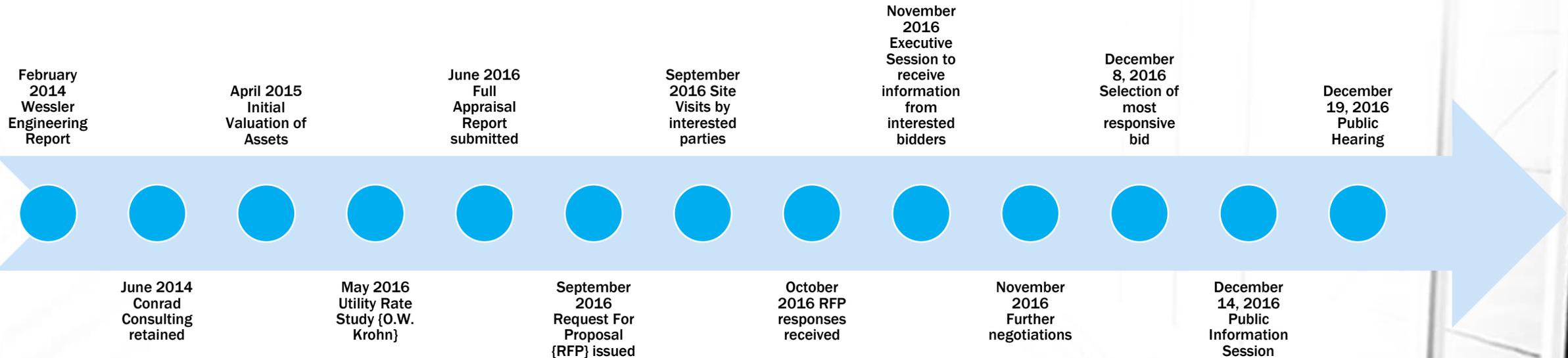


Town of Sheridan Utility Infrastructure Solutions Project

- ✓ Opportunities
- ✓ Reliability
- ✓ Sustainability
- ✓ Future



Town of Sheridan Utility Infrastructure Solutions Project Benchmarks



What brought us to this point?

- This just didn't happen overnight!
- Wastewater treatment plant is reaching the end of service life.*
 - Last significant upgrade completed in 1998 (approximately \$800k Grant)
 - Full treatment plant replacement approximate cost = \$7M = significant impact to rates (this estimate is now closer to \$8M)
 - May qualify as Distressed Utility (as defined by IURC)
- Surface water infiltration issue (separate but interrelated)
 - Actively being addressed
 - Indiana Department of Environmental Management {IDEM} violations
 - **Currently being mitigated by funds from OCRA & USDA**
- Water treatment infrastructure
 - Reliable but aging
 - Some equipment is original, dated to the late 1950's installation

* 2014 Wessler Engineering Summary



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This is not unique to Sheridan

The screenshot shows a web browser window with the URL <https://yosemite.epa.gov/opa/admpress.nsf/ec5b6cb1c087a2308525735900404445/e418f2bd321cad9f85257f390052f5be!OpenDocument>. The browser tabs include "Sheridan Engineering Doc", "shepherd's table illusion", and "01/13/2016: EPA Survey S". The browser's address bar and search bar are visible. The website header features the EPA logo and navigation links: "LEARN THE ISSUES", "SCIENCE & TECHNOLOGY", "LAWS & REGULATIONS", and "ABOUT EPA". A search bar with "Advanced Search" and "A-Z Index" is also present. The main content area is titled "Newsroom" and includes a breadcrumb trail: "You are here: EPA Home » Newsroom » News Releases issued by OW » EPA Survey Shows \$271 Billion Needed for Nation's". The primary headline is "News Releases issued by the Office of Water", followed by "EPA Survey Shows \$271 Billion Needed for Nation's Wastewater Infrastructure". The release date is "01/13/2016" and contact information is provided for Robert Daguillard (MEDIA ONLY) and cwms@epa.gov (PUBLIC INQUIRIES ONLY). The text of the release begins with "WASHINGTON — The U.S. Environmental Protection Agency (EPA) today released a survey showing that \$271 billion is needed to maintain and improve the nation's wastewater infrastructure, including the pipes that carry wastewater to treatment plants, the technology that treats the water, and methods for managing stormwater runoff." It continues with "The survey is a collaboration between EPA, states, the District of Columbia, Puerto Rico, and other U.S. territories. To be included in the survey, projects must include a description and location of a water quality-related public health problem, a site-specific solution, and detailed information on project cost." and a quote from Joel Beauvais, EPA's Acting Deputy Assistant Administrator for Water: "The only way to have clean and reliable water is to have infrastructure that is up to the task," said Joel Beauvais, EPA's Acting Deputy Assistant Administrator for Water. "Our nation has made tremendous progress in modernizing our treatment plants and pipes in recent decades, but this survey tells us that a great deal of work remains." The bottom of the page shows a Windows taskbar with various application icons and a system tray displaying the time "9:37 PM" and date "8/2/2016".

