



## MEMORANDUM

**DATE:** October 9, 2019  
**TO:** Rolf Ohlemutz, General Manager, Rialto Water Services (RWS)  
**FROM:** Veolia Rialto Management Team  
**SUBJECT:** Periodic Reset of Labor Component

### I. Labor Reset Requirement in the Operations and Maintenance Subcontract

According to the Operations and Maintenance Subcontract (OMS, Section 8.11 & 14.11) and Concession Agreement (CA, Section 8.11 & 14.11), the periodic reset of the labor component is required at the conclusion of every fourth Contract Year. The OMS states that the first Contract Year ended on December 31, 2012 and provides a mechanism for calculating the Labor Expense during the abbreviated first Contract Year. This in effect means that the labor reset was scheduled for January 1, 2016, and is overdue. Since almost four years have come and gone, Veolia is proposing that the 2016 and 2020 resets be combined. Thus, the combined resets shall commence January 1, 2020 and the next reset will be effective January 1, 2024 based on Labor Expense for the 2020 to 2023 Contract Years and anticipated changes for 2024 to 2027.

The purpose of the labor reset is to include flexibility in the long-term OMS and acknowledge labor cost variances based on the prior four and next four years of the operation. At the same time, the labor reset interval provides predictability and budgetary stability to the City for 4-year periods. Through the CA, Veolia was provided staffing levels originally envisioned in the form of an organizational chart (Schedule L) and an initial fixed labor fee. The CA also provided Veolia with the autonomy to add staff for operational necessity and service level expectations, follow Prudent Industry Practices and/or to be in conformance with applicable laws as required under OMS Sections 5.1(b) and 11.1(b) and CA Sections 5.1(b) and 11.1(b). It is important to note that Schedule L was provided merely as a guideline and documentation of initial conditions as it was very necessary to ramp up staffing in order to achieve the desired service level.

The Sections of the OMS governing the reset are 8.11 (WW) and 14.11 (Water). For purposes of this memo, the Sections pertaining to Wastewater are referenced; however, the operative provisions of Wastewater and Water are the same.

**Following the conclusion of every fourth (4<sup>th</sup>) Contract Year, the Wastewater Labor Component shall be reset to an amount that is equal to the sum of the following: (i) the average annual Wastewater Labor Expense during the immediately preceding four (4) Contract Years, as adjusted in accordance with Section 8.7; plus (ii) an adjustment based on the anticipated changes in the Wastewater Labor Expense that Contractor reasonably believes are likely to be incurred during the succeeding four (4) Contract Years ("Wastewater Additional Labor Adjustment"); plus (iii) the Contractor Charge with respect to the subtotal of the foregoing clauses (i) and (ii).**

The 2016 reset includes the averages for the preceding four Contract Years of Labor Expense (2012-2015) and anticipated next four years (2016-2019) of labor expense as detailed in the contract language. The 2020 reset includes the averages for the preceding four Contract Years of Labor Expense (2016-2019) and anticipated next four years (2020-2023). For purposes of computing the labor expense, the definition used in the OMS applies:

**"Labor Expense" means all costs and expenses incurred by Contractor to provide labor consistent with the Staffing Plan that is associated with (i) the operation of the Utility Facilities, (ii) the performance of Maintenance, (iii) Repair Cost, (iv) Replacement Cost, (v) Operating Repair and Operating Replacement;**

and (vi) any other Services except for that portion of Services related to design and construction as noted below. The term "Labor Expenses" includes costs and expenses associated with the recruitment, training, tuition reimbursement, continuing education, licensing of personnel, payment of salaries, wages and benefits (inclusive of all taxes, insurance, medical, disability and health benefits, pensions, retirement plan costs, contributions, assessments, sick time, vacation time, overtime, premium time, holidays, and continuing education), temporary labor, expense reimbursements, termination and severance payments, all of which are consistent with Contractor's standard employment practices, any collective bargaining agreement or prevailing market rates in the water and wastewater treatment industry for Southern CA.

The labor reset not only includes the average annual Labor Expense during the preceding four years and an adjustment based on the anticipated changes in the Labor Expense in the next four years, but it also includes the Contractor Charge for overhead and profit fixed at 18%. According to the OMS, the definition of Contractor Charge states:

**"Contractor Charge" means the portion of the Compensation to be paid to Contractor in the form of a mark-up that is applied to certain amounts due as Compensation (prior to application of the Contractor Charge) as expressly set forth in this O&M Subcontract in the total amount of eighteen percent (18%), that is comprised of ten percent (10%) for costs associated with overhead and administration and eight percent (8%) for profit.**

In short, each labor reset for both Water and Wastewater is the average of the past four years of Labor Expense, plus an adjustment based on the anticipated changes made to the Labor Expense in the next four years, plus an 18% charge applied to the total. The result is compared to the current fixed labor component received by Veolia per the contract. If the labor reset is higher than the Labor Component of Veolia's fixed fee, then the fixed fee is increased.

## **II. Veolia Staffing Changes since the Start of the Concession Agreement**

The staffing plan in Schedule L of the OMS and CA included 41 employees and is attached as Exhibit A. Once Veolia was on the job it was discovered that there was one (1) additional existing employee not represented in Schedule L. This existing position is a maintenance tech position at wastewater, which the employee has been working at the WWTP since 2005. It is assumed that the Fixed Fee for Labor included in the OMS was based on the existing actual labor costs. Accordingly, the current contractual Labor Component can be assumed to cover the staffing level of 42 employees. For the analysis below, 42 employees will be considered the original staffing level.

