenty-five percent (25%) of water system lines annually.
3. Exercise all distribution valves once per year.

3. Scope Item: Wastewater Collections

1. We are required to exercise generators on a monthly basis under load conditions to assure proper operation when needed for emergencies.
2. Maintain hot spot list in GIS system.
3. Maintain a crew for emergency operations and minor repairs of the Wastewater Collection System.
4. Inspect lift stations once per week.
5. Inspect and clean air relief valves once per quarter.
6. Clean twenty-five percent (25%) percent of sanitary gravity sewer lines once per year.
7. CCTV sanitary gravity lines according to best management practices (BMP) or when issues are identified through the sanitary flushing program.

4. Scope Item: Wastewater Treatment

1. Operate, maintain, and make minor repairs to the Town's 2 wastewater treatment facilities and all equipment necessary to produce safe and properly treated wastewater effluent that meets or exceeds all federal, state, and local laws regulating the quality of discharged effluent for reuse in irrigation systems or discharge to permitted receiving waters.
2. Provide properly certified employees as required by federal, state, and local laws to provide leadership of crews for proper decision making in performing their tasks.
3. Provide labor for the collection, hauling, testing, and storage of bio solids at wastewater treatment plant No. 2.