

Office of Mayor Gregory A. Ballard
City of Indianapolis
July 21, 2009

REQUEST FOR EXPRESSION OF INTEREST

The Office of Mayor Gregory A. Ballard of the City of Indianapolis (the “City”) releases this Request for Expression of Interest (REI) with the intent to solicit the broadest array of approaches and ideas that will allow the City to produce finished drinking water, process wastewater and provide related infrastructure services in the most efficient and cost effective manner and to help the City satisfy the U.S. Environmental Protection Agency (USEPA) and Court mandated capital improvements in a manner that mitigates the affect on ratepayers.

I. Background

A. Purpose of Request

Indianapolis, like many large cities today, faces massive funding challenges related to maintaining its basic infrastructure. The estimated cost to bring our City’s infrastructure to a fair condition exceeds \$5 billion. It is estimated that over \$4 billion is needed for improvements to the City’s waterworks utility system (“Waterworks”) and wastewater utility system (“Wastewater”) and \$1.5 billion for other basic infrastructure projects (roads, bridges, sidewalks and parks).

With unparalleled public and private sector support, the City has made significant investments recently in important, high-profile facilities. Our field house for basketball, new international airport, new football stadium, and expanding convention center are the result of investments in excess of \$3 billion by our community. These noteworthy facilities are important investments that must be maintained, but the high-profile nature of such facilities must not distract us from the need to invest in our basic infrastructure: our roads, bridges, sidewalks, parks, and Waterworks and Wastewater systems.

Despite the recent major investments in our high-profile facilities, Indianapolis remains an affordable place to live, work, and visit. In fact, Indianapolis ranks as one of the most affordable major metropolitan areas in the country and, as a result, maintains a robust and diverse economy. In addition, new public safety strategies implemented have resulted in significant reductions in violent crime even as the economy worsens, making Indianapolis one of the safest, most livable big cities in the country.

Our challenge is to find creative alternatives to pay for the necessary upgrades to our basic infrastructure while maintaining our competitive cost structure relative to our peer cities in the Midwest. In this regard, we cannot rely on increased tax revenue from citizens, or higher fees from our ratepayers, to maintain and improve the quality of life and the competitive environment for job creation and attraction in Indianapolis, especially during challenging economic times.

The funding streams utilized for infrastructure upgrades and repairs have continued to decline. The structure of funding for local government in Indiana is based almost exclusively on property taxes, which are now capped at 1%, 2%, and 3% of assessed value for residential, rental, and commercial properties, respectively. Township, school, city, state government, and non-profit properties abound in our capital city and are not taxed, thus eliminating a major source of revenue to the City.

Yet the economic engine of Indianapolis provides employment not only for the citizens of the City, but citizens of surrounding communities. In Indiana, local income taxes are instituted on an optional basis by counties and are paid where you live, not where you work, further contributing to the City’s challenges as many citizens commute to Indianapolis for work but live in communities outside the City. In addition, a significant portion of the sales tax revenue generated from Indianapolis economic activity does not accrue to

the City, but is collected by the state and used to support not only Indianapolis, but communities throughout the state. In short, only a fraction of those who work, shop, attend entertainment activities and utilize the City's infrastructure are contributing to the support of such infrastructure as a resident of the City. Finally, although it was hoped that federal stimulus funds would help solve infrastructure funding challenges, such funds will have very little impact in reality. As a result of the foregoing funding challenges, options to sustainably support the City's basic infrastructure are limited.

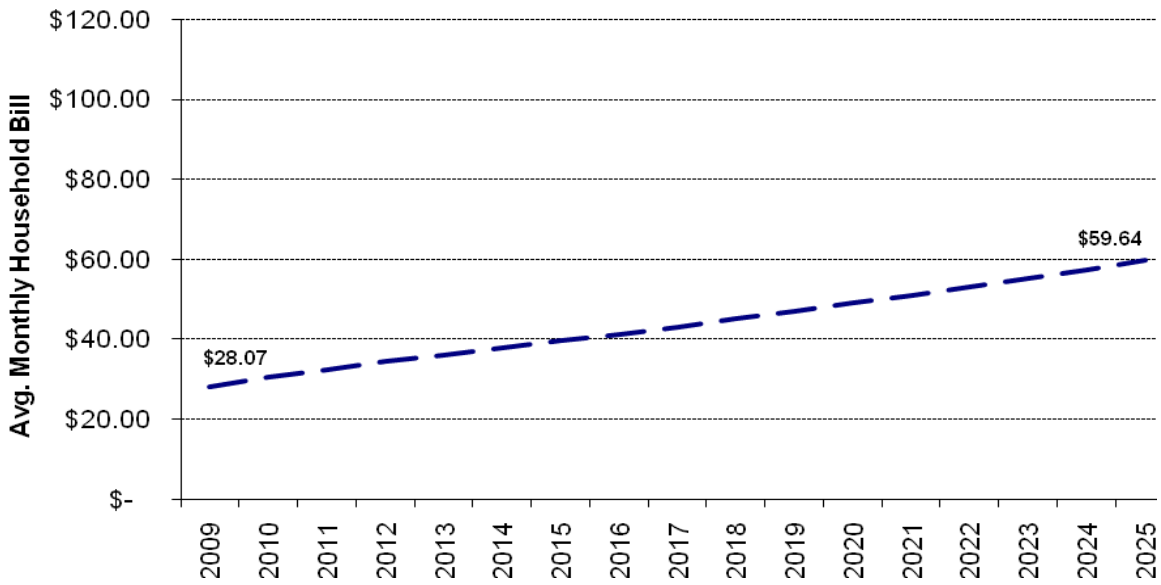
Aside from the significant funding challenges to adequately maintain the City's roads, bridges, sidewalks, and parks, the City's Waterworks and Wastewater systems, which are used by world travelers, Hoosiers, and citizens of Indianapolis alike, are facing severe infrastructure funding challenges. The City's Waterworks and Wastewater systems, which are operated by two separate private operators, serve a local population of between 850,000 and 1.1 million over an area of approximately 300 square miles.