As of the date of this memo, the staffing plan shows 51 employees, which Exhibit B contains the current organizational chart and its progression since Schedule L. For the purposes of this Labor Reset, five (5) positions have been removed and/or not included in the current organizational chart. They are: (1) a Water Operator who is assigned to the direct contract with the City to handle perchlorate O&M; (2) the "CSR for IVR", (both "Water Operator for perchlorate O&M" and "CSR for IVR" have been removed from the org chart outright and are positions that will not be filled again), (3) & (4) the Capital Program Manager and Assistant positions are not included in the labor reset, and (5) the IPP Manager which will be considered separately. There has been an increase of Significant Industrial Users in the MIPP program, effectively increasing the level of MIPP labor needed to support the program. MIPP labor is covered under a separate letter and proposal. Exhibit C is presented in response to Section 8.11 and 14.11 which states:

**For purposes of establishing the amount of any Water and/or Wastewater Additional Labor Adjustment, Contractor shall provide to the Concessionaire reasonable substantiation with respect to the basis for the Water and/or Wastewater Additional Labor Adjustment that is based on Prudent Industry Practices.**

Removing these positions from the labor reset reduces the staffing level to 51, i.e. an increase of 9 over the staffing level shown in Exhibit A.

### **A. Staffing Changes necessary for current service level**

The positions outlined in this section are or were 100% dedicated to the Rialto project and play (and have played over the past 4-8 years) a vital role in providing the current service level to the City. Unlike the positions listed in Section III,

these positions are not considered part of the ten percent (10%) overhead and administration fee as outlined below (and in Exhibit C).

The Schedule L staffing level presented in the OMS contains a “Capital Program / Asset Manager”. Both capital projects and asset management ramped up to a very high level and a single position for both functions was clearly inadequate.

Asset Management was established with the help of Melissa Demsky from Veolia, who was considered corporate assistance and does not show up in the organizational chart for the labor reset. Asset Management, after the initial set-up, requires full time assistance to maintain databases by entering new information and quality checking of existing entries. It also requires processing of the data to identify high priority capital projects. In the future, the maintenance of a GIS system is expected to be a major and continuous effort. **These considerations make the Asset Manager the most likely permanent position regardless of the future level of capital improvements. Accordingly, Veolia is treating this position as the successor of the capital projects positions in Schedule L.**

The capital projects duties are carried out by the Capital Program Manager and the Capital Program Assistant. The Capital Program Manager and Assistant are funded through the FIP and will in the future be funded as part of a continuing CIP process yet to be determined. For the purpose of this labor reset, the two capital program positions are not counted. Staffing level for the purpose of the labor reset is 51 instead of 53, which is an increase of 8 over the 2012 staffing level (that inadvertently did not include a wastewater maintenance tech position).

The list below includes positions not listed in Schedule L with high-level explanations on their purpose, status, and justifications of why they are absolutely needed. Exhibit C further elaborates on each of the added positions and provides in-depth reasonable substantiation. It should be noted that the justification of all of these positions is to a large extent based on the elevated level of activity in recent years due to FIP, ORR, and many operational and procedural improvements. The positions will be continuously re-evaluated and adjustments may be made as repetitive tasks become routine and operational and regulatory challenges become few and far between.

#### 1. **WW Maintenance Tech**

**This position already existed at the WWTP upon execution of the CA/OMS and was unintentionally missed when Schedule L was created. The employee filling this position has been working at the WWTP since 2005. Schedule L should have included this position, thus making the total staffing level at the onset of the CA/OMS 42, not 41.**

#### 2. 3. 4. & 5. **Four (4) Water Operators**

Upon taking over operations of the Water Department, Veolia inherited a severely undermanned division. In order to meet demands of operations and regulatory/contractual deliverables, Veolia hired all existing City employees and temps in full-time roles. This was a very challenging time and the initial hiring of four (4) additional water operators were vital in providing quality O&M services.

- In 2017, one (1) of these additional operators was assigned to the separate and direct contract with the City for perchlorate (Chino 2 & CR3) O&M services. This operator position was not and will not be backfilled, indicating that the initial high workload in the water division had abated somewhat.
- In 2020, another one (1) of these additional operators will be assigned to the prospective separate and direct contract with the City to provide perchlorate (EW-1) O&M services. Upon being reassigned, this operator position will not be backfilled.

#### 6. **Water Administrative Assistant**

Upon taking over operations of the Water Department, Veolia discovered that the WW Administrative Assistant was fully utilized and could not take on additional responsibilities. With the customer service division splitting off from the water division, it was operationally necessary to hire a separate administrative assistant to provide support for the water and customer service divisions.

## 7. WWTP Lead Operator

This position was added as part of the negotiation with the International Operating Engineers union; however it was not included in the calculation of the union portion of the labor reset. The modifications to the service fee under the union portion only included the negotiated rates with the International Operating Engineers union in relation to the Collective Bargaining Agreement. This position was necessary to ensure that there is at least one (1) lead operator on-site during working hours at all times as well as to oversee certain field duties.

## 8. Purchasing Manager

This position was created to assist with managing all purchases across the Rialto project, which includes: services, materials, chemicals, parts and anything else that needs to be purchased. As a single point of contact for all purchases across the entire operation, this position has vastly improved the critical flow of transactions for daily operations, OR&R and FIP matters. This position may be reviewed as needed.

