





## COST PROPOSAL

Our proposed service fee for the Traverse City wastewater facilities (WWTP) and pumping stations and the Grand Traverse County Septage Treatment Facility (STF) are presented in Exhibits 1, 2, and 3. As required, we have provided costs for operating the two facilities separately and also for the combined scenario. The combined cost offers the most efficiency and best value to the Municipalities because:

- The two facilities are parts of a single treatment system sharing one National Pollutant Discharge Elimination System (NPDES) permitted outfall to the Boardman River.
- The facilities can continue to share a Residuals Management Plan under which biosolids from both are applied to the same set of approved farm fields while paying one biosolids management fee to the State.
- Both facilities would continue to be protected by a single industrial pretreatment program. The arrangement provides a mechanism to accept but regulate treatable special wastes hauled to the STF, while obviating the need to formally regulate the discharge from the STF to the WWTP.
- WWTP capacity can occasionally be used as backup to the STF which lacks equipment redundancy.
- There is efficiency in both plants sharing a single laboratory function, administrative function, and maintenance management program.
- Each plant is supported by the full number of individuals that staff both plants, providing a range of skills not available to a smaller staff (laboratory analyst, mechanics, electrician, instrumentation tech), and a greater number of individuals available to cover staff absences and call-outs for emergency.

We have developed our cost proposal based on our understanding of your desired scope of work, as well as institutional knowledge and intimate understanding of the operational requirements of all systems. We also have carefully considered the other information provided by you during the RFP process.

This section also contains brief comments related to the terms and conditions provided with the RFP.

## Pricing Assumptions

Please note the following clarifications, assumptions, and features that factor into our cost proposal.

1. Electricity does not include cost for sales tax on electricity purchase, and assumes that the City will purchase electricity, and bill CH2M HILL.
2. Electricity unit costs (including fuel-power cost adjustments) for the WWTP and the STF are based on the most recent invoices that were made available to the bidders.
3. All repairs labor that can be reasonably performed by plant operations and maintenance personnel is performed by our staff.

### Exhibit 1

#### Cost Proposal Form for OM&M of Combined Municipal Systems

	Item		CY1 Annual Cost
	Wastewater Treatment Plant	Septage Treatment Facility	Total
Personnel Services	885,690	123,532	1,009,222
Chemicals	158,162	5,060	163,222
Equipment, Materials and Supplies	232,402	35,461	267,863
Outside Services	165,258	49,526	214,784
Repairs	115,000	10,000	125,000
Electricity	355,835	132,384	488,219
Other	5,000	0	5,000
<b>Subtotal Direct Cost</b>	<b>1,917,347</b>	<b>355,963</b>	<b>2,273,310</b>
Management Fee	312,181	57,875	370,056
<b>Total Base Fee</b>	<b>2,229,528</b>	<b>413,838</b>	<b>2,643,366</b>

### Exhibit 2

#### Cost Proposal Form for OM&M of Traverse City Wastewater Treatment Plant and Pumping Stations

Item	CY1 Annual Cost
Personnel Services	919,690
Chemicals	158,162
Equipment, Materials and Supplies	232,402
Outside Services	165,258
Repairs	115,000
Electricity	355,835
Other	5,000
<b>Subtotal Direct Cost</b>	<b>1,951,347</b>
Management Fee	317,693
<b>Total Base Fee</b>	<b>2,269,040</b>

### Exhibit 3

#### Cost Proposal Form for OM&M of Grand Traverse County Septage Treatment Facility

Item	CY1 Annual Cost
Personnel Services	156,753
Chemicals	5,060
Equipment, Materials and Supplies	35,461
Outside Services	59,526
Repairs	10,000
Electricity	132,384
Other	0
<b>Subtotal Direct Cost</b>	<b>399,184</b>
Management Fee	64,816
<b>Total Base Fee</b>	<b>464,000</b>

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## Potential Scope Reduction and Associated Cost Savings

CH2M HILL currently maintains automated sampling systems at eight locations on the collection system. We collect and analyzes samples of wastewater from these stations three times per week to quantify the BOD contribution to the WWTP from each connected township and the City (and now also the STF). We have been generating that data and distributing it to the City and Townships for over ten years. The information is relevant in capacity lease and ownership discussions and during periods of planning for new wastewater treatment infrastructure. If quantification of BOD loading to the WWTP from each of the contributing municipalities is not as important to those same parties as it has been in the past, CH2M HILL can stop providing this scope and negotiate a commensurate reduction in the annual fee.