EPA United States Environmental Protection Agency

Advanced Search A-Z Index

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News Releases issued by the Office of Water

EPA Survey Shows \$271 Billion Needed for Nation's Wastewater Infrastructure

Release Date: 01/13/2016
Contact Information: Robert Daguillard (MEDIA ONLY), daguillard.robert@epa.gov, 202-564-6618; cwms@epa.gov (PUBLIC INQUIRIES ONLY)

WASHINGTON — The U.S. Environmental Protection Agency (EPA) today released a survey showing that \$271 billion is needed to maintain and improve the nation's wastewater infrastructure, including the pipes that carry wastewater to treatment plants, the technology that treats the water, and methods for managing stormwater runoff.

The survey is a collaboration between EPA, states, the District of Columbia, Puerto Rico, and other U.S. territories. To be included in the survey, projects must include a description and location of a water quality-related public health problem, a site-specific solution, and detailed information on project cost.

"The only way to have clean and reliable water is to have infrastructure that is up to the task," said Joel Beauvais, EPA's Acting Deputy Assistant Administrator for Water. "Our nation has made tremendous progress in modernizing our treatment plants and pipes in recent decades, but this survey tells us that a great deal of work remains."

Adequate wastewater infrastructure plays a vital role in the health of streams, rivers, and lakes, where discharged wastewater and stormwater runoff often end up. Wastewater infrastructure must also become more resilient to the

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9:37 PM 8/2/2016

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Source:

<https://yosemite.epa.gov/opa/admpress.nsf/ec5b6cb1c087a2308525735900404445/e418f2bd321cad9f85257f390052f5be!OpenDocument>



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Sheridan Engineering Doc x shepherd's table illusion x Aging water infrastructure x

dupress.com/articles/us-aging-water-infrastructure-investment-opportunities/

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The aging water infrastructure: Out of sight, out of mind?

Issues by the Numbers, March 2016

The United States' water infrastructure needs an overhaul, and the cost of doing so is climbing rapidly. Where will the money come from?

WRITTEN BY
Dr. Patricia Buckley, Lester Gunnion, & Will Sarni

creating a safe environment through partnerships, economic opportunities, and social activities.

9:28 PM 8/2/2016

To supply the nation's homes and businesses with water, the United States depends on a country-wide network of aging underground pipes, many of which are reaching, or have exceeded, the end of their useful life. The number of water main breaks across the country, from Syracuse to Los Angeles, is staggering: 240,000 per year, according to one estimate.² The direct cost of these leaks is pegged at \$2.6 billion per year.³ And the total cost to the economy is not limited to the cost of the lost water. Beyond households, most economic activities, from hospitals and schools to factories and farms, depend on reliable access to safe water. **The American Society of Civil Engineers estimates that, while the cumulative cost to households from degrading water/wastewater infrastructure will add up to \$59 billion (in 2010 dollars) over the period between 2013 and 2020, the cost to business will be more than double that, at \$147 billion.⁴**