## 9. Customer Service Supervisor

In 2015, it had become apparent that the Customer Service Manager could not handle all reporting, customer complaints, database issues, and day-to-day issues.

## 10. & 11. Assistant General Manager & Accountant

These positions are necessary to cover the many record-keeping, reporting and other various requirements inherent in the CA which did not exist prior to 2013. Further, the AGM has become an integral part of day-to-day operations (i.e. focusing on team management, development & implementation of SOPs, optimizing operations, addressing daily issues, assisting with compliance/regulatory matters, and ensuring all deliverables are met), which affords the General Manager to focus on City liaison, regulatory, and political issues.

These positions may be reviewed as needed. As the CA changes from the initial set-up phase to more of a routine, the GM may be able to take back functions currently performed by the AGM. It is less likely for the Accountant to have a reduced workload because RWS is currently taking on more of an accounting role than anticipated in the CA.

More detail as to why these positions are absolutely needed and do not fall under the 10% overhead and administration fee can be found in Exhibit C.

## III. Veolia Corporate Support and 10% Labor Overhead & Administration Fee

According to the definition in the OMS, the Contractor Charge means:

**“the portion of the Compensation to be paid to Contractor in the form of a mark-up that is applied to certain amounts due as Compensation as expressly set forth in this O&M Subcontract in the total amount of eighteen percent (18%), that is comprised of ten percent (10%) for costs associated with overhead and administration and eight percent (8%) for profit.”**

Overhead and Administration Fees cover multiple overhead items related to labor which are not included in the fixed fee for labor expenses. They include primarily: payroll, benefits administration, recruiting, relocation of personnel to project sites, legal support, safety support and training, among other administrative costs. Overhead costs include procurement support, technical support, as well as all other regional, national, and corporate support.

Veolia provides additional support to the Rialto project without additional compensation in the form of assistance from various internal business units, including but not limited to:

- Director of Business Support
- Director of Asset Management

- Director of Customer Service
- Director of Health & Safety
- Regional Manager of Health & Safety
- Director of Structuring
- four team members from the Technical Development Group (including multiple Directors)
- Director of Procurement
- Regional Pretreatment Manager
- Compliance Managers
- Directors and Managers of Finance and Accounting
- InfoSend Managers
- Director of Communications
- Director of Human Resources as well as multiple HR Specialists such as recruiters, payroll, & benefits
- Fully integrated IT support group

The support these positions provide is critical to the operations and current level of service. While these positions are not included in the reset, it is important to state the vital role they play in ensuring the Rialto projects are compliant with health, regulatory and safety standards, staffed adequately, and that a well-developed asset management program is in place.

Veolia's commitment to the Rialto project goes well beyond the local onsite staffing level support and provides significant added value without itemized inclusion of charges in the labor expense calculations. This kind of support is above and beyond what would be present at most municipal operations. Experts from around the country assist with the successful advancement of the Rialto Facilities. During any given week, there are one to two Veolia corporate-level team members assisting with our water, wastewater and customer service objectives. The assistance from the above listed corporate staff members ranges from process control management and facilities optimization support to onsite safety and compliance training such as confined space entry and AWWA certification classes. Overall, Veolia provides a wide range of behind the scenes support both on and off site. Another example includes Veolia's state-of-the-art meter testing facilities, which has tested approximately 600 water meters for the City of Rialto at no charge to the City or RWS. This effort confirmed the financial impact of the meter replacement for Rialto specifically and was added to the body of data that will help other municipalities in their decision to replace aging water meters.

When considering the technical, asset management, data management, financial, accounting, purchasing, safety, compliance, administrative, communications, customer service, and community involvement, **Veolia supports RWS and the City with more than 5,200 hours a year in additional directly related labor hours, not including corporate support from the executive-level team and others.** It should be noted that these services are provided on an as-needed basis and are not withheld if they are found to exceed the Overhead part of the 10% Administration Fee and in effect reduce the 8% profit. In order to understand and establish the amount of corporate support provided to the Rialto project, Veolia compiled and computed the sum of hours of corporate support provided on an annual basis. The value of this additional corporate support is greater than \$1.0M a year, which is in excess of the 10% administration fee.

#### **IV. Comparing Rialto Staffing Levels to other Cities**

Veolia originally completed a review of the wastewater and water systems in the areas surrounding the City of Rialto, CA and learned that the Rialto project is understaffed in comparison. This analysis reviewed the budgets and staffing levels per MGD of the following cities: Redlands, San Bernardino, Modesto, Corona, and the Victorville area (Victor Valley). While it is difficult to make a side-by-side comparison, since MGDs (at design capacity) vary between locations, population, service area, and because many city operations throughout California include programs not covered in Rialto (and vice versa), two cities were very close in comparison to Rialto. Modesto and Victor Valley have similar average flows, population and service areas like Rialto and are staffed at approximately 5.33 and 2.91 FTEs per MGD, respectively. While these two communities have much newer wastewater facilities, they appear to be staffed quite a bit higher than the Rialto WWTP, which is staffed at a level of 1.88 FTEs per MGD (1.8 FTE = 22 total FTEs but I believe we have 21 so should be 1.79 now). On the water side, staff numbers fluctuated significantly over the last several

years. Prior to execution of the OMS, the water team was staffed by the City at 21 at its highest. Currently, the water team consists of 16 employees, which is comparable to surrounding cities. While the analysis concludes that Veolia is operating at a staffing level below that of surrounding communities, it is because of the streamlined operational practices, corporate support and effective procedures and systems in place that enables Veolia to continue to bring value to the City at a lower labor cost than would have been realized before the Concession Agreement was in place. A second and separate analysis was recently performed in 2019, the results of which again concludes under service levels for FTEs/1,000 accounts that Veolia is operating the City's wastewater, water and customer service divisions efficiently as compared to our local counterparts (see Exhibit D).