Built over the course of the prior two centuries, the City's Wastewater system has overflowed into our rivers and streams during significant rainstorms, polluting our environment with human waste. While this is accepted in many other cities across the country, the Mayor of Indianapolis considers this unacceptable. In 2006, the City entered into a consent decree with the U.S. Environmental Protection Agency (the "Consent Decree"), requiring substantial improvements to the combined sewer overflow (CSO) portions of the Wastewater system. The anticipated cost of these improvements, which must be completed by 2025, is between \$1.4 and \$1.7 billion.

In addition to these federally-mandated improvements, the City intends to make significant upgrades to other portions of the Wastewater system so that it can meet the growing needs of its users. For example, the City plans to convert up to 30,000 residences from septic systems to sewer connections as part of a septic tank elimination program (STEP), at an estimated cost of \$800 million. The anticipated cost of other non-mandated upgrades to the Wastewater system is another \$1.4 billion. In addition to the capital improvements needed to the Wastewater system, the capital improvements required to the Waterworks system are expected to exceed \$600 million over the next 15 years.

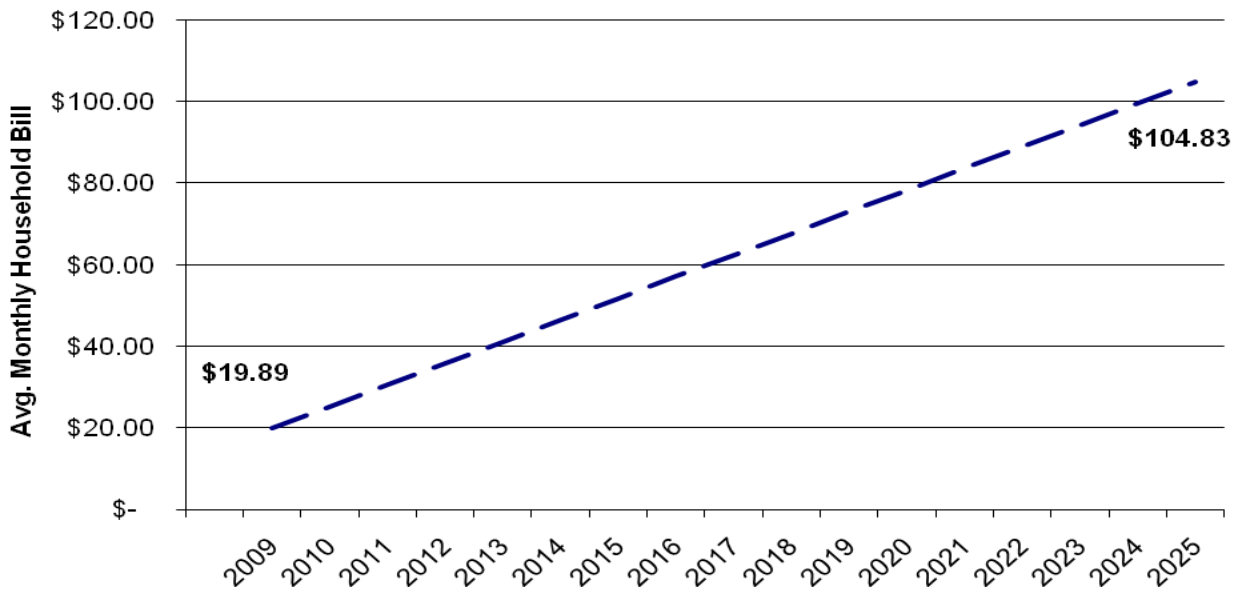
In sum, the City expects to incur over \$4 billion over the next fifteen years to upgrade its Waterworks and Wastewater system. To cover these costs, the rates for water and wastewater services are projected to rise 112% and 427% respectively by 2025. See the rate charts on the next page. The magnitude of these expenditures and the potential resulting impact on water and wastewater rates are the impetus behind the issuance of this REI.

Water Rate Model



- Source: Department of Waterworks operating and capital projections through 2012. Assumptions beyond 2012: 3% annual revenue growth, 2.5% annual growth in operating expenses, total CAPEX of \$59 million in 2012 growing at 2.5% thereafter.
- Avg. household based on 7,000 gallons per month.

Sewer Rate Model



- Source: Department of Public Works. Year-to-year rate increases may vary based on construction schedules and cost of capital.
- Avg. household based on 5,400 gallons per month.