It is clear that the country's water infrastructure needs an overhaul and that the dollar cost of doing so is climbing rapidly. What is unclear, however, is where the money will come from. **The need for infrastructure investment could mean a continued increase in water prices—which would more closely align the price of water with its value. Innovations in technology, public policy, and funding are the need of the hour.**

Source - <http://dupress.com/articles/us-aging-water-infrastructure-investment-opportunities/>



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Right Here at Home

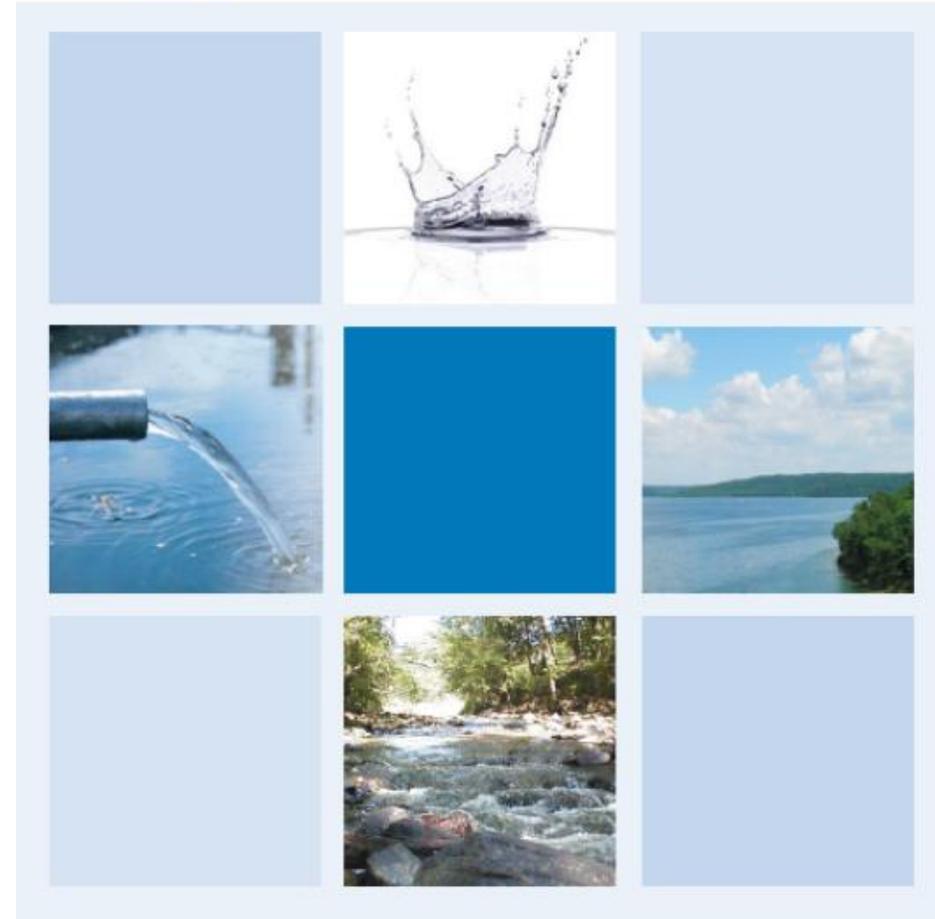
Improve the managerial, financial, and technical requirements for forming water and wastewater utilities.

“The IURC has seen many water and wastewater utilities fail over the years, largely due to poor management and inadequate business planning. In order to ensure high quality service for customers, a reliable operating systems, and stable utilities, the requirements for establishing water and wastewater utilities should be examined.”

