



July 11, 2017

Dear City Council Members:

I am glad to inform you that we have reached a proposed agreement with Suez Water that is a dramatic improvement over our existing contract - increasing the annual investment in our water main system from \$350,000 per year to an average of over \$1.8 million per year. The agreement was presented to the City Council Infrastructure Subcommittee today.

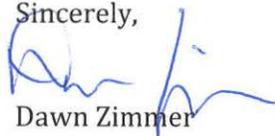
We are sending the presentation and proposed memorandum of understanding for your review, which will be on the August 2nd City Council agenda. Please let Business Administrator Marks know if you have questions on the agreement so we can ask our professionals and Suez to respond in advance of the meeting. Given the importance of investing in our water main system and our community's concern about this issue, we want to provide you with the necessary information so the Council can be in the position to vote on this important issue at the August 2nd Council meeting.

The proposed agreement would extend our contract an additional 10 years through 2034 and provide over \$40 million in net economic benefit to the City over 17 years, including over \$31 million for capital investments (assuming a CPI of 2%) and \$10 million in liability forgiveness.

For comparison, our current agreement provides only \$350,000 per year in capital investments, which is insufficient even to pay for repairing water main breaks, and the City is contractually required to cover any costs for repairs beyond \$350,000 (to date, the City owes \$1.8 million for these overages). In addition, our existing agreement makes the City responsible for paying for increases in bulk water costs under terms of the agreement that start in 2014, which to date total \$5.2 million between 2014 and 2017 (Since these terms were under negotiation and are now included in this agreement, Suez has not yet sought payment for these additional costs). If we were to continue under the current agreement, the City would be financially responsible for additional bulk water cost increases (approximately \$1.3 million per year) through 2024 and any capital expenditures beyond the \$350,000 required in the contract.

Attached is a presentation highlighting the terms of the new proposal as well as the Memorandum of Understanding agreement detailing the new proposed terms. Please let Business Administrator Stephen Marks know if you have any questions.

Sincerely,



Dawn Zimmer