

**City of Laredo  
Workshop  
M2002-W-01  
City Council Chambers  
1110 Houston Street  
Laredo, Texas 78040  
February 19, 2002**

**I. Call to order.**

With a quorum present, Mayor Elizabeth G. Flores called the meeting to order.

**II. Pledge of Allegiance**

Mayor Flores led in the Pledge of Allegiance.

**III. Roll Call**

In attendance:

Elizabeth G. Flores,	Mayor
Alfredo Agredano,	Council Member, District I
Louis H. Bruni,	Council Member, District II
John C. Galo,	Council Member,
District III	
Johnny Amaya,	Council Member,
District IV	
Eliseo Valdez, Jr.,	Mayor Pro Tempore, District
V	
Joe A. Guerra,	Council member,
District VI	
Jose A. Valdez, Jr.,	Council Member, District VII
Juan Ramirez,	Council Member,
District VIII	
Gustavo Guevara, Jr.,	City Secretary
Larry Dovalina,	City Manager
Cynthia Collazo,	Assistant City Manager
Jaime Flores,	City Attorney

1. Discussion and review of ground water proposals.

Mike Engle, from CH2MHILL, made the presentation before the Council:

**Overview**

Groundwater Source Study - November 1999.  
Qualification statements - November 1999.  
Preliminary priced proposals - March 2000.  
Request for detailed proposals - July 2001.  
Proposals - January 2002.

**Risk Allocation**

RFP

Assigned to project developer.

Proposals received

Shared implementation risk.

Long-term risk to City

**Proposals Received**

Montgomery Watson Harza

US Filter/Killam Water Company

**Montgomery Watson Harza**

Responsive to the RFP.

Development in northern Webb County.

Access and development rights indicated.

City to acquire land or water rights.

Water purchase price - 33 cents/1,000 gallons.

Delivered cost - \$1.50 to \$2.50/1,000 gallons.

Potable quality water expected.

Moderate to high sustained yield.

**U S. Filter/Killam Water Co.**

An alternative proposal.

Development close to Laredo.

Access and development rights indicated.

Water purchase price not indicated.

Delivered cost - \$2.50 to \$3.50/1,000 gallons.

Saline water expected - treatment required.

Low to moderate sustained yield.

**Recommendation**

Montgomery Watson Harza Project

Moderate to high volumes of water potential.

Expect potable water quality.

Long-term sustainability potential.

Extensive treatment not expected.

Cost of water delivered in acceptable range.

Advantage of pipeline to northern Webb Co.

**Project Verification**

Verification procedures reviewed.

Verification scope and budget reviewed.

Minor modifications to proposed program.

**Development Agreements**

Advance Authorization to Proceed (AATP)

AATP being prepared.

Council action no later than March 11, 2002.

Design/Build agreement.  
MWH agreed to sign modified RFP agreement.  
RFP agreement as base.  
Negotiations in process.

Mr. John Dantony and Wayne Hunter gave the following presentation for Montgomery Watson Harza:

### **Montgomery Watson Harza**

#### **Transforming Laredo's Vision for a Secondary Water Supply into Reality**

##### **Our Project provides the Best Solution for Laredo's Secondary Water Supply System**

Reliable Partner in MWH  
Lowest Cost System  
Fastest Delivery  
Maximum City Control  
Significant Local Benefits

##### **MWH has the Financial Stability to ensure Project Success**

5,500 employees worldwide  
\$750 million in annual revenue  
50 years of continuous growth in USA  
\$1 billion of on-going design-build work  
An independent and Employee owned Company

##### **A Proven Track Record**

Bexar MET IBPWTP  
\$20 million DBO Surface Water Supply and treatment project  
Houston NEWPP \$100 Million DBO Waterplant with 20 miles of pipeline  
SAWS ASR Well Field \$20 Million 17 wells and pipeline

##### **Our Project provides the Best Solution for Laredo's Secondary Water Supply System**

Reliable Partner in MWH  
Lowest Cost System  
Fastest Delivery  
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Significant Local Benefits

##### **MWH's 1999**

Evaluations have stood the Test of Time  
78 locations evaluated  
Defined well cost +  
Treatment cost +  
Transport Cost

## **Geospatial Analysis Compares the value of different solutions**

Cumulative Effect defines least cost

### **A Trusted Partner**

MWH has the financial stability to ensure the success of this project.

MWH means financial strength and experience and we have successfully partnered with many cities on other design-build projects. These projects are a success because of our close working relationship with our clients and our adherence to principles of integrity, high quality of service and commitment.