During 2008 and 2009, the City reviewed options for reducing infrastructure costs and driving efficiencies in order to move forward as quickly as possible with its crucial infrastructure upgrades before 2025. These initiatives are undertaken as part of Mayor Greg Ballard's commitment to address the infrastructure needs of the City. This commitment includes the Mayor's establishment of an Infrastructure Advisory Commission, composed of business leaders in the Indianapolis community. The Infrastructure Advisory Commission's objective is to make recommendations to the Mayor regarding potential long-term solutions to the City's critical infrastructure issues. Therefore, the Infrastructure Advisory Commission seeks national and international models and contemporary approaches for financing infrastructure improvements and their applicability to the City. These initiatives are also undertaken in recognition of the City's long-standing position as a national leader in developing innovative partnerships with the private sector to improve City services and achieve cost savings for the benefit of City residents.

In response to this REI, the City invites respondents to challenge the City's current thinking and suggest alternatives that help reduce the costs to ratepayers, make necessary investments in our basic infrastructure, and meet or exceed applicable environmental standards.

B. The City's Combined Waterworks & Wastewater Proposal

For reasons addressed in this section, the City believes that through a governmental or non-profit structure, it can realize significant savings against the: (1) projected \$1.4 billion to \$1.7 billion in federally-mandated capital costs required for upgrades to the CSO; (2) projected \$1.4 billion in non-mandated capital projects to the Wastewater system; and (3) Waterworks and Wastewater combined projected operating costs by combining the operations of the Waterworks and Wastewater systems. First, the City is seeking to maximize cost effective completion of the City's planned capital improvements to its Waterworks and Wastewater system, in particular, meeting the requirements of the federally-mandated CSO improvements. Second, the City believes that synergies between the City's Wastewater and Waterworks utilities could be maximized through the creation of a combined utility structure (consider that just a 5% savings could yield \$175 million). The goal of the City through these initiatives is to create savings. The City is engaged in an ongoing analysis of ways to maximize cost savings related to its utility systems. Through this REI, the City is inviting respondents to provide input to the City's analysis.

1. Synergies from Combined Waterworks & Wastewater Operations

The City's Waterworks and Wastewater systems are operated by private operators, Veolia and United Water, respectively. The City believes it is well positioned to help ratepayers by combining services between the Waterworks and Wastewater utilities thereby creating efficiencies in construction and the back office functions. For example, today, coordination between the Waterworks, Wastewater and other utility systems on construction projects on the same road is poor. But savings and better service should result from coordinated planning and construction. The City believes these synergies can be achieved without costs being shifted to avoid one system's ratepayers subsidizing the other system's ratepayers. The City is currently undergoing a Six Sigma program to improve coordination between the various City-owned and other utilities.

2. CSO and Other Capital Improvements: Faster, Better, Cheaper

With \$1.4 to \$1.7 billion in federally-mandated CSO construction planned over the next fifteen years and an additional \$1.4 billion projected in non-mandated Wastewater capital improvements, the opportunity to have an impact in the tens, if not hundreds, of millions of dollars is feasible. The City believes that it is possible to construct the CSO improvements and other capital improvements faster (bringing environmental improvements and federal compliance faster), better (leveraging value engineering and most green/sustainable development practices), and less expensively (through a more coordinated process where

significant portions of the CSO and/or capital projects are constructed, rather than on a one off basis).

3. Public Debt Is Cheaper than Private Debt

The City recognizes that private sector creativity, innovation and basic business oriented discipline may bring significant savings to its large capital plan and to the operations and management of its utility assets. Private partners may also enable the City and its ratepayers to transfer or share project and performance risks in a cost effective manner. Moreover, it is equally important to safeguard the value inherent to U.S. local government enterprises including the long standing trust in public governance or regulation of utilities and the attractive financing rates and terms provided by the municipal debt markets. Unlike investor owned utilities with capital structures comprised of debt and equity, which today can amount to a 8-12% weighted average cost of capital, municipal utilities in the United States borrow generally 100% of their project costs at rates averaging about 5-7%. The City also has access to lower interest debt vehicles like the State Revolving Loan fund program, with interest rates as low as 2-3%. Additionally, municipal utilities are exempt from federal and state income taxes and the purchase of goods and services by municipalities are often exempt from sales taxes (which on large capital programs can be a significant cost item).

4. Significant Minority, Women, & Veteran Business Opportunities

The City believes that the combination of the Waterworks and Wastewater systems and the capital construction program present meaningful opportunities to make a significant, positive impact on disadvantaged minority, women, and veteran businesses.

5. Local Job Creation

At a time when the national economy is depressed, the capital construction program in particular presents the City with the opportunity for a massive construction jobs program. Local jobs must be created and/or maintained.

6. Reach Environmental Compliance Earlier with Sustainable Construction

Finally, the City believes the combination of Waterworks and Wastewater systems and the capital program construction presents meaningful opportunities to minimize the City's negative environmental impact and to leverage sustainable engineering and construction practices.

II. Partner Role

The City is seeking one or more partners to assist it in achieving its objectives. One partner may be able to achieve synergies and maximize cost savings through combined operation of the Wastewater and Waterworks utilities. The same or another partner may be able to maximize cost savings in the management of the Wastewater plants, collections systems, and capital improvements including those necessary to comply with the CSO mandates. Further, the City would put a premium on achieving not only these synergies and cost savings, but also any additional synergies and cost savings in other potential sectors which would benefit the inhabitants of the City. Interested parties may respond to this REI by expressing an interest in, and providing a structure for, all or a combination of the different components of this REI.