## **V. Anticipated Changes in Staffing Levels**

There have been discussions about adding and removing positions in the next labor reset. Positions that may potentially be added are as follows:

1. Customer Account Field Auditing Position – This position would be a one to two year temporary position that would audit and verify the approximately 1,650 accounts that border the City of Rialto and may receive partial or full services from the City without providing payment. Scope of services would include planning, field verification, correction, account billing, and collection processes as identified. Currently these accounts are being addressed slowly as time allows and as identified through routine processes. If approximately 5% of the identified accounts are determined to receive services from Rialto, with two-years of back-billing, the position would be more than covered through these recovered revenues.
2. Water Conservation Specialist – Dependent upon future state conservation regulations, The City may be in need of a water conservation specialist, as Veolia has recommended to RWS and the City in prior years (this service is not currently include in scope).
3. GIS Technician – This position would assist by developing the City's existing ESRI geographic information system (GIS) that the City wishes to expand and better utilize. The GIS tech would help by making maps and customized applications in order to read and interpret said maps, manipulate and understand land data, and manage data entered into ESRI.

Any of these resources could be added to the labor reset projections or managed through a separate change in scope agreement. The cost of doing so under the reset for the City is equivalent to reimbursement of union wages paid and the cost of employee benefits plus the 18% Contractor Charge.

### **Potential future staff reductions include (in order of likelihood):**

1. One Lab Technician may be removed in the next labor reset in 2024 which will be based on the results of the current costs savings initiative under contracted lab services
2. One and possibly two Water Operator(s) if there is a full AMI implementation
3. Upon successful completion and implementation of the Facility Improvement Project (FIP) S.1, one (1) WWTP Operator position will be reviewed during the next labor reset in 2024
4. The Purchasing Manager position will be reviewed during the next labor reset in 2024
5. The Assistant General Manager position will be reviewed during the next labor reset in 2024

## **VI. Labor Reset Calculation according to Concession Agreement**

As specified in the OMS, the first step in the calculation of the Labor Reset is to compute the average labor expense for the prior four years, excluding the additional MIPP labor due to scope change. Included are the costs allowed by the OMS, i.e. salaries and wages, benefits, temp labor, recruiting, etc. These costs are then valued in 2016 dollars (per Section 8.7) using the actual escalation rates per the OMS for each year. Since this Labor Reset is combining the 2016 and 2020 resets, the same steps are completed for each separately. Thus, the costs in the 2020 Labor Reset Adjustment are valued in 2020 dollars (per Section 8.7) using the actual escalation rates per the OMS for each year.

For each Labor Reset calculation, the actual costs incurred each year are escalated based on the annual escalators. Then, costs in 2016 and 2020 dollars respectively are summed and then averaged. The combined average for Water and Wastewater in 2016 is \$4,078,172.77 and \$5,522,672.94 in 2020, which fulfills the requirement of starting with the average of the prior four years of actual Labor Expenses.

To calculate the average of the next four years, Veolia applied actual data for 2016-2019 data and estimated data for 2020-2023. Veolia envisions that these two combined labor resets would take effect on January 1, 2020 and would be reset again on January 1, 2024.

While the negotiated CBA increase of \$390,019 has already been approved by the City Council and incorporated into Veolia's fixed fee, an increase as calculated below that still requires ratification. The 2016 Labor Reset would have resulted in a decrease in the labor component fee, while the 2020 Labor Reset would have resulted in an increase in the labor component fee. The difference between these two amounts is the increase in which Veolia seeks approval for the combined labor resets.

| 2016 Reset                       |                | Water           | Wastewater      |              |
|----------------------------------|----------------|-----------------|-----------------|--------------|
|                                  | 4 yr Average   | \$ 2,484,153.59 | \$ 2,719,449.17 |              |
|                                  | Total W/WW     | \$ 5,203,602.76 |                 |              |
|                                  | 2016 Fixed Fee | \$ 2,683,015    | \$ 2,870,778.30 |              |
| Owed annually to Veolia (Client) | 2016           | (\$198,861.89)  | (\$151,329.13)  |              |
| Owed monthly to Veolia (Client)  |                | (\$16,571.82)   | (\$12,610.76)   |              |
| Owed annually to Veolia (Client) | 2017           | (\$203,455.60)  | (\$154,824.84)  |              |
| Owed monthly to Veolia (Client)  |                | (\$16,954.63)   | (\$12,902.07)   |              |
| Owed annually to Veolia (Client) | 2018           | (\$208,786.14)  | (\$158,881.25)  |              |
| Owed monthly to Veolia (Client)  |                | (\$17,398.85)   | (\$13,240.10)   |              |
| Owed annually to Veolia (Client) | 2019           | (\$214,569.52)  | (\$163,282.26)  |              |
| Owed monthly to Veolia (Client)  |                | (\$17,880.79)   | (\$13,606.85)   |              |
| <b>2020 Reset</b>                |                |                 |                 |              |
|                                  | 4 yr Average   | \$ 3,186,919.63 | \$ 3,195,031.12 |              |
|                                  | Total W/WW     | \$ 6,381,950.75 |                 |              |
|                                  | 2020 Fixed Fee | \$ 2,749,167    | \$ 3,009,564.39 |              |
| Owed annually to Veolia (Client) | 2020           | \$437,752.53    | \$185,466.73    | \$273,028.24 |
| Owed monthly to Veolia (Client)  |                | \$36,479.38     | \$15,455.56     |              |
| Owed annually to Veolia (Client) | 2021           | \$448,988.18    | \$190,227.05    | \$280,934.79 |
| Owed monthly to Veolia (Client)  |                | \$37,415.68     | \$15,852.25     |              |
| Owed annually to Veolia (Client) | 2022           | \$460,512.21    | \$195,109.54    | \$287,954.36 |
| Owed monthly to Veolia (Client)  |                | \$38,376.02     | \$16,259.13     |              |
| Owed annually to Veolia (Client) | 2023           | \$472,332.02    | \$200,117.35    | \$294,597.60 |
| Owed monthly to Veolia (Client)  |                | \$39,361.00     | \$16,676.45     |              |