- 50 years of continuous growth and service
- 750 million – annual revenue from engineering – construction projects
- \$1,000 million on going design build work
- 30,000 million programs managed
- 5,500 employees in nations

As an Employee-owned company – MWH is inherently stable and more capable of managing DBO project risks than publicly-owned company.

### **Investment in Laredo Community**

Local Area sub consultants  
Robber S. Kier Consulting  
Foster Engineering Company  
Archaeological Consultants, Inc.  
Raba-Kistner Consultants, Inc.  
Associated Broker Realty  
Graphitiks  
Border Title Company  
Local Contractors (as determined)

#### **Our team structure is centered around local business participation:**

Our diverse team includes several local firms that will provide both design and construction support for this project. Significant portion of the project dollars will be pumped right back in the community, fostering business growth.

Our proposal includes community involvement program.

#### **We propose to bring “WET in the City” to Laredo.**

Outreach Profile:

WET in the City:

As a national partner with WET in the City Program, Montgomery Watson has found that increasing educational opportunities, while providing service to the client, is an

essential element of program success. This program, developed by the Council for Environmental Education is a K-12 urban environmental education program that focuses on water resources.

**Benefits include:**

- CEE is one of the 10 partners selected to participate in the EPA's Office of Environmental Education.
- Part of key topics outlines in NPDES education requirement.
- Developed "Water on the Web" internet site for the student/teacher information.

MWH evaluated over 50 source locations to find the best secondary water supply for the City of Laredo. Our choice offers the best and the least cost supply for the City.

Water Quality	Better water quality found 43 miles from the City is current source of drinking water for other users.
Water Commitment	Availability commitment as \$.00 per 1,000 gallons of water adjacent sources may offer lower cost water, at City's option. The option available for additional water in the future.
Oper. Simplicity	City can operate the System with its current staff Conventional well water system is easy to operate City has the option to assign operation to others
Water Cost Analysis	Average total cost of water supply is about \$1.50 per 1,000 gallons Cost of desalinization (RO system) expected to be nearly twice this value
Flexibility of Use flows	Can be used as a base-load flow system or for peak
Ease of Implementation:	City has bid price proposal from MWH City can proceed with cost certainty.

**No Surprises**

International Business Park Water Treatment Plan; Bexar Metropolitan Development Corp., San Antonio, Texas. A design-built-operation (BDO) Project Total Value of Project: \$20 Million.

Water Works Park II; City of Detroit, MI – A design-Build-Maintain (DB) Project  
Total  
Value of Project \$275 Million.

Willamette River Water Plant, City of Wilsonville, or A design-Build (DB) Project  
Total Value of Project: \$44 Million.

Water Treatment and transmission System Southern Nevada Water Authority,  
Las  
Vegas, NV. A design Bid Build – (DBB) Project Total Value of Project: \$80  
Million.

Mohawk Water Treatment Plant Tulsa Municipal Utility Authority, Tulsa,  
Oklahoma A  
design – Bid – Build – (DBB) Project Total Value of Project: \$80 Million.

Greater Houston Wastewater Program,, Cheshire, UK a Design-Build-Operate  
(DBO)  
Project Total Value of Project: \$1.2 Billion.

North West Water Capital Program, Cheshire, UK A design-Build-Operate  
(DBO)  
Project Total Value of Project: \$3.5 Billion

Upgrade and Operation of Wastewater Plants East Scotland Water Authority,  
Edinburgh, Scotland A design-Build-Operate (DBO) Project Total Value of  
Project:  
\$284 Million.

Cm. Galo asked Beto Ramirez, Acting Utilities Director, to do an analysis of  
what the  
overall average cost will be for the consumer.

Charles Martens from U. S. Filter/Killiam Water Company, stated that he  
sincerely  
believes that Killiam’s proposal provides for the only City private partnership.  
He said

that Killiam  
has a phase approach where they can allocate cost without exceptions. He  
encouraged  
Council to investigate further. He gave his opinion of the proposals submitted  
by other  
companies.

Larry Dovalina,, City Manager, advised that there is a verification process on  
the onset  
of the project. He affirmed that the contract will reflect the maximum price of  
\$2.75  
price per 1,000 gallons.

Denise Chenen, Attorney for the City of Laredo, stated that in the 1990 the City went Out on the request for proposals process, but in 2001 they decided to proceed with the Project through a Local Government Corporation. The City assigned all of its rights to the requests for proposals and to the Local Government Corporation. She said technically the contract will be between the Local Government Corporation and the successful proposer. She noted that on February 25, 2002 the City will post an agenda for a meeting for Council and the Local Government Corporation. The Local Government Corporation will enter into a contract with the successful proposer. The Local Government Corporation will provide the City services and it will contract with the propose to provide it with services that pass through to the City. The City will pay the Local Government Corporation and they will pay the successful proposer.

