

A Long and Successful Public-Private Partnership

Town of Gilbert AZ and Severn Trent Services

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Our discussion today will cover

- Overview of Public-private partnerships (PPP)
- Town of Gilbert and Severn Trent Services (STS) partnership
- Benefits to the Town of Gilbert
- Key elements of a successful partnership

What is a public-private partnership?

Severn Trent Services partners with local governments to create **Public Private Partnerships (P3)**.

A P3 differs from “outsourcing” since both parties are mutually vested in the outcome.

We can establish a baseline for existing costs and then work collaboratively with local government leaders to reduce costs further while maintaining or enhancing service levels. Through this model, the municipality and Severn Trent can share in the cost savings increased productivity can bring.



In a PPP, the municipality maintains ownership and total control of its assets

Privatization

Utility sells assets

Transfer of ownership and control

Public-private partnership

Utility maintains ownership and partners with a private company to operate and maintain

Other common myths / truths about public-private partnerships

Myth	The Truth
Massive job losses and reduced benefits	<ul style="list-style-type: none">▪ One of industry's greatest challenges is lack of certified operators▪ Our industry strives to keep all current staff▪ Additional training available and increased opportunities for advancement and career development
Will lead to rising costs	<ul style="list-style-type: none">▪ Contract negotiations establish fixed annual cost for operation▪ Efficiencies reduce costs with shared savings▪ Caps on variable expenses (chemicals, power/repair, maintenance)▪ Expenditure that exceeds caps must be approved by City
Assets will be poorly maintained	<ul style="list-style-type: none">▪ State-of-the-art computerized maintenance management systems focused on preventive and predictive maintenance▪ Start-up audits of City assets can be performed to determine initial condition and criticality of equipment; data can serve as baseline for future budget discussions▪ Long-term view on asset management and efficient operation of all plant equipment

Key benefits of public-private partnerships

- Cost savings offset shrinking municipal budgets
- Stable service fees
- Opportunities for your staff to grow and develop their careers in a safe working environment
- Access to best practices in utility operations from national and global network
- Focus on asset management and facility maintenance
- Guaranteed regulatory compliance
- Transfer of risk to private partner

The Town of Gilbert, AZ

A successful long-term partnership since 1986

- Always operated by a private company
 - Initially operated by Parsons Engineering Services (PES)
 - PES' service branch acquired by Severn Trent Services 1999
- Current contract awarded in 2005
 - 15-year contract with 2 renewal options
 - First renewal option exercised in 2010



The Neely Water Reclamation Facility was expanded in 2005 from 8.5 MGD to 11 MGD – with key input from STS

- Original capacity 8.5 MGD
- Expanded to 11 MGD in 2005
 - Severn Trent Services staff provided key plan review, operations input during expansion
- 100% reuse of plant effluent
- State-certified laboratory



Professional and highly skilled staff with strong ties to the community

- Many long tenured employees who reside and actively participate in the community
- Severn Trent Services regarded as extension of Town staff
- STS Plant Manager is registered P.E.
 - Participates in panel interviews with Town for new applicants
 - Ability to modify and stamp drawings for in-house projects
→ saving time and cost



Staff training has provided career development opportunities

- In-house training program led by Plant Manager and STS Supervisor from neighboring facility
- More than 30 operator licenses achieved by plant staff



Safety first!

- 1,600+ consecutive days without an injury
- Numerous safety awards from AZ Water Association
 - 2006, 2008, 2009, 2010, 2011
- Training and support available to plant staff and open to Town staff
- STS implemented “Man Down System” to protect employees working alone at plant during off hours



The facility has consistently maintained full compliance with all permit requirements

- Plant produces water that meets A+ Reclaimed Water Standard
- No permit exceedences for more than 10 years
- Operates under three AZ Aquifer protection permits
- Must meet over 35 monthly standards as well as quarterly and annual standards
- Hundreds of quality control testing performed each month

VALUE ADDED:

Efficiencies and savings

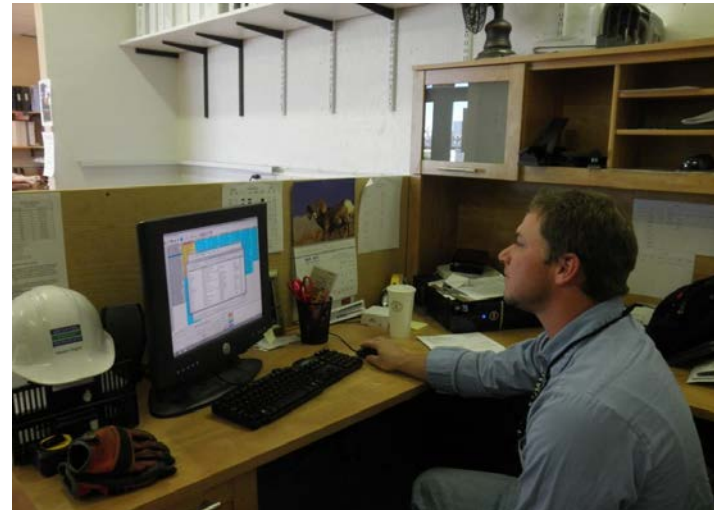
- Reduced reliance on outside contractors and associated expense
 - Rehabilitation of large rotors (\$10,000)
 - Rehabilitation of 3 plant clarifiers (\$15,000)
 - Programmed SCADA controllers and monitoring software (\$10,000)