| LAIF Rates |          |
|------------|----------|
| 2012       | 1.003525 |
| 2013       | 1.0026   |
| 2014       | 1.00235  |
| 2015       | 1.003075 |
| 2016       | 1.005725 |
| 2017       | 1.009925 |
| 2018       | 1.019925 |
| 2019       | 1.0255   |

| 2016 Labor Reset Credits with Interest | 2016 Labor Reset subtracted from 2020 Labor Reset |
|--|---|
| (\$372,029.42)                         | \$251,189.85                                      |
| (\$388,107.28)                         | \$251,107.95                                      |
| (\$404,417.87)                         | \$251,203.88                                      |
| (\$417,892.06)                         | \$254,557.31                                      |
| <b>Average</b>                         | <b>\$252,014.75</b>                               |

In addition to the approved CBA increase, an increase of \$251,189.85 to the labor component is established based on the actual calculation to date. This increase is subject to the January 1<sup>st</sup> escalation resulting in \$251,107.95 for 2021, \$251,203.88 for 2022, and \$254,557.31 for 2023. This calculation does not cover any increases in labor due to scope adjustments as necessary for the MIPP program, which is addressed in a separate memorandum. The numbers in the calculation are subject to change based on respective decision-makers rulings. In addition, the numbers in the calculation will change as the actual 2019 labor costs used are from October 2019, but the reset calls for end of year 2019 amounts. Thus, the increase amounts provided above are tentative and will be supplemented with end of year 2019 actual labor costs and re-calculated.

