

# Lehigh County Authority

Pretreatment Plant (PTP)

LCA – CH2M Partnership

Contract Renewal

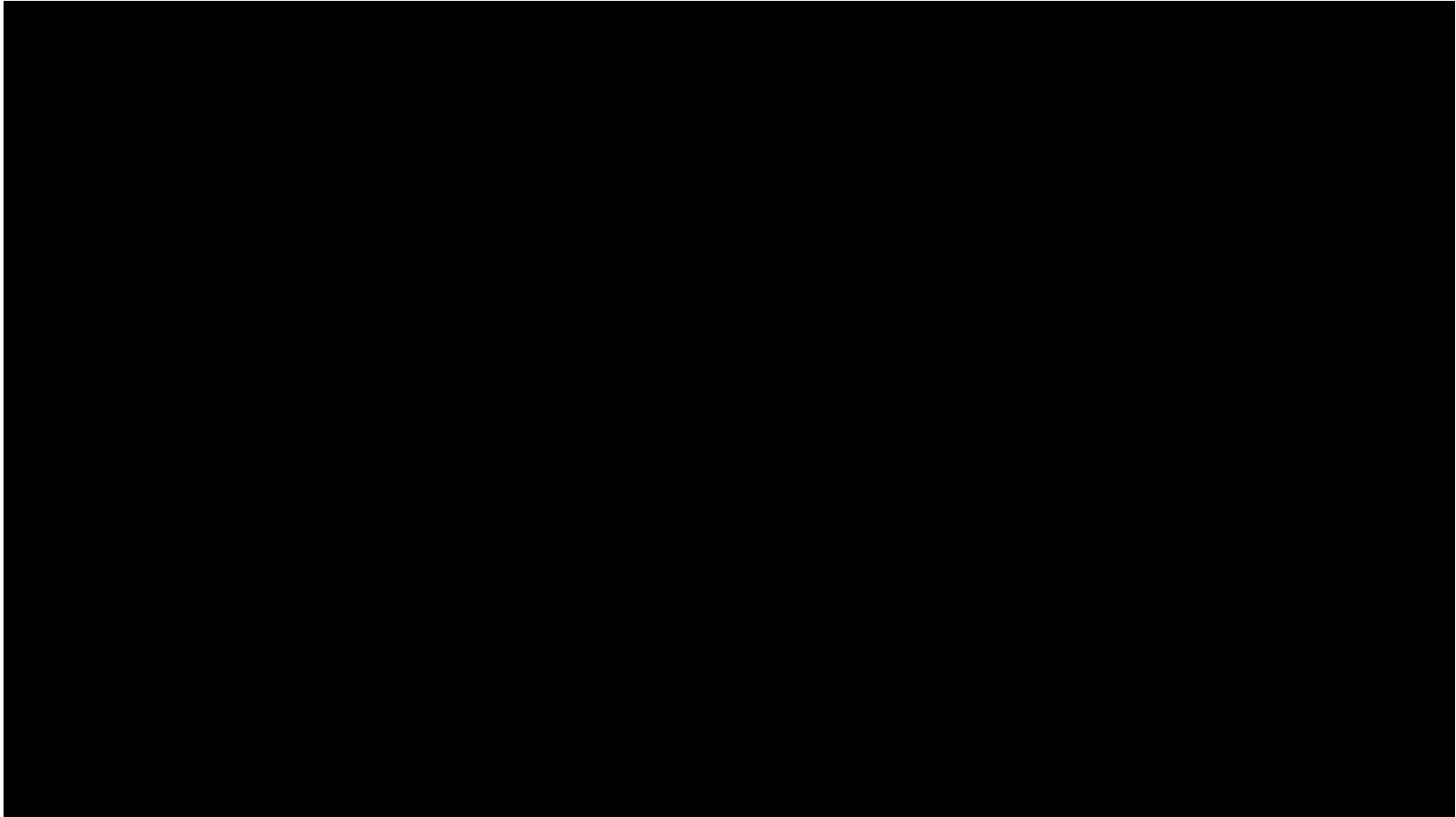


**ch2m.**<sup>SM</sup>

# Agenda

- Welcome and introduction to PTP facility
- Overview of CH2M & LCA Partnership
- Contract Extension Basics
- Contract Extension Details:
  - Annual Rate Adjustment
  - Hauler Program Modifications
  - Cost Savings via CH2M-Funded Plant Improvements
  - Cost Competitiveness
- Discussion / Questions

# A birds-eye view of LCA



# About CH2M – skills and resources for LCA’s most difficult challenges

- Broad expertise
- Business philosophy built on safety, ethics, sustainability
- Ethisphere Institute *World’s Most Ethical Companies* 9 consecutive years
- Top industry rankings from *Engineering News Record*
- Global Water Intelligence ranked CH2M the second Largest US Contract Operator in 2016

ENR has ranked CH2M as a top **Program Management** and top **Environmental firm** for over a decade.