Larry Dovalina, City Manager, stated that the election of the board and other issues concerning the Local Government Corporation will be on the agenda for February 25, 2002.

2. Presentation by Hwkins, Delafield, and Wood of Draft Service Contract and appendices for the management of the City's water and wastewater system.

Rick Sapier, with Hawkins, Delefield and Woods, gave the following presentation:

### **Hawkins Delafield & Wood**

#### **Summary of Certain Key Provision of the Draft Service Contract**

Exclusions from Uncontrollable Circumstances

Term – 2 options:

1. 5-year initial plus 5-year renewal
2. 10 year initial; no renewal

Transition Period following Contract Date and prior to Commencement Date:

1. Transition Employees
2. Obtain insurance, bond, and letter of credit

### 3. Inventory and valuation

#### Assumption of Existing City Contracts

#### Transfer of Designated Employees:

1. Required to offer employment to all Designated Employees (subject to pas drug screening test.
2. Substantially similar responsibilities and equal or better positions.
3. Wages and benefits equal or better than those provided by the City, including pensions benefits.
4. Recognition of years of service with City.
5. Accrued vacation, sick leave, or other paid time to carry over -0 paid by City as a Reimbursable Expense.
6. No termination of Transferred Employees without just cause.
7. Employee Grievance Committee.
8. Managed City Employees.
9. Right to City to Require Company to increase benefits during the term.

#### “As is” Risk Assumption

### **City’s rights regarding Company’s Director of Operations**

#### Compliance with Applicable Law

Company has the right to change staffing levels through attrition (not layoffs) upon notice to the City but may not make any such changes if it would adversely affect the ability of the Company to provide the Management Services in accordance with the Contract Standards.

#### Access, Reporting, Auditing, Administrative Sanctions

#### Local purchasing to develop economic development within the City

#### **Customer Service:**

1. Customer service manual
2. 24-hours manned hotline
3. Local customer service location
- 4 . Meter quality assurance program.

#### **Billing and Collection:**

1. Utilization and/or improvement in existing system
2. All funds collected by City

**Water Pollution Control:**

1. IPP administration by Company
2. Administration of Water Conservation Program
3. Prevention of cross connections and Back-Flows
4. Water Pressure Guarantee
5. Unaccounted for Water Guarantee

**Wastewater System Performance:**

1. Effluent Guarantee
2. Sludge Guarantee
3. Odor Requirement

**Maintenance:**

1. Company responsible for all maintenance except Major Corrective Maintenance
2. Company responsible for cost of first \$15,000 of Major Corrective Maintenance
3. Company prohibited from including labor cost in quotes, bids or proposals for Major Corrective Maintenance

**Mechanisms to ensure Managed Assets are properly maintained:**

1. Exit evaluation
2. Periodic Inspections
3. CMMS

**Residuals Management:**

1. No on-site storage
2. Alternate disposal if Sludge Guarantee is not met at Company cost

**Capital Modifications:**

1. Company Request – Company Cost
2. City Request – City Cost
3. Uncontrollable Circumstances – City Cost
4. Primary Procedure for Minor Capital Modifications
5. Primary Procedure for other Capital Modifications
6. Alternative Procedures
7. Company prohibited from including labor in quotes, bids or proposals

**Formulaic Service Fee consisting of Fixed and Variable Components of a Base**

**Operation Charge and Reimbursable Charges and Credits**

1. Fixed Fee for fixed level of service
2. Variable Fee for increased levels of service
3. Electricity subject to maximum guarantee
4. Sludge
5. Managed City Employees

Breach, Default, Remedies, and Termination:

Breaches, City has all remedies available under Service Contract, Security Instruments,  
and Applicable Law

Events of Default certain Events of Default allow termination without notice and cure  
opportunity

**City Convenience Termination**

Security for Performance

1. Guarantor
2. Letter of Credit
3. Performance bond
4. Insurance

**V. EXECUTIVE SESSION**

The City Council hereby reserves the right to go into executive session at any time during this public meeting, when it deems it necessary to consult privately with its attorney about any item upon this agenda, pursuant to the provision of Section 551.071 (2) of the Texas Government Code.

VI. Motion to adjourn.

Moved: Cm. Galo

Second: Cm.. Agredano

For: 7

Against: 0

Abstain: 0