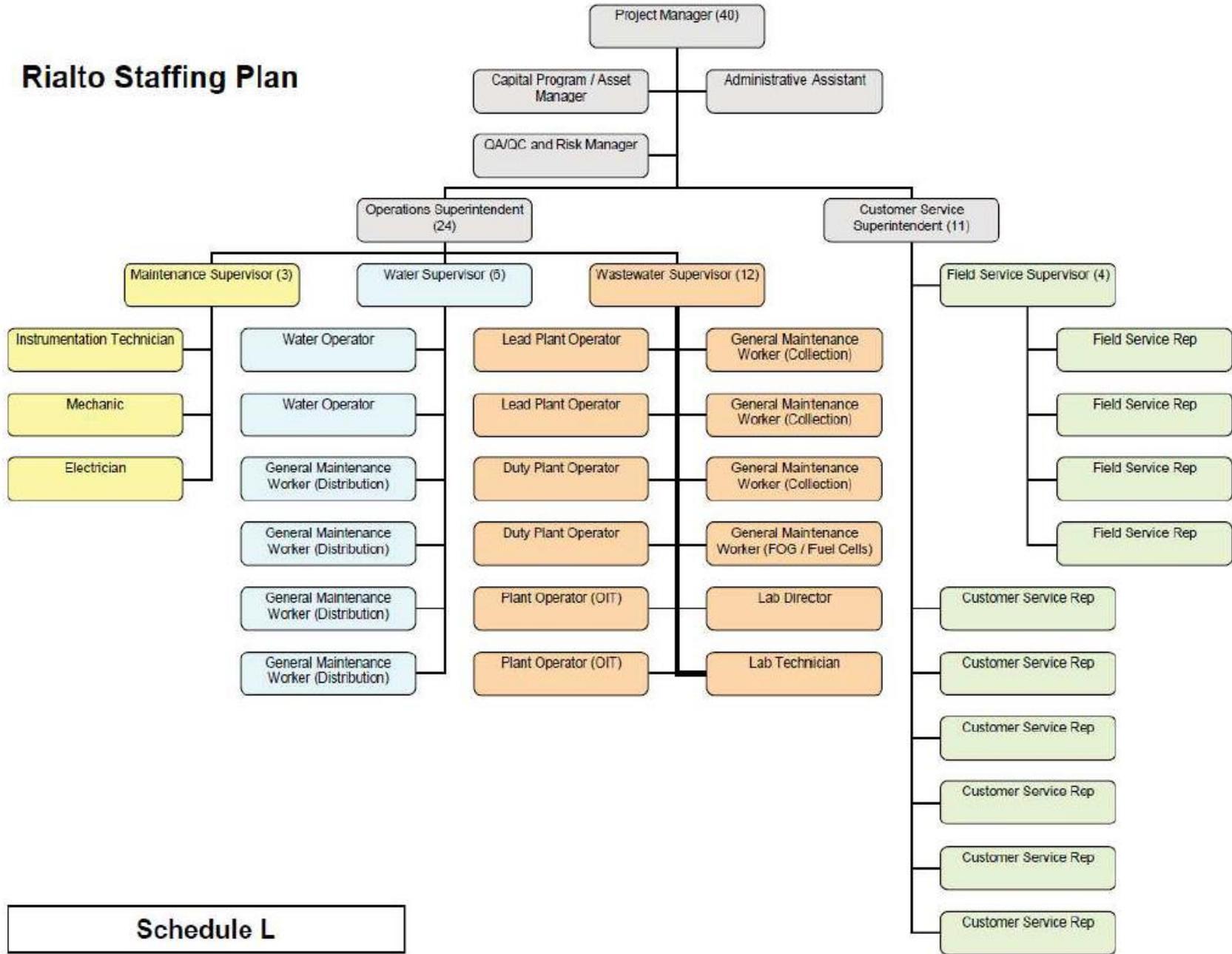
### III. Conclusion

After calculating the periodic reset of the labor component per the terms of the OMS, Veolia has determined that an increase of \$251,189.85 to the labor component, in addition to that already covered by the Union increase adjustment should be invoiced for 2020. Veolia looks forward to reviewing the labor reset calculation with you and appreciate your

recognition of the value that Veolia has provided to the project. This reset is based on reasonable calculations with flexibility in the interpretation of the labor reset language, while remaining true to the original intent and spirit of the ability to reset costs such as labor for the best interest of the partnership. The proposed combination of the 2016 and 2020 labor resets into a single step has been reviewed by Art Griffith of FG Solutions, Stephen Dopudja of West Yost, and various high level staff of the City, RWS, and Veolia. The spreadsheet containing the labor reset calculations may be used for any future labor resets, whether for a single 4-year period or two.

Exhibit A – O&M Subcontract – Schedule L Staffing Plan

Rialto Staffing Plan



Schedule L



## Exhibit C

This exhibit expands on why the new positions were added to the Rialto project and further elaborates on the high-level explanations outlined in the memo. This section further describes the purpose of each position, why it does not fall under the 10% overhead and administration fee, as well as the level of service each position affords the City of Rialto in administering their water and wastewater utilities. Further, an in-depth analysis is provided outlining the justification for each position based on reasonable substantiation. Each position was and still is absolutely necessary due to operational necessity, change in law/scope, and/or prudent industry standards.

### 1. **WW Operator Lead**

- a. *Department*: Wastewater
- b. *Position added*: 2016
- c. *Reasonable substantiation*: It was determined that an additional Operations Lead position was necessary at the WWTP to oversee certain field duties, allowing the Project Manager and Operations Manager to focus effectively on big picture items i.e. compliance/regulatory oversight, employee management, S1 project involvement, meetings with City, community leaders, etc.
  - This position ensures more effective field operations through proactive field transparency and accountability. This position requires a higher level of certification to better assist with process management as well as in-field team leadership.
  - As construction of S1 nears, there is anticipation of additional needed coordination efforts with process controls during the major construction effort. This position directly assists with daily process adjustments necessary to maintain regulatory compliance throughout the design, study and implementation of the various OR&R/FIP/CIP projects.
  - Directly responsible for effective utilization of the Work Order and PM system, including monitoring reorder reviews to ensure adequate chemical and inventory supply

While this position was negotiated and added as part of the Union Labor Reset, it was not included in the calculation of the Union Labor Reset. All that was included in the Union Labor Reset portion was the negotiated rates with the International Operating Engineers union in relation to the Collective Bargaining Agreement. Thus, it has been included in the non-union labor reset portion.

This position is a boots on the ground position handling day to day wastewater operator activities and responsibilities utilizing his/her wastewater certification. There is no relation to corporate support functions or any overlap.

- d. *Position's tenure*: Upon successful completion and implementation of the FIP S.1, one (1) WWTP operator position will be reviewed during the next labor reset in 2024 as a potential staff reduction.

### 2. **Customer Service Supervisor**

- a. *Department*: Customer Service
- b. *Position added*: 2015
- c. *Reasonable substantiation*: Even prior to Concession Agreement, services provided to the rate payers had lot to be desired. Since Veolia took over the CS operations and move to the new CS building, many incremental actions were taken to increase the focus on customer services. Some of the actions were installation of new phone system, utilizing 3<sup>rd</sup> party vendor for bill printing & mailing, online service portal, payment over the phone system and more. Aside from process improvement, customer service supervisor was required to ensure quality of service to both rate payers, RWS and the City. Here are some of key responsibilities and dues to ensure customer satisfaction.
  - Handle customer complaints and follow up with actions required.
  - Monitor CS agents recorded calls for coaching and improving agent's communication skills.

- Plan and set agent's schedule and activates to ensure all agents are available to handle inbound calls and walk in customers in peak hours.
- Review, validate & approve transactions & adjustments.
- Promote positive work environment, safety and morale for customer service agents who handle challenging phone calls.

Since the Supervisor positions have been implemented, customer service have continued to improve and also allow the customer service project manager to support and focus on City's requirements and improving customer service for the future.

This position is an on-site position handling day to day customer service supervisory activities and responsibilities and cannot be handled by corporate support as a majority of the work performed is in-person. There is no relation to corporate support functions or any overlap.

