



MONTGOMERY WATSON

April 2, 1993

City of Newberg
414 E. First Street
Newberg, Oregon 97132

Attention: Mr. Bert Teitzel
Public Works Director

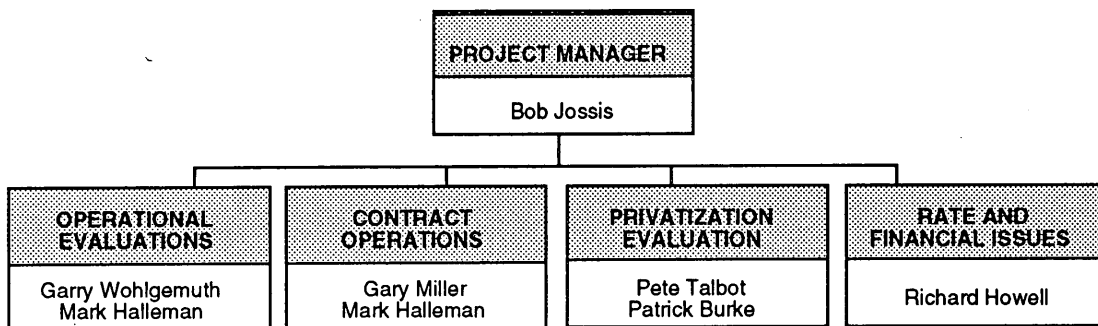
Subject: Assessment of Contract Operations and Privatization of Capital
Improvements for Water and Wastewater Utilities

Gentlemen:

Pursuant to your request, Montgomery Watson (MW) is pleased to present this proposal for performing an assessment of contract operations and privatization of capital improvements for the City of Newberg's water and wastewater utilities. Through our discussions, we understand that the City is interested in obtaining an objective professional opinion on the advantages and disadvantages offered by contract operations and privatization of capital improvements. The assessment must also include an estimate of the potential cost savings, if any, that may be afforded relative to current utility budgets. These data will be used by the City in deciding whether to pursue contract operations and privatization alternatives to a further degree.

PROJECT TEAM

Utilizing a multi-disciplined team of experienced professionals, MW will provide a focused evaluation of the City's water and wastewater utilities, to identify the advantages, disadvantages and other issues associated with contract operations and privatization of capital projects. Our proposed project team is shown in the following organizational chart.



Our team consists of licensed operational staff and registered professional engineers averaging over 15 years of experience per individual. Key team members recently participated in a similar project for the City of The Dalles, Oregon, and can be readily mobilized to assist Newberg. Mr. Bob Jossis, a MW Vice President with over 20 years experience, manages our Portland office and will provide a convenient and responsive point of local contact. Mr. Jossis will serve as Project Manager and will be responsible for overall quality and coordination of the work.

Our project team offers the following unique qualifications to the City of Newberg:

- Extensive experience assisting communities with enhancement of existing operations, as well as evaluating the advantages and disadvantages of contract operations.
- Multi-disciplined team combining expertise in water and wastewater operations; water and wastewater process; contract operations and privatization issues; and municipal management and rate evaluations.
- Ability to provide an objective, second party evaluation of operational needs and issues.

SCOPE OF WORK

Based on our understanding of the project, and our recent experience assisting other communities with the evaluation of contract operation and privatization issues, we propose the following Scope of Work. For purposes of this proposal, it is understood that the water and wastewater utilities include water treatment, water distribution, wastewater collection and conveyance, and wastewater treatment.

Task 1 - Site Visit and Background Review of Water and Wastewater Utility Operations

To initiate the project, our staff will visit the City of Newberg water and wastewater facilities, to gain familiarity with the City's utility operations. Following a tour and introduction to the facilities, our team will meet with key City staff to review issues relevant to contract operations and to assemble data necessary for subsequent analyses.