Regardless of the structure selected by the City, and assuming responses to this REI validate the City's current thinking on the opportunities as described in this REI, a partner will be expected to provide the highest available level of resources, skills and experience to the delivery of the required services, including the correct mix of technological, engineering, construction and management experience as necessary for the applicable services. To reiterate, the purpose of this REI is *not* to select a vendor or partner(s). The purpose

is to solicit feedback on the City's objectives and ideas from potential partners. Potential partners should base their responses on their past experience and capabilities, and propose potential methods through which the City may structure one or more transactions and help the City determine how to proceed in the best interests of the ratepayers.

With respect to the operations of the Wastewater and Waterworks utilities, and to the extent that these utilities are combined, the operator of the combined utility will be expected to maximize synergies related to the operations of these systems. With respect to the Wastewater (including CSO) capital improvements, the mandatory schedule will require that multiple projects be run concurrently, making progress as the distinct scopes of work are developed.

The City invites responses to its combined utility proposal that encourage thinking that maximizes operational synergies and reduces the costs of substantial capital improvements, and, in turn, creates a partnership on which the City officials can depend as they continue to address difficult challenges. The City, ratepayers, citizens and businesses must be assured that the operator has the public interest as its highest priority. Moreover, the City seeks *partners*, not *vendors* who use the term partnership as a euphemism for inactivity and self-interest. A new or modified model will provide the necessary flexibility to achieve the objectives of the City and, in the case of the Wastewater capital improvements, deal with schedule constraints, financial restraints and scope development.

In order to maximize value, the City and its advisors intend to work closely with its partner(s) to capitalize on value enhancing ideas and approaches and together develop a path that preserves municipal value advantages. The City believes that the opportunities for cost savings are significant, its capital needs are substantial and the solution may require new partnership models that combine the best of various approaches. The City and its advisors have already invested considerable time and resources identifying potential partnership approaches that, among other things, comply with Indiana law and the federal tax code. In responding to the REI, it is important to highlight points that would enable the City and its ratepayers to realize savings and to monetize those savings either upfront or over time in a cost effective manner.

Any partnership is expected to provide the following business opportunities to one or more strategic partners:

- i. a long-term role in the operation of the City's Wastewater and Waterworks systems, including, potentially, an opportunity to share in the value of the synergies realized by the possible combination of the Wastewater and Waterworks utilities;
- ii. an integral role in the management of the CSO, other Wastewater and/or Waterworks capital improvements, including an opportunity to share in gains made on scheduling and targeted construction costs for specific project components; and
- iii. an acknowledged role for the broad array of local talent including those that are minority, women, and veteran owned companies.

III. Overview of Systems

A. Wastewater System

1. Operations

The City owns, operates, and maintains the Wastewater utility system (which includes CSO) through its Department of Public Works (DPW), which is governed by the Board of Public Works, a seven member board appointed by the Mayor of Indianapolis and the City-County Council. Wastewater serves a population of approximately 860,000 and covers an area of approximately 277 square miles. Wastewater rates are set by ordinance from the City-County Council.

The City's Wastewater service area comprises most of Marion County, Indianapolis, Indiana (the "County") and portions of adjoining counties. The City has inter-governmental agreements for wastewater treatment and disposal with the following satellite communities:

- Hamilton Southeastern Utilities (in adjoining Hamilton County)
- City of Lawrence
- Boone County Utilities
- City of Greenwood (in adjoining Johnson County)
- Tri-County Conservancy District
- City of Beech Grove
- Ben Davis Conservancy District

Each satellite community is responsible for the operation and maintenance of its own wastewater and storm water collection system. Within the County, the Town of Speedway owns and operates its independent wastewater collection and treatment system and does not have an inter-governmental agreement with the City.

Currently, United Water Resources, Inc. operates the wastewater system pursuant to an agreement with the City dated October 11, 2007 (the "Wastewater Management Agreement"). The term of the Wastewater Management Agreement is nine years, with an option of the City to extend it up to an additional 11 years.

The Wastewater system currently has approximately \$461 million of outstanding, tax-exempt debt. The City currently receives from the Wastewater system an annual PILOT payment of approximately \$9 million, which supports critical City services. Any transaction related to the Wastewater system will require an annual PILOT (or equivalent payment that will fund the same critical services as the PILOT) equal to at least \$9 million and will need to address the Wastewater Management Agreement, including any termination fees, and the remaining outstanding debt related to the system.

2. Description of Wastewater Facilities

Belmont Advanced Wastewater Treatment Facility

The Belmont Advanced Wastewater Treatment Facility (the "Belmont Facility") is located at 2700 South Belmont Avenue, Indianapolis, Indiana. The Belmont Facility is designed to provide primary treatment for a peak flow of 300 million gallons per day (MGD), and secondary and tertiary treatment for a 120 MGD average daily flow and 150 MGD peak daily flow. The Belmont Facility discharges treated effluent into the White River under NPDES Permit No. IN0023183 with an effective date of February 1, 2008.

Liquid treatment facilities at the Belmont Facility include a headworks with influent pumps, bar screens and

grit tanks; primary settling tanks; flow equalization basins, biological roughing filters; an oxygen activated sludge nitrification system; secondary settling tanks; effluent filter system; a liquid chlorination/dechlorination disinfection system (conversion to ozone or alternative disinfection facilities planned by 2010); and a vacuum swing absorption oxygen generating plant.