- d. *Position's tenure*: Due to the reasons stated above, this position is absolutely needed in perpetuity over the length of the CA/OMS, especially to continue providing the high level of service currently achieved.

### 3. Accountant

- Department*: Admin
- Position added*: 2015
- Reasonable substantiation*: Before execution of the OMS, this job function was provided by the City's Finance Team. Upon execution of the OMS, Veolia quickly determined that a staff accountant was absolutely necessary to fulfill the financial tracking requirements of the OMS and as necessary under the CA. For the first couple of years, Veolia hired a temp to handle the duties required of this position. However, after realizing the need for this position for the life of the contract, Veolia decided to hire a full-time employee as it was a much cheaper option for the City than utilizing temps.

Effectively, Veolia worked closely with John Maher, to define the job responsibilities and determine that an in-house FTE accountant was necessary to perform these essential functions:

- Customer billing collections, payments, closure, reconciliation and GL postings, daily cash receipt deposits and recaps, bank reconciliations (daily & month end), revenue GL reconciliation (daily & month end), monthly trial balances, extra territorial and non-rate revenue billing; RWS/RUA financial dispute resolutions; development of transparent revenue reporting, including SOPs, procedures, contractual tracking, reporting and recordkeeping, financial records retention and departmental audits to identify inefficiencies in practices, policies and procedures.
- This position provides critical analytical support for the Customer Service function and ORR – activities which have grown significantly in scope from the execution of the contract.
- This position supports the increase in City directed customer service reporting activities (i.e. chemical reconciliation, inner agency agreement payments, other billing disputes, etc.).

This is a full-time position dedicated to the Rialto project, ensuring all financial stakeholders, from customers to RWS and the City are appropriately billed and paid. The position is predominantly focused on handling the City's monies, tracking them, ensuring the City is always receiving their funds in the correct amount and is applied to the appropriate account. This positions function is predominantly for the benefit of the City and their finances. The position provides value to the City by complying with GASBI regulations and auditing requirements to ensure all parties are compliant. The duties and responsibilities performed by this position require a CPA level background and experience.

This position is 100% dedicated to the Rialto project and solely spends their time handling Rialto project accounting and reporting. All activities and responsibilities surrounding this position are for the benefit of the City and their finances. Veolia does not have a dedicated accountant for each project, but due to the complexity of the CA, the position is operationally necessary. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Due to the reasons stated above, this position is absolutely needed in perpetuity over the length of the CA/OMS.

#### 4. Purchasing Manager

- a. Department: Admin
- b. Position added: 2016
- c. Reasonable substantiation: This position was created to assist with managing all purchases across the Rialto project.
  - This position brings much value as it provides a single point of contact for all purchases for the entire operation. This improves the purchasing procedure by streamlining processes and critical flow of transactions including daily operations, OR&R and FIP.
  - This position ensures that purchasing procedures are adhered to and that negotiated purchasing agreements are utilized to ensure the lowest spend possible on both internally incurred and externally passed-through expenses.
  - As maintenance and repair activities have increased, the need for quality vendor management and invoicing was of absolute need. This position manages the tracking paperwork for complete submittal packages to RWS. Additionally this position ensures that maintenance purchases are managed in the CMMS and properly allocated to work orders and inventory management to feed the asset management budgeting process.

As outlined above, this is a full-time position dedicated to the Rialto project by establishing & managing vendor contracts, obtains competitive quotes for services, materials, chemicals and parts at a local level. The position provides value to the City by ensuring the best price for the most quality work. Further, the position ensures all deliverables are received exactly as purchased prior to providing payment, while maintaining and managing appropriate inventories.

This position is 100% dedicated to the Rialto project and solely spends their time handling Rialto project purchases. All activities and responsibilities surrounding this position are for the benefit of the City as the purchasing manager is focused on cost savings. Veolia does not have a dedicated purchasing manager for each project, but due to the complexity of the CA (i.e. RRR, OR&R, Maintenance, Capital), the position is operationally necessary. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: The Purchasing Manager position will be reviewed during the next labor reset in 2024 as a potential staff reduction if the purchasing workload is significantly reduced.

#### 5. Assistant General Manager (AGM)

- a. Department: Admin
- b. Position added: 2015
- c. Reasonable substantiation: After several years of running the operations under a single GM, Veolia identified the clear operational need for an AGM to handle day-to-day activities. It was determined that the GM had to spend much of his time in liaison with the City, tracking regulatory and political developments, and coordinating with trade organizations and neighboring agencies/municipalities. An AGM was required to handle daily issues, which include but are not limited to: compliance/regulatory matters, permitting,

contract administration, providing team management & managerial oversight over the three divisions of water, wastewater and customer service, addressing daily issues, union matters, financing/accounting, attend meetings with City, vendors, community leaders, contractors and other daily activities.

Additional AGM duties and responsibilities include:

- This position provides management support for staff, Veolia, RWS and the City, addresses stakeholder escalations, handles a majority of reporting, legal and insurance claims, leads financing/budgeting, manages contract initiatives, customer and client complaints and concerns, and most importantly ensures timely deliverables.
- This position optimizes processes, reporting, implements energy efficiency initiatives, and provides resolution and oversight of daily client and customer requests.
- Implementation of this position has improved financial accountability between Veolia, RWS, and RUA and more timely and effective conflict resolution.
- In addition, this position provides a second knowledgeable high-level decision-making manager for emergencies, day-to-day matters including: union matters, HR matters, City matters, providing training to staff, providing health and safety guidance and oversight, and much more that the GM cannot attend to single-handedly.