- A. Conduct a two day on-site visit to tour the City of Newberg's water and wastewater facilities and to meet with City staff to initiate the project.
- B. Meet with key City staff to define the major issues and concerns related to current operational practices, contract operations, and privatization.
- C. Review water and wastewater utility budgets for the period of 1988 through 1993. ~~Compare current utility rates with representative utility rates for several similar sized communities within Oregon.~~

Task 2 - Assessment of Existing Operations and Evaluation of Contract Operations

Following the background evaluations of Task 1, the project team will perform a detailed assessment of existing operations and potential contract operation of the City's water and wastewater utilities. The evaluation will present an unbiased view of the advantages and disadvantages that such arrangements may offer.

- A. Review the current staffing levels and general organizational structure of the City's water and wastewater utilities. Compare staffing levels and organizational structure to those of several representative, similar sized utilities.
- B. Review operational data for water and wastewater utilities to identify general areas where operation and maintenance expenses could be reduced through improved efficiency and optimization.

- C. Suggest means for potential improvement of the City's current water and wastewater operations.
- D. Prepare a general staffing plan and budget for the City's water and wastewater utilities under a full contract operations scenario.
- E. Investigate the feasibility of partial versus full contract operations.
- F. Present a discussion of the advantages and disadvantages that would be offered by contract operations.
- G. Present a generalized schedule for implementation of contract operations, should the City decide to pursue this alternative.
- H. Provide copies of two representative agreements (contracts) for contract operation of similar facilities, and meet with the City to discuss key provisions of these documents.

Task 3 - Assessment of Privatization of Capital Improvements

To assist Newberg in evaluating privatization of capital improvements, MW will develop a single privatization scenario for construction of proposed enhancements of the City's water treatment plant. The privatization assessment will be based on capital projects already defined and developed in the City's utility comprehensive plan documents, and as such shall not entail further engineering or design work.

- A. Describe the various types of privatization options which have been employed on public sector projects within the United States. Discuss the advantages and disadvantages of each alternative.
- B. Develop a general project budget and schedule for privatization of improvements at the City of Newberg water treatment plant.
- C. Provide the City with a variety of reference materials related to the privatization of public works projects.

Task 4 - Project Report and Presentation of Findings

MW will prepare a bound project report summarizing the evaluations described under Tasks 1 through 3. The report is anticipated to be a concise document, black and white format, of 20 to 30 pages in length.

- A. Prepare five copies of a draft report for review and comment by the City.
- B. Revise the draft report in response to City review comments, and prepare a final report. Submit 20 copies to the City.
- C. Attend a meeting with the City staff and City Council to present the results of the evaluation and to respond to questions on same.

RESOURCES FURNISHED BY THE CITY OF NEWBERG

- Access and tour of water and wastewater facilities.
- Operation and maintenance manuals for the water and wastewater treatment facilities.

- Water and wastewater utility budgets for years 1988 through 1993.
- Organizational charts and staffing lists for the water and wastewater utilities, and data on staff wages and benefits.

SCHEDULE

MW will initiate the project following execution of a contract and receipt of Notice to Proceed from the City. We propose to complete the project in accordance with the following schedule:

<u>Work Description</u>	<u>Time to Complete, Days from Notice to Proceed</u>
Project initiation meeting and facility visits	45
Issue Draft Report	60
Issue Final Report	90

(Assumes City Comments received within 14 days of receipt of Draft Report)

BUDGET

Based on our understanding of the work, as set forth above, we suggest that a budget of \$20,000 be established. MW proposes to perform these services on a Salary Cost plus Multiplier Basis (time and materials), under the terms and conditions set forth in Attachment A. If you are in agreement with this proposal, please counter sign below and return one copy to MW.

We thank you for the opportunity to submit this proposal and look forward to assisting the City of Newberg on this project. If you have any questions regarding these matters, please contact Bob Jossis at our Portland office (503) 226-7377 or Patrick Burke at our Seattle office (206) 881-1100.

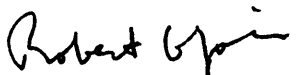
Respectfully submitted,
Montgomery Watson Americas, Inc.

Accepted by: City of Newberg


Patrick L. Burke, P.E.
Principal Engineer



Signature


Robert G. Jossis, P.E.
Vice-President

Title: City Manager
Date: May 13, 1993

Becky - 5/13/93

Please make
a copy for
me and send
original on to

Peggy Quane