The Belmont Facility treats sludge generated from the Belmont Facility and sludge generated from the Southport Facility (described in the subsequent paragraphs). Sludge treatment facilities include gravity thickening and sludge equalization tanks, gravity belt thickeners, a dewatering building with belt filter presses, an incinerator building with four multiple hearth furnaces, ash lagoons, and a truck loading building for dewatered solids that are disposed of off-site. There is also a low pressure secondary effluent pump station and a high pressure secondary effluent pump station.

Southport Advanced Wastewater Treatment Plant

The Southport Advanced Wastewater Treatment Facility (the “Southport Facility”) is located at 3800 West Southport Road, Indianapolis, Indiana. The Southport Facility is designed to treat a 150 MGD peak daily flow and a 125 MGD average daily flow. The Southport Facility discharges treated effluent into the White River under NPDES Permit No. IN0023183 with an effective date of February 1, 2008.

Liquid treatment facilities at the Southport Facility include a headworks with influent pumps, bar screens and grit tanks; primary settling tanks; flow equalization basin, biological roughing filters; two nitrification activated sludge systems: one using oxygen and the other using air; effluent filter system; a liquid chlorination/dechlorination disinfection system (conversion to ozone or alternative disinfection facilities planned by 2010); and a vacuum swing absorption oxygen generating plant. The Southport Facility has an effluent pump station that is used during high river stage. Primary and waste activated sludge is pumped from the Southport Facility to the Belmont Facility through dual force mains.

Wastewater Collection System/Combined Sewer Overflow

The City’s Sewer Collection System consists of approximately 246 miles of interceptor sewers, 3,000 miles of local collection lines, an estimated 77,000 manholes, approximately 35,000 basin/inlet structures, and an estimated 275 lift stations. The combined sewer system was constructed in the early 1900s and encompasses approximately 56 square miles of tributary area and 63 miles of interceptor sewers located primarily within the City’s central business district. The CSO is constructed as relief points throughout the combined sewer system and is designed to discharge overflows from the system caused by excessive amounts of storm water.

3. Capital Projects-Combined Sewer Overflow and Sewer Infrastructure Improvements

In September of 2006, the City entered into a Consent Decree with the USEPA that binds the City to make certain improvements to the combined sewer system by 2025 as outlined in their approved “Raw Sewage Overflow Long Term Control Plan and Water Quality Improvement Report” (Indianapolis Clean Stream Team, September 2006). The cost of that plan was originally estimated at \$2.1 billion (in 2009 dollars), prompting DPW to negotiate a revised program with the USEPA designed to reduce cost while still achieving compliance with the CSO abatement goals. Several changes have been made to the original plan since execution of the Consent Order, including:

- Replacement of the Interplant Connector soft ground, shallow tunnel with a Deep Rock Tunnel Connector (DRTC);
- Replacement of the Trickling Filter/Solids Contact (TFSC) treatment plant upgrades with a Conventional Activated Sludge system; and,

- Additional Value Engineering (VE) efforts have identified an additional 14 projects where substantial capital and/or operational cost savings are achievable subject to USEPA approval.

The following table lists the key CSO projects required by the Consent Decree.

<u>Project</u>	<u>Achievement of Full Operation</u>	<u>Estimated Costs (in 2009 dollars)</u>
CSO storage tunnel	2021	\$297,000,000
Deep Rock Tunnel	2016	\$295,000,000
Belmont AWT wet weather treatment	2012	\$122,000,000
Pleasant Run relief interceptor	2021	\$85,000,000
Southport AWT plant improvements	2021	\$75,000,000
Effluent pump station/force main at Belmont AWT	2016	\$73,000,000
Pogues Run CSO storage and primary treatment	2021	\$30,000,000
Fall Creek CSO consolidation	2025	\$26,000,000
Eagle Creek interceptor	2015	\$23,000,000

In addition, approximately \$1.4 billion is needed for non-mandated capital improvements to the sanitary sewer system, as detailed in the “Marion County Sanitary Sewer Master Plan” (HNTB, September 2004). The septic tank elimination program (STEP) is estimated to cost approximately \$800 million for the replacement of all 30,000 residences (“Septic Tank Elimination Program Master Plan Update”, April 2009).

B. Waterworks System

1. Operations

The City owns, operates, and maintains the Waterworks through its Department of Waterworks (DOW) which is governed by the Board of Waterworks, a seven member board appointed by the Mayor of Indianapolis and the City-County Council. The Waterworks is regulated by the Indiana Utility Regulatory Commission (IURC).

The Waterworks serves the majority of the County and portions of Morgan, Hendricks, Johnson, Hancock, Hamilton, and Boone counties pursuant to inter-governmental agreements. The Waterworks serves approximately 275,000 households or approximately 1.1 million people. Approximately 75% of the customers are located in Marion County. The average daily production of finished water is approximately 140 MGD with 228 MGD produced on the peak day in July of 2007. Approximately 20% of the average

daily production of the source waters are from groundwater sources. The remainder of the water supply, approximately 80% of the average daily production, is supplied from surface water sources.

Currently, Veolia Water Indianapolis, LLC operates the Waterworks pursuant to an agreement with the City dated March 21, 2002 and amended on or about June 26, 2007 (the “Waterworks Management Agreement”). The term of the Waterworks Management Agreement is 20 years. In its most recent waterworks rate order, the IURC has challenged the Waterworks to improve current operations and make additional efforts to reduce the Waterworks operating costs. The IURC recognized that the Waterworks has minimized some costs but believes it is essential to take additional steps to improve efficiencies and reduce and contain operational expenses.