Source: 2014 IURC Water Utility Resource Report



Indiana Utility
Regulatory Commission
2014 water utility resource report



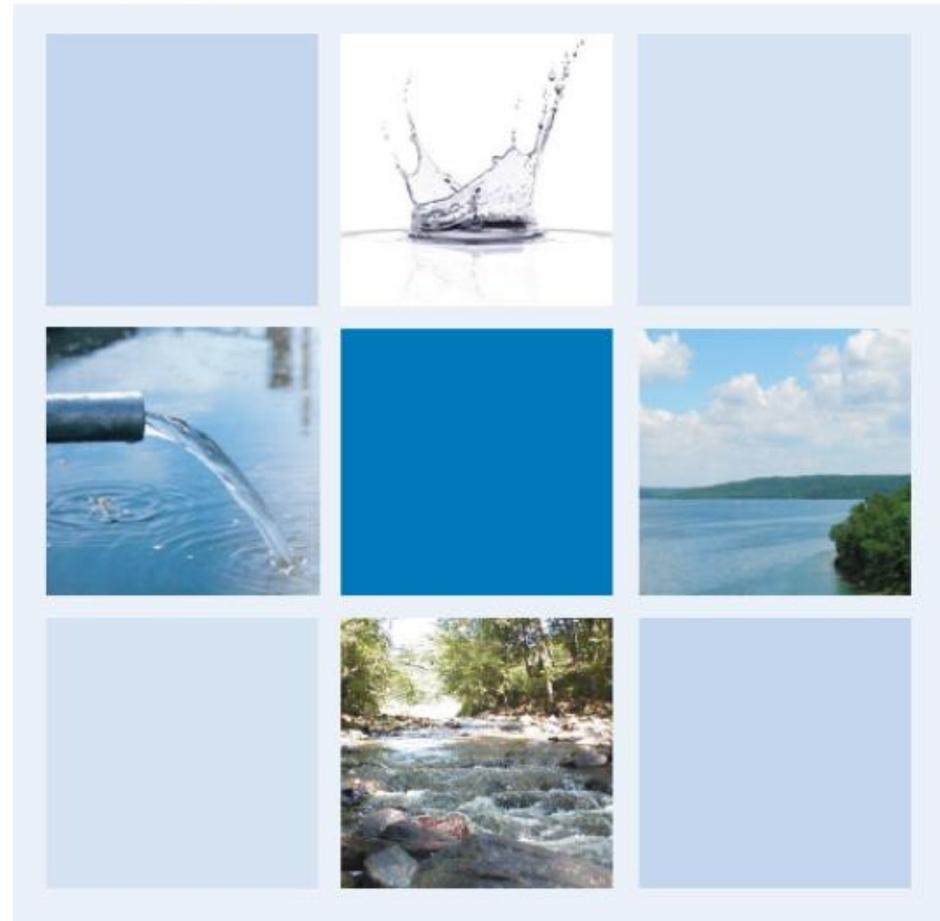
Right Here at Home

Promote efficiency, sound management, and best practices for water utilities.

“Managing a water utility is a significant undertaking and it should be managed like a business. Special attention should be paid to providing relevant training and continuing education for operators and employees. In addition, pursuing economies of scale can lead to more efficient use of resources.”



Indiana Utility
Regulatory Commission
2014 water utility resource report



Source: 2014 IURC Water Utility Resource Report

What are the possible solutions for us?

Doing nothing is NOT an option!

- Replace/rebuild the wastewater treatment by ourselves (Go it alone)
- Public Private Partnership (P3)
 - Management Agreement
 - Privatization of the assets {transfer ownership}



Going It Alone Rate Impact Summary

4000 gallons 5/8" Meter	Current Rates	\$1 M	% Increase	\$4M	% Increase	\$7M	% Increase
Water	\$32.96	\$39.53	20%	\$41.58	26.2%	\$48.25	46.4%
Fire Protection Fee	\$8.15	\$9.77	20%	\$10.28	26.1%	\$11.93	46.4%
Water Total	\$41.11	\$49.30	20%	\$51.86	26.1%	\$60.18	46.4%
Wastewater	\$45.49	\$55.19	21.3%	\$76.27	67.6%	\$92.39	103%
Grand Total	\$86.60	\$104.49	20.6%	\$128.13	48%	\$152.57	76.1%

