



CITY OF CAMDEN

AMENDMENT NO. 2 AND EXTENSION TO THE SERVICES AGREEMENT FOR
THE OPERATION, MANAGEMENT AND REPAIR OF THE CITY OF CAMDEN'S
WATER SUPPLY AND SEWER COLLECTION SYSTEMS

BY AND BETWEEN

AMERICAN WATER OPERATIONS AND MAINTENANCE, LLC AND THE CITY
OF CAMDEN,

DATED JANUARY 19, 2016

Presentation to
Mayor and Council

July 5, 2022

Background

- ▶ 1998-City of Camden procured a private operator, US Water (later acquired by United Water, Suez, and now Veolia) for a 20 year contract pursuant to the New Jersey Wastewater Treatment and Water Supply Public-Private Contracting Acts, N.J.S.A. 58:27-19 and 58:26-19;
- ▶ Difficult/Litigious Relationship; Maintenance deferent decisions by Operator presented Problems to City later; City spent \$115 Million in Capital Improvements (almost 4 times contract obligation); Operator refused to do stormwater work.
- ▶ 2015-City initiated a new procurement for a private operator;
- ▶ Three proposals received. American Water selected and Services Contract was executed starting on February 1, 2016;
- ▶ City realizes an immediate savings of 10% when compared to the Suez contract.

	SUEZ	American
Fixed Fee	\$12,258,000	\$6,494,748
MR&R	(\$1,589,000)	\$3,825,628
Utilities		\$930,421
City Reserve Funds	\$1,812,000	\$1,390,000
TOTAL	<u>\$14,070,000</u>	<u>\$12,640,797</u>

American Water Operations & Maintenance vs. New Jersey American Water

▶ AWO&M

- ▶ Private water and sewer operations company
- ▶ Only major contract is with the City of Camden
- ▶ Under contract with the City since 2016
- ▶ Everything south and east of the Cooper River (roughly 2/3 of the City)
- ▶ American Water is the Parent Company

▶ NJAW

- ▶ Largest water provider in the State (2.8 million people in 190 communities)
- ▶ 850 employees
- ▶ Regulated by the NJ Board of Public Utilities
- ▶ Service territory includes Cramer Hill/East Camden (water only roughly 1/3 of the City)
- ▶ American Water is the Parent Company

Service Territories



CITY OF CAMDEN GUIDE TO MUNICIPAL WATER SERVICE

Water Service in the City of Camden



Territory	Water Provider	Address Range
George's Point	New Jersey American Water	1000-1099
Fairview	New Jersey American Water	1100-1199
CBD/Lanning Square	City of Camden Water	1200-1299
Berge	City of Camden Water	1300-1399
Fairview	City of Camden Water	1400-1499
Crestwood Hill	New Jersey American Water	1500-1599
Westside	New Jersey American Water	1600-1699
Rosedale	New Jersey American Water	1700-1799
Dudley	New Jersey American Water	1800-1899
Parkside	New Jersey American Water	1900-1999

Background

- ▶ The American Contract term was for 10 years and included an option for a 5 year extension;
- ▶ January 1, 2019, the City and American Water entered into Amendment No. 1 to address information learned post transition on maintenance needs, lack of sewer cleaning and new NJDEP Regulations.
- ▶ Increased Fees in effect after 3 years of the American Contract are still less than prior contract with Suez!
- ▶ Maintenance expenses with City input and control now over 3 times prior contract with more need remaining.
- ▶ City Capital Expenditures down to only carryover due to shifting Citywide focus.

	Original Contract	Amendment 1
Fixed Fee	\$6,494,748	\$6,784,720
MR&R	\$3,825,628	\$4,497,449
Utilities	\$930,421	\$1,048,600
City Reserve Funds	\$1,390,000	\$1,100,000
TOTAL	<u>\$12,640,797</u>	<u>\$13,430,769</u>

Amendment No. 2

- ▶ Extends the Term of the Contract for an additional 5 years (Total of 15 years)
- ▶ Revises and consolidates certain reports and data deliverables from American
- ▶ Address increased Scope of Services being provided by American:
 - ▶ Provides for 120 hours annually of engineering support services;
 - ▶ Provides for 80 hours of OPRA responses support services;
 - ▶ **Additional software & equipment needed to track and report on Annual Water Losses***;
 - ▶ **Additional sampling requirements***;
 - ▶ **Increased valve maintenance and mapping***;
 - ▶ **Development of an Asset Management Plan***;
 - ▶ Updated performance standards for billing and customer service;
 - ▶ **Increased operation and maintenance requirements generated by new treatment technology***; and
 - ▶ Seven additional full-time staff positions (as of 2.1.23 to accomplish above).
- ▶ Update to Maintenance Repair and Renewal and Utility Budgets (City controlled accounts)

***Indicates item mandated by NJDEP/DRBC.**

Financial Impact

- ▶ Sustaining quality water to City with aged system requires more funding.
- ▶ Adding 15% to staff (still less staff than City staff in 1999), additional chemicals, materials, testing and other work items due to new regulatory requirements totals almost \$1,500,000 in increased costs.
- ▶ Inflation increased fee by 7.0% for CY2-CY6 (2017-2021). Last year inflation index was 6.6% alone, contract capped at 4% and allows for termination above 4%. Parties have agreed to increase per amendment to 5.6% for CY8 (2023).
- ▶ Increased sewer cleaning and repair costs required additional MR&R funding for CY7 (2022). On average Operator is removing 36 tons of debris per mile sewer cleaned.

	(2020) Amendment 1	(2021) CY 6	(2022) CY 7	(eff. 2023) Amendment 2
	AWO&M	AWO&M	AWO&M	AWO&M
Fixed Fee	\$6,784,720	\$7,094,216	\$7,377,985	\$8,843,318
MR&R	\$4,497,449	\$4,497,449	\$6,000,000	\$6,000,000
Utilities	\$1,048,600	\$1,048,600	\$1,080,000	\$1,080,000
City Reserve Funds	\$1,100,000	\$1,100,000	\$1,350,000	\$1,350,000
TOTAL	<u>\$13,430,769</u>	<u>\$13,740,265</u>	<u>\$15,807,985</u>	<u>\$17,273,318</u>

Next Steps

TASK	DATE
PUBLIC NOTICE OF PUBLIC HEARING	June 17, 2022
HOLD PUBLIC HEARING	July 5, 2022 (4pm)
CLOSE PUBLIC COMMENT PERIOD	July 12, 2022
COUNCIL TO INTRODUCE ORDINANCE TO AUTHORIZE AMENDMENT	August 9, 2022
COUNCIL TO APPROVE RESOLUTION AUTHORIZING SUBMISSION OF AN APPLICATION TO LOCAL FINANCE BOARD	August 9, 2022
SUBMIT APPLICATION TO LOCAL FINANCE BOARD, BOARD OF PUBLIC UTILITIES AND NJDEP	By September 1, 2022
AGENCY APPROVAL	November 1, 2022 (approximately 60 days)
COUNCIL CONDUCTS SECOND READING OF ORDINANCE TO APPROVE AMENDMENT	November/December 2022
COUNCIL APPROVES RESOLUTION ACCEPTING THE FINDINGS OF THE LOCAL FINANCE BOARD	November/December 2022
EXECUTE AMENDMENT	December 2022

Public Comment Period Open Until July 26th

▶ Comments can be submitted to:

CamdenBA@ci.camden.nj.us



Questions