The Waterworks system currently has approximately \$843 million of outstanding, tax-exempt debt. The City currently receives an annual PILOT payment of approximately \$10 million from the Waterworks system. Any transaction related to the Waterworks will require an annual PILOT payment of at least \$10 million and will need to address the Waterworks Management Agreement, including any termination fees, and the remaining outstanding debt related to the system.

2. Description of Waterworks Facilities

The Waterworks includes 10 water treatment plants (WTPs), as summarized in the following table.

Water Treatment Plant Summary

<u>WTP Name</u>	<u>Water Source</u>	<u>Approximate Average Annual Flow Rate</u>	<u>Approximate Percent of the Total Flow</u>
White River WTP	Aqueduct from the White River and wells	76 MGD	54%
Fall Creek WTP	Fall Creek through Geist Reservoir and wells	22 MGD	15%
White River North WTP	White River and wells	16 MGD	11%
T.W. Moses WTP	Eagle Creek through Eagle Creek Reservoir	8 MGD	6%
Ford Road WTP	Wells	1 MGD	1%
Geist WTP	Wells	2 MGD	1%
Harding WTP	Wells	3 MGD	2%
South Well Field WTP	Wells	7 MGD	5%
Harbour East WTP (not in use)	Wells	3 MGD	2%
Harbour West WTP (not in use)	Wells	2 MGD	1%
TOTALS:		142 MGD	100%

Four WTPs are surface water treatment plants servicing 15 districts. Eight WTPs are groundwater plants. The four surface water plants are:

- White River WTP
- White River North WTP
- T.W. Moses WTP
- Fall Creek WTP

Of these surface water plants, White River WTP and White River North WTP treat water from the White River. The T.W. Moses WTP treats water from Eagle Creek. The Fall Creek WTP treats water from Fall Creek. The largest and oldest of the WTPs, with a design capacity of 96 MGD, is the White River WTP. The T.W. Moses WTP is the fifth largest facility with a design capacity of 16 MGD. The Fall Creek WTP is the second largest and next oldest facility with a design capacity of 32 MGD. The flow of water in the White River and Fall Creek can be supplemented by two water supply reservoirs, Morse Reservoir and Geist Reservoir. Morse Reservoir contributes to the flow in White River, while Geist Reservoir contributes to the flow in Fall Creek.

There are six groundwater treatment plants:

- Harbour East (not in use)
- Harbour West (not in use)
- South Wellfield
- Harding
- Ford Road
- Geist

Most of the groundwater facilities were built after 1989. The South Wellfield WTP, originally constructed in 1997, has recently been expanded to treat 24 MGD making it the largest groundwater treatment plant, equaling the capacity of the White River North WTP. The Harding WTP is located very close to the South Wellfield WTP. The Harding WTP, which has a design capacity of six MGD, may be abandoned. In that event, the South Wellfield WTP would provide water to the service area of the Harding WTP. The remaining groundwater treatment plants, Ford Road WTP and Geist WTP, have design capacities of 4 MGD and 2.6 MGD, respectively.

The Waterworks includes six wellfields as part of the water supply to their customers. These wellfields and their corresponding WTPs are listed below.

<u>Wellfields</u>	<u>Plants</u>	<u>No. Wells</u>	<u>Approx Max. Yield</u>
Riverside/White River Wellfield	White River WTP (treats both surface water and groundwater)	19	23.11 MGD
Fall Creek Wellfield	Fall Creek WTP (treats both surface water and groundwater)	8	11.23 MGD
South Wellfield	South Wellfield WTP and Harding Road Stations WTP	11	24.05 MGD
Geist Wellfield	Geist WTP	3	6.05 MGD
Ford Road Wellfield	Ford Road WTP	4	2.59 MGD
Harbour Wellfield (not in use)	Harbour East WTP and Harbour West WTP	8	7.35 MGD
Approximate Totals		58	76.87 MGD

Combined, these wellfields can supply up to approximately 40% of the water handled by the Waterworks, or approximately 60 MGD.

Finished water is stored in several ways. Much of the system volume is stored in 10 ground storage tanks and seven underground storage reservoirs before being pumped into the distribution system. Four of the ground storage tanks are located at WTPs. The remaining six storage tanks are associated with booster pump stations. The seven underground storage reservoirs are located at the WTPs.

In addition to the ground storage tanks and underground storage reservoirs, there are 12 elevated storage tanks. The tanks range in size from 0.25 million gallons (MG) to 2 MG. The ages of the tanks range from two to 52 years.

There are 31 pump stations within the distribution system. Twelve of the pump stations are located at WTPs. The remaining 19 are booster pump stations located in the distribution system, 18 of which are in operation. In the system, there are also 23 bleeder valves, which are used to control flow between districts. There are also six pressure reducing valves (PRV). These valves operate automatically to compensate for pressure loss in a district. The Waterworks system also contains approximately 4,000 miles of water main, 32,000 valves, and 30,000 fire hydrants.

The Computer Control System (CCS), located on Waterway Boulevard, runs the distribution system. All storage tank and reservoir elevations are monitored. Operators at the CCS also control the booster pump stations and the pump stations at the WTPs. Within the distribution system, they control the bleeder valves. When water is needed, the staff at the CCS contacts the WTPs, and tells them to produce water. Using their control of the distribution system, they are able to direct the water to where the demand is occurring. There is no direct control of the WTPs treatment processes themselves through the CCS.