Source: OW Krohn Associates 2016 Town of Sheridan Rate Studies

Create a Public Private Partnership {P3}

- Two common forms of a P3 as it relates to water and wastewater utilities
 1. Privatization - Transfer of ownership {give the private sector the opportunity to purchase, manage and operate all components}
 2. Management Agreement



Characteristics of Management Agreement

Town

- Retain ownership
- Set rates
- Assume & Mitigate all risks
- All other responsibilities under normal ownership
- Perform pursuant to contractual obligations with management partner

Private-sector Management Partner

- Must manage and operate daily functions of utilities
- Earn their fee from efficiencies and economies of scale brought by the management partner
- Will make financial recommendations and/or formal mandates of Town Council which will be reflected in utility rates



Characteristics of Privatization

Town

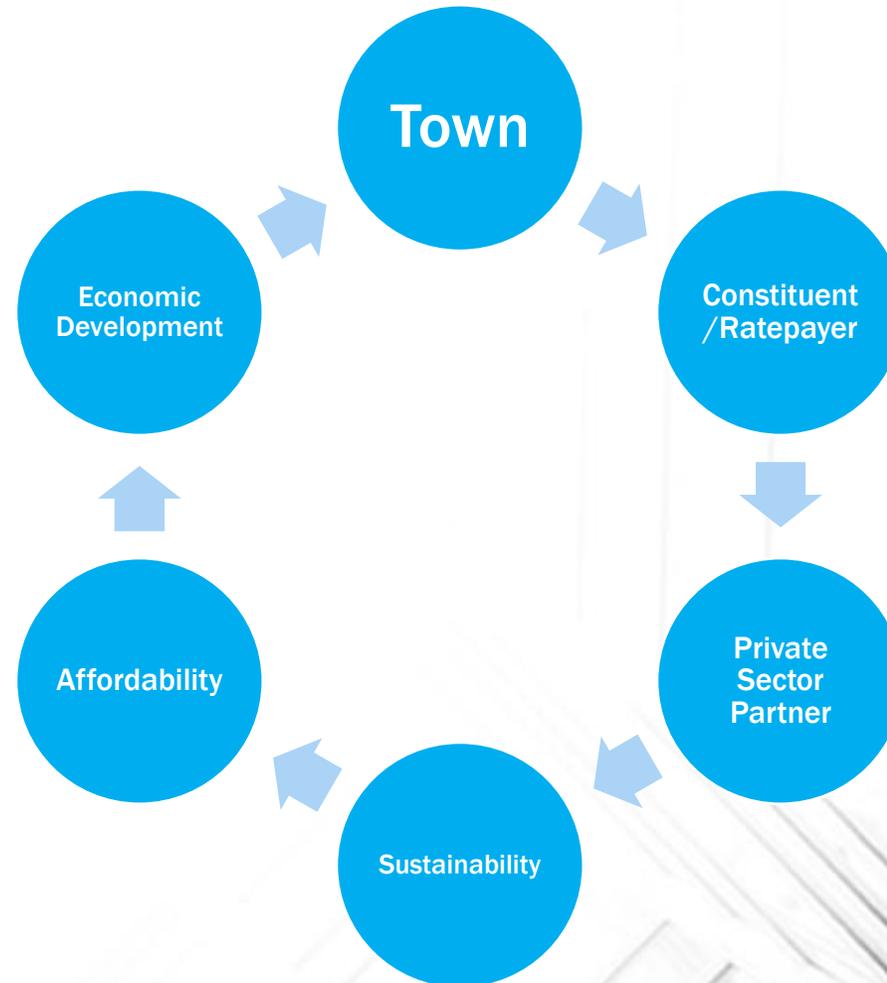
- Transfer ownership through a negotiated purchase agreement
- No longer is charged with setting rates
- No longer assumes risk, transferred to Private sector partner:
 - Financial
 - Operational
 - Environmental
- We are served by this ownership structure already: Natural gas, electricity, telecom.