VALUE ADDED:

Care of the Town's vital assets

- Use of computerized maintenance management system
 - Staff fully trained on use
 - Town provided with annual inventory



VALUE ADDED:

Laboratory and chemicals savings

- State-certified laboratory eliminates cost of using outside lab
- Reduced chemical prices through competitive bidding leveraging multiple STS projects in Arizona
- Additional \$20,000 savings by negotiating with chemical supplier to provide tanks to Town at no cost



VALUE ADDED:

Energy efficiency and power savings

- Previously enrolled in power shedding program
 - 1st year savings of \$7,000 shared with Town
 - 2nd year savings of \$6,000 shared with Town
- Now, solar power



VALUE ADDED:

Assistance from Severn Trent's

Technical Services Group

- Energy management audit completed at no added cost to the Town
 - Recommendations implemented to improve plant efficiency



VALUE ADDED:

Community involvement and investment

- \$2,000 contribution to help fund digester unit to handle dog waste at Town park
- Gilbert Chamber of Commerce member
- Sponsored *Gilbert Days* parade \$250 level
- Supported fund raiser to help Town employee cancer patient
- Canned foods and frozen turkeys donated to local food pantry
- Donation to Gilbert Senior Center



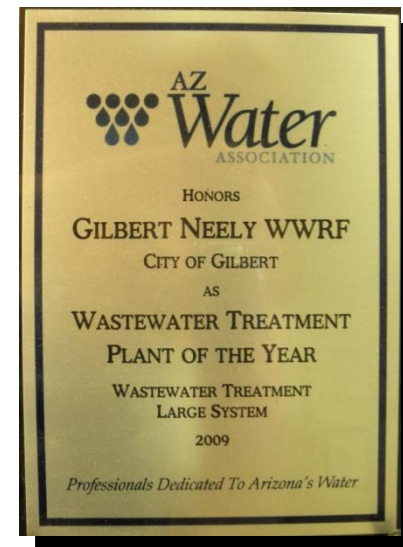
VALUE ADDED:

Collaboratively reduced costs

- STS worked collaboratively with the Town to reduce costs further while maintaining or enhancing service levels
 - Excellent communication between Town and STS during renegotiation
 - Resulted in annual service fee reduction of ~7%
 - Shared savings and flexibility to meet the needs of Town

Ongoing recognition from the Arizona Water Association

- Plant of the Year, Large Wastewater System Category (2009)
- Supervisor of the Year (2002)
- Wastewater Treatment Plant Operator of the Year (2000)
- Safety awards (reference slide 11)



Town's pursuit of sustainable energy

2.3 Megawatt Photovoltaic solar project



Background



- Initial contact made from vendor to Severn Trent employee at another STS location (Ft. McDowell)
- STS Plant Manager promptly referred to Town
- STS played key role assisting the Town in evaluation

Solar project is delivering significant benefits to the Town

- Power generated expected to offset about 40% of the plant's power needs
- 20-year agreement will result in savings of approximately \$2 million
- Solar power was reducing on-peak demand charges; to improve reduction, STS programmed SCADA to strategically turn off equipment while not affecting the process during on-peak period when no solar power is produced

Keys to a successful public-private partnership

- Partnership
 - Both parties working together and sharing information
- Communication
 - Regular meetings
 - Listen, respond to Town's needs
 - Key component of recent contract renewal
 - Timely reports on plant operations and key activities
 - Transparency: open sharing of plant operations
- Fully aligned with Town's continuous quality improvement initiative
 - Severn Trent Services is part of the community
- Needs of the Town are fulfilled
 - Technical leadership
 - Risk management
 - Compliance and reporting
 - Cost control

SEVERN TRENT SERVICES

UNDERSTANDS PUBLIC-PRIVATE PARTNERSHIPS

- Severn Trent Services (STS) is proud to have had the opportunity to serve the Town of Gilbert since 1986
- STS and Gilbert have built and maintained excellent relationships
- STS and Gilbert have delivered their promises
- Municipalities considering a public-private partnership for water/wastewater services can look to Gilbert to see how such an arrangement can benefit their communities

UNDERSTANDING
A VALUABLE RESOURCE

Questions and Comments

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