Within the Waterworks system, there are 15 districts and four sub-districts. A district and sub-district is a part of the system that is defined by the pressures within the area and is typically isolated from the remainder of the system by one or more pressure reducing valves (PRVs), bleeder valves and pump stations.

The Waterworks historically has employed a strategy of mixing groundwater and surface water in order to achieve optimum supply. It is expected that, with the passage of time, the supply sources and distribution of water will change.

The service area of the Waterworks continues to grow. Most recently, the number of customers has grown by approximately 3% to 5% per year. Growth is expected to continue. Proposal should anticipate reasonable growth. Proposals should, however, address extraordinary events of growth or contraction, and offer suggestions concerning how such events will be accounted for in future planning activities.

3. Capital Projects - Waterworks

The overall capital improvement program (CIP) for the Waterworks system is expected to exceed \$600 million over the next 15 years. Of that amount, about \$163 million in capital needs have been specifically identified for expenditure through the year 2012. The major components of the short-term CIP are as follows:

- Underground infrastructure rehabilitation and replacements system-wide (\$33 million)
- New intake structure for White River Treatment Plant (\$21.5 million)
- Installation of ultraviolet disinfection system at White River North and Fall Creek Treatment Plants (\$16 million)
- Meter, valve and hydrant replacements system-wide (\$18 million)
- Increase filter capacity at all treatment plants (\$12 million)
- Low head dam construction at Fall Creek Treatment Plant (\$7 million)
- New elevated storage tanks at Stop 11 and Bunker Hill (\$7 million)

C. Storm Water System (“Storm Water”)

In 2001, the City-County Council, through the enactment of General Ordinance No. 43-2001 (GO43), authorized the creation of the Marion County Storm Water Management District (MCSWMD). This action followed the publication of a Storm Water Master Plan in 1998 that identified over \$300 million in drainage and storm water maintenance and capital improvement projects throughout Marion County. GO43 also established a storm water user fee as a funding mechanism for capital needs, and named DPW as the department responsible for storm water system management.

The Storm Water system includes the Eagle Creek Dam that is located at the City’s Eagle Creek flood control, recreation, and water supply reservoir in Indianapolis, Indiana. It consists of approximately 200 acres of grassed area, 5,200 feet of fence, an earthen dam 4,200 feet in length and 75 feet in height, and a concrete spillway with six mechanized tainter gates. The dam allows for withdrawal for water supply and a minimum release of flow is to be maintained at all times.

The current storm water user fee of \$2.25 per month per Equivalent Residential Unit generates approximately \$19 million per year in revenue. The current budget indicates operations and maintenance expenses of \$13 million, which when combined with the \$15 million per year in capital needs, exceeds the revenue by \$9 million annually. *This revenue shortfall makes the monetization of storm water utility fees impractical without a significant rate increase, and should therefore be excluded from the analysis at this time.*

IV. Submission Contents

Respondents to this REI are encouraged to provide each of the following (to the extent relevant based on the parts of this REI the respondents wish to submit a response):

1. Name and contact information (address, phone, fax and email) for the individual who will act as the respondent's principal contact throughout the REI process and description of the individual members of the respondent's team with experience related to the objectives of the City as described in this REI.
2. A description of the respondent's technical and practical experience in the following disciplines, to the extent each is applicable, and how this experience can advance the objectives of the City related to this REI:
 - a. Operations and Management - provide examples to demonstrate capabilities in managing and operating municipal waterworks, wastewater systems and/or combined utilities, as applicable.
 - b. Process Design - provide examples to demonstrate capabilities in leading edge treatment process and design for waterworks, wastewater and/or combined utilities, as applicable.
 - c. Engineering - provide examples to demonstrate capabilities relating to all aspects of engineering used on waterworks, wastewater and/or combined utilities, as applicable, treatment facilities upgrade, expansion and capital improvements.
 - d. Project Management - provide examples to demonstrate significant capabilities in project management of large (\$500 million +) wastewater upgrade and expansion projects, and, if possible, combined sewer overflow construction.
 - e. Construction Experience - provide examples to demonstrate significant construction capabilities associated with the upgrades and expansions to wastewater plants and combined sewer overflow systems.
 - f. Associated Experience - provide examples to demonstrate other capabilities in waterworks, sewage treatment and combined sewer overflow and/or combined utilities, as applicable.
 - g. Public-Private Partnerships - provide examples of structuring long-term public-private partnerships in the field of waterworks, wastewater and/or combined utilities, as applicable, including capabilities with various models for the cost-effective, timely delivery of specific projects.