#### Top Design Firms:

- Sewer/Wastewater
- “Pure” Designers
- Sewerage & Solid Waste
- Wastewater Treatment Plants
- Sanitary & Storm Sewers
- Semiconductor Plants

#### Top Environmental Firms:

- Consulting/Studies
- Engineering/Design
- CM/PM
- Federal Clients



# Community engagement that demonstrates LCA's value to public health and the environment

- Hydromania
- Plant tours
- Annual Boy Scouts fundraising
- Operations Assistance Committee update meetings
- Hauler program
- STEM Camp



## Leveraging our relationship for future partnership growth

- Contract executed after 2009 competitive renewal has potential for two 5-year extensions beyond 2018
- Positive discussions with LCA staff about extending service partnership
- CH2M assisted LCA in evaluating BBR Loading predictions at no cost
- Long-term deal provides cost stability for LCA over time
- CH2M's extensive resources at LCA's disposal
- Established relationship includes built-up trust and respect



# Partnership achievements over 20 years

- Formed productive business ties with waste haulers and key industrial customers
- Received various awards from PWEA and EPWPCOA for safety, maintenance, operations and more
- Regular compliance and uninterrupted operations
- Added value to LCA's transition for the City of Allentown's assets
- Consistently attract industrial customers and haulers via efficiency, cost control, process engineering and marketing of waste-hauler program



# Building Blocks for Contract Extension

- LCA assumed ownership of the PTP in 2009
- Issued RFP for new contract operator
- OMI / CH2M highly competitive
- Contract negotiated included renewal options in 5-year increments
- Last renewal was in 2013, followed by LCA staff / Board agreement to negotiate longer contract term
  - Avoid ongoing costly cycle of contract negotiations
  - Allow for longer-term investments in the facility
- LCA staff / Board reconfirmed this direction in 2016
- 12 months of negotiations complete!



# Highlights of Terms Negotiated

- New “restated” contract includes numerous minor updates to clean up language, remove references to County of Lehigh, update insurance requirements, etc.
- Three primary changes with substance:
  - Annual Rate Adjustment – establish 1.5% minimum
  - Hauler Program Redefined
  - CH2M Commitment to Key Projects / Cost Savings

# Annual Rate Adjustment

Annual Rate Adjustment = 70% of CPI Change + 30% of ECI Change

CPI = Consumer Price Index (inflation)

ECI = Employee Cost Index

Northeast & Philadelphia regions

10-Year Historical Averages:

CPI = 1.71%

ECI = 2.36%

New Contract Term: Provides a minimum threshold of 1.5% for the annual rate adjustment

Minimal impact under normal economic conditions

Provides revenue stability for CH2M to allow for commitment to capital investments

# Hauler program updates

- Updated Hauler Permits
- New Generator Permits for Special Wastes
- Undergoing refinement of program as a team using combined experience and common goals – revamping permitting process and local limits
- Protect facilities, maximize revenue through developing market and rate structure and understand treatment strengths and weaknesses
- Ensures greater accountability for haulers/generators; improves protections for CH2M



# Optimizing processes and cost sharing

**Table 1. LCA Guaranteed Annual Savings Projects**

Project	Description	Annual Guaranteed Savings	Year Savings Would Begin
<b>Orege Dewatering Improvements</b>	Install and operate Orege sludge conditioning to increase dewaterability and reduce solids disposal costs.	\$30,000	2017
<b>Aeration Deck Mixers</b>	Install new motors and VFDs on selected mixers to reduce energy costs	\$20,000	2019
<b>Hypochlorite System Improvements</b>	Optimize hypochlorite usage with chemical feed equipment and system changes.	\$10,000	2017
<b>Value Added Services</b>	No longer bill LCA for out of scope items related to FEB and additional sampling requested	\$13,000	2017
<b>Total</b>		<b>\$73,000</b>	



## An overall good deal for LCA

In addition to receiving benefit of the partnership with CH2M, operating cost is comparable to LCA estimated cost to operate in-house.

	CH2M-OPERATED	LCA-OPERATED
	2017 Actual	2017 Estimated
	Budget	Budget
Personnel, Overtime & Benefits	59,063	991,089
Purchase of Services	7,660,441	6,385,096
Supplies & Equipment	7,500	366,000
Depreciation	3,350,000	3,350,000
<b>TOTAL OPERATING BUDGET</b>	<b>\$ 11,077,004</b>	<b>\$ 11,092,185</b>

Cost comparison shown above excludes:

- Value added (cost avoided) via access to CH2M engineering expertise, public outreach, etc.
- One-time transition cost (estimated at \$1 to \$1.5 million) to transition plant operation to LCA.
- LCA cost to implement capital investments that CH2M will fund.



## LCA + CH2M = a winning combination

- Proven, tested partnership
- Investment in the future
- Additional capabilities, resources and expertise

DISCUSSION / QUESTIONS?