## Transition Costs

As the current operator, CH2M HILL will not incur transition costs.

## Value Added Services

Twenty one years into this partnership, CH2M HILL continues to engage in delivery of services to Traverse City and Grand Traverse County with enthusiasm. No one is more committed to this community, the area environment, and the purpose of the two treatment facilities than the staff currently operating them. Out of this orientation, comes an approach to added value that is not usual in our business. CH2M HILL frequently provides services to Traverse City and Grand Traverse County outside of our contract obligations because they serve the purpose to which we have dedicated ourselves in this community. Examples of such added value are:

- We have researched; written, submitted, and negotiated NPDES permit applications on behalf of Traverse City.
- We have written, submitted, had approve, and implemented Residuals Management Plans on behalf of the Municipalities.
- We wrote and implemented a Stormwater Pollution Prevention Plan to comply with new regulations. The effort included several staff members training and testing to acquire a new type of licensure.
- We added O&M of additional lift stations at Clinch Marina and Hull Park to our services.
- We have provided engineering for city-procured capital projects such as the recent high voltage transformer replacement, the installation of VFDS on RAS pumps, and the screw pump recoating project.
- We performed projects at the WWTP using our O&M budget and on-site staff that would otherwise have been City capital projects. Examples are conversion of scour air system from "10/10" to "10/30" and conversion of the vacuum system from a constant run to demand based system.
- We have provided out-of-scope capital projects at less than market rate and at lower markup than prescribed in our contract, examples: replacement or installation of polymer mixer, flume gate operators, and ferric chloride pumps.
- We have declined to invoice for additional revenue due to CH2M HILL under our agreement as a result of increased electrical rates.
- We raised issues with STF design and helped the County understand them.
- We provided startup services at the STF.

- We created temporary solutions (both technical and financial) when the aeration basin collapsed at the STF.
- We designed and executed a performance testing program for the STF.
- We worked with the County and County's attorneys, helping them understand their potential case against the designer builder of the STF prior to eventual settlement.
- We established guidelines and commit effort to seeking and evaluating compatible special wastes to generate revenue for the STF operation.
- We conducted surveying and sampling of area food producing industries and provided some consultation from a process design engineer in support of a University of Michigan study to evaluate the possibility of a septage and food waste-to-energy project in Grand Traverse County.
- We worked creatively to operate the STF in ways that are effective yet contrary to the plant's design to reduce operational cost to the plant's owners.

Provision of these additional services has significant dollar value. The Municipalities also benefit from our providing them without the burden of procurement processes, proposals, negotiations, and out-of-scope contracts. While not quantified, our added-value contributions and philosophy is of significant value to Traverse City and Grand Traverse County and we encourage the Municipalities to incorporate this value in the assessment of the worth of our presence here.

### Terms and Conditions Discussion

Our proposed prices and level of services are based on the above assumptions. In addition, we look forward to meeting with you to talk further about several contract terms that we believe would be more beneficial to the Municipalities and would result in a mutually agreeable partnership. Those include:

- CH2M HILL would like to discuss further the maximum aggregate amount of fines and civil penalties. We would suggest that there be a total of \$250,000 between the two (2) Agreements (Section 6.2 of the City of Traverse City Agreement and Section 6.2 of the Grand Traverse County Agreement).
- If required, during performance of work for either Agreement, professional liability insurance coverage will be provided by an affiliate of Operations Management International, Inc. Professional liability insurance coverage is expected to be provided by CH2M HILL Engineers, Inc. (Appendix I of the City of Traverse City Agreement and Appendix I of the Grand Traverse County Agreement).

As requested the Draft Services Agreements are included at the front of this document.