- h. Financing Models - provide examples of strategic partner financing arrangements and examples of specific project financing arrangements within your experience.
 - i. Local Contracting Partners - provide examples of past practice of partnering with local contractors and minority, women and veteran businesses on similar projects, consistent with the City's objective of maximizing local contractor and minority, women and veteran business participation in the transactions contemplated by this REI.
 - j. Environmental Sustainability and Stewardship - provide examples of efforts to promote environmental sustainability and stewardship in past projects related to the operation of municipal utilities, including waterworks, wastewater systems and/or combined utilities and/or large wastewater capital improvement construction projects.
- 3. Reference names and addresses for each example provided.
- 4. Potential structures for (a) the combined operation of the Wastewater and Waterworks systems and/or (b) the Wastewater, including CSO, capital improvements that advance the City's objectives as described in this REI.
- 5. Proposed synergies (both operational and financial, including potential cost savings accruing to the benefit of the residents of the City) that can be achieved through the combined operation of the Wastewater and Waterworks systems.
- 6. Proposed cost effective solutions/procurement and contract models for effecting the design, construction and operation of the Waterworks and Wastewater (including CSO) capital improvements, including a description of potential cost savings that can accrue to the benefit of the residents of the City.
 - a. Provide your thoughts on: (1) the current construction market; (2) availability of insurance and bonding for projects; (3) access to credit and financing; and (4) how current conditions could be used to the advantage of the City, including possibly accelerating all or part of the capital program.
- 7. A suggested Risk Matrix to illustrate your proposed allocation or sharing of risks:
 - a. As between the City and strategic partner under a long-term contract related to the combined operation of the Wastewater and Waterworks systems; and
 - b. As between the City and strategic partner with respect to the Waterworks and Wastewater, including CSO, capital improvements.
- 8. Suggested partner options, if any, for participating in financing related to (a) the combined operation of the Wastewater and Waterworks systems and (b) the Waterworks and Wastewater, including CSO, capital improvements.
- 9. A description of your experience with various compensation models for (a) the combined operation of the Wastewater and Waterworks systems and (b) the Waterworks and Wastewater, including CSO, capital improvements.

10. Suggestions regarding the maximum lengths (including renewal terms) of strategic partnership arrangements for (a) the combined operation of the Wastewater and Waterworks systems and/or (b) the Waterworks and Wastewater, including CSO, capital improvements.

V. Process and Schedule

A. Submission Deadline

Responses to this REI should be submitted by: 4:00 p.m. EDT, August 21, 2009.

B. Schedule

The City will decide whether or not to move forward with a Request for Proposal (RFP) or an alternative transaction structure or structures based on the submissions in response to this REI.

VI. Submission Requirements

A. Submission Format

Each submission should be bound and typed; single sided, on 8¹/₂" x 11" paper in English using no less than 11 point font with 1" margins. Drawings or other graphic representations may be provided on 11" x 17" paper. The submissions should include a table of contents, identifying the major sections as outlined herein, and any illustrations, tables, charts or graphics included in the Proposal. Submissions (including all exhibits and attachments) shall not exceed 30 pages. A complete copy of the proposal should also be submitted in PDF format, emailed to mhuber@indy.gov or sent on a compact disc along with the written proposal.

B. Submission Delivery

Each submission shall be delivered to:

Michael Huber
Director of Enterprise Development
Office of the Mayor
2501 City-County Building
200 East Washington Street
Indianapolis, Indiana 46204
office 317.327.3622
mhuber@indy.gov

VII. Inquiries

Any questions related to this REI should be directed to:

Michael Huber
Director of Enterprise Development
Office of the Mayor
2501 City-County Building
200 East Washington Street
Indianapolis, Indiana 46204
office 317.327.3622
mhuber@indy.gov

VIII. Privilege Clause; Right to Alter

A. Notwithstanding any other provision in this REI, the City may, in its sole discretion, (1) determine to enter into one or more transactions related to (a) the combined operation of the Wastewater and Waterworks systems and/or (b) the Waterworks and Wastewater, including CSO, capital improvements, which transaction or transactions may be structured by the City in a manner determined to be in the best interest of the City and (2) elect not to proceed with an RFP or with any transaction contemplated by this REI.

B. The City is under no obligation to respondents to this REI. The City may, in its sole discretion, decide not to proceed with any or all of the transactions contemplated herein or may proceed with such transaction or transactions by any other procurement means or delivery model it may deem fit.

C. The City further reserves the right to selectively identify on the basis of demonstrated qualifications and experience, some, but perhaps not all, respondents to this REI for participation in the presentation stage of this REI process, and for further participation in any RFP that may be issued or direct negotiations that may be entered into in relation to the transactions contemplated by this REI.

D. The City reserves the right to alter any of the conditions and criteria outlined in this REI, including the deadline for submissions, by posting addenda on the City's website at <http://www.indy.gov/eGov/City/Controller/Purch/Bids/Pages/BiddingOpportunities.aspx>.

IX. No Contract; Costs and Expenses; Additional Information

A. This is an inquiry only. By responding to this REI with a written submission or otherwise participating in the process as outlined in this REI, each submitting party expressly agrees that no contract of any kind is formed under, or arises from this REI and that no legal obligations as between any one or more proponents and the City will arise.

B. Each respondent is solely responsible for its own costs and expenses in preparing and submitting a response to this REI and participating in the REI process, including the provision of any additional information or attendance at meetings or interviews.

C. The City shall have no monetary obligation to any respondent to this REI. The City will make information available to respondents via its website at <http://www.indy.gov/eGov/City/Controller/Purch/Bids/Pages/BiddingOpportunities.aspx> and will not respond to requests for additional information or make copies of documents as part of this solicitation process.

X. Ownership of Submissions & Public Records Act

The City will be entitled to retain all submissions received in response to this REI without pay or compensation. Submitting parties are advised that the City is subject to Indiana Access to Public Records Act, and that any documents or other records provided to the City may, by law, be subject to disclosure.

Please be advised that all responses will be posted online and available to the public at <http://www.indy.gov/eGov/City/Controller/Purch/Bids/Pages/BiddingOpportunities.aspx> shortly after they are received by the City.