Private Ownership Partner

- Assumes all responsibilities of owning and operating the utilities
 - Financial
 - Operational
 - Environmental
- **Governed & Regulated by the IURC**
 - Consumer Advocacy & Protection
 - Rate Setting & Approval
 - Debt approval
- Economies of scale and efficiencies = benefit to customers

Characteristic of Privatization

- New Corporate Citizen
- Property Taxpayer
- Economic Development Partner
- Ratepayer advocacy and protection
- Social Corporate Responsibility (philanthropy)



Side by side

	Town retains full ownership	Town Retains ownership with management agreement	Private-sector Owner
Debt responsibility	√	√	√
IURC Regulation & Governance			√
Economic Growth & Development Partner			√
Assumption of Full Risk profile	√		√
Shared Risk		√	

In Summary Review

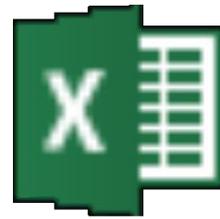
- The state of the water and wastewater utilities are aging to a point of criticality.
- Action MUST BE taken - **Doing nothing is NOT an option!**
- There ARE solutions
 - Exclusive action – go it alone
 - Inclusive action by creating a partnership
- The chosen course of action will most assuredly effect the future of the community.
 - Positively
 - Negatively

Request for Proposal {RFP} key criteria

- Employee continued employment and compensation
- Rate stability
- Purchase Price
- Economic Development Partner
- Capital Investment in both systems
- Corporate Citizenship

RFP Responses

- Aqua Indiana
- Indiana American Water



Microsoft Excel
Worksheet

RFP Response Overview

	Aqua Indiana	Indiana American Water
Type of Response	Acquisition	Acquisition
Valuation	\$10,300,000	\$10,750,000
Financing	\$5B market capitalization \$800M in 2015 annual revenues	\$8B market capitalization Indiana American has \$206M in 2015 revenues
Capital Improvements Plan	\$3,700,000 over 5 years	\$4,200,000 over 5 years

RFP Response Overview

Economic and Community Development	<ul style="list-style-type: none">• \$10K annual contribution for economic development• Highlights planning, infiltration issues, replacement of water and sewer mains, developer relations, community involvement and employee volunteering	<ul style="list-style-type: none">• Highlights economic development programs, community involvement, charitable giving and grants, educational programs and environmental initiatives.
Customer Service	<ul style="list-style-type: none">• 24 hour emergency call support• Tracks resolution of service issues• Semi-annual customer satisfaction surveys• Local payment Drop Box	<ul style="list-style-type: none">• 24/7 emergency call support• New system to improve resolution of customer calls• Quarterly customer satisfaction surveys• Will create remote payment location

RFP Response Overview

<p>Operations and Service Standards</p>	<ul style="list-style-type: none"> • Highlights continuous operations, maintenance/repairs, data management/cyber security, lab services, odor control, sewer overflows, distribution/collection system maintenance, emergency preparedness, reporting, safety, chemicals, training, inventory, local customer service, supplier diversity and equal opportunity employment • Offer a robust and detailed plan on the expertise and professionalism to manage and operate both systems 	<ul style="list-style-type: none"> • Highlights continuous operations, maintenance/repairs, system improvement plans, administration of pollutants and residuals, data management/cyber security, lab services, odor control, sewer overflow, collection system maintenance, emergency preparedness, reports, safety, inventory, local customer service, supplier diversity and equal opportunity employment
<p>Coordination & Reporting</p>	<p>Will attend monthly meetings of Council and other meetings requested. Will submit a monthly report to TC</p>	<p>General explanation</p>
<p>Employees</p>	<p>Jeff Gard to serve as Transition Manager Continued employment for existing employees Competitive compensation</p>	<p>Continued employment for existing employees Eligible for 401(k), discounted stock purchase plan Employee benefits summary in App. 5</p>

Frequently Asked Questions

- What will happen to employees of the utilities?
- What will happen to water and wastewater rates?
- Our utilities are an asset...yes?
 - How has the asset been handled thus far?
- What about area growth?
- What about loosing control?



Thank You!



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