Since the AGM position was added in late 2015, the service levels have improved exponentially.

This is a full-time position necessary for the successful day-to-day operations considering the extreme and complex workload for the General Manager. The position provides value to the City and RWS in multiple ways as listed above, but most importantly provides excellent coverage over all Rialto matters from a day-to-day perspective including but not limited: community support, managing various stakeholder meetings and discussions, handling dispute resolutions, supporting education campaigns, developing and implementing SOPs, assisting with regulatory compliance, and providing consistent support to respective managers and employees. Again, all things the GM simply does not have the time to handle.

This position is a boots on the ground position that is 100% dedicated to the Rialto project and solely spends their time handling Rialto project matters. All activities and responsibilities surrounding this position are for the benefit of the City (i.e. improving finances, optimizing operations, meeting all deliverables and finding new ways to improve service levels). Due to the sheer number of staff and multiple departments at the Rialto project as well as the complexity of the CA, an AGM position is operationally necessary. There is no relation to corporate support functions or any overlap as the AGM responsibilities differ greatly as outlined above.

- d. Position's tenure: The Assistant General Manager position will be reviewed for further consideration during the next labor reset in 2024 as a potential staff reduction.

## 6. Water Administrative Assistant

- a. Department: Water
- b. Position added: 2012
- c. Reasonable substantiation: Upon taking over operations of the Water Department, Veolia discovered that the WW Administrative Assistant workload was completely full and could not take on additional responsibility. It was operationally necessary to hire a separate administrative assistant to provide support for the water and customer service divisions.

This position was created to assist with the administrative needs for Water and Customer Service operations.

- Assists with purchasing needs for the Rialto project.
- Assists with preparing the many monthly project reports.
- Acting as a liaison with the City in coordinating RWS involvement with City sponsored events.
- Provide other administrative support as needed to CS and Water Departments.
- Assists with recordkeeping, filing and other organizational activities.
- The position serves as the receptionist, answering telephone calls, screens calls and visitors, refers inquiries as appropriate.
- Sort, code, scan, and file correspondence, vouchers, forms, documents, and other materials by a predetermined classification.
- Prepare a variety of documents including letters, memorandums, or other materials from oral direction, rough draft, copy or notes.
- Process online purchases for the department upon approval including supplies.
- Perform general clerical duties as assigned.

The Administrative Assistant position has been a key role in supporting the water and customer service departments. The position not only performs office manager and receptionist roles, but effectively has become the right hand to the Project Manager and Ops Manager as outlined above.

This position is an onsite position handling day to day administrative activities and responsibilities for water and customer service departments. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Due to the reasons stated above, this position is absolutely needed in perpetuity over the length of the CA/OMS.

## 7. **Water Operator**

- a. Department: Water
- b. Position added: 2012
- c. Reasonable substantiation: This position was added due to a change in law. The position was needed to meet Division of Drinking Water (DDW) system regulatory requirements for a Water Treatment T3 certification. Upon taking over water operations, Veolia discovered the DDW regulatory change in law and quickly realized that current staff did not have the appropriate certifications. Thus, it was necessary to hire an operator with the appropriate certification.
  - During the 2011 sanitary survey the system rating was changed from T2 to T3 due to the increased treatment technology at CR3.
  - This position requires a higher level of certification to better assist with process management as well as in-field team leadership.

In addition, this position (like the other added water operator positions) was absolutely needed due to operational necessity and prudent industry standards to handle the backlog of work. For over a year prior to the execution of the CA, the water department was severely undermanned and was utilizing temps as a band-aid until a contractor could provide O&M services.

This position is a boots on the ground position handling day to day water operator activities and responsibilities utilizing his/her water certifications. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Dependent on if there is a full AMI implementation, one and possibly two water operator positions may be reduced from the staffing level.

## 8. Water Operator

- a. Department: Water
- b. Position added: 2012
- c. Reasonable substantiation: This position was needed for the Valve Exercising Program as identified by DDW in the 2011 sanitary survey as being deficient. This position was added due to operational necessity and prudent industry standards as discussed below.
  - This position ensures industry standards are met by routinely exercising the water system valves. The program accurately records detail valve information, ensures valve reliability in the event of an emergency, allows staff the ability to immediately isolate water lines for main flushing and main breaks, which in turn results in less overtime. All of these benefits contribute to less water loss and maintain water quality.

In addition, this position (like the other added water operator positions) was absolutely needed due to operational necessity and prudent industry standards to handle the backlog of work. For over a year prior to the execution of the CA, the water department was severely undermanned and was utilizing temps as a band-aide until a contractor could provide O&M services.

This position is a boots on the ground position handling day to day water operator activities and responsibilities (i.e. mainly valve exercising) utilizing his/her water certifications. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Dependent on if there is a full AMI implementation, one and possibly two water operator positions may be reduced from the staffing level.

## 9. Water Operator

- a. Department: Water
- b. Position added: 2013
- c. Reasonable substantiation: This position was absolutely needed due to operational necessity and prudent industry standards to handle the backlog of work. For over a year prior to the execution of the CA, the water department was severely undermanned and was utilizing temps as a band-aide until a contractor could provide O&M services. After operating the water department for a number of months, Veolia realized there was still too much backlog and current work to get to with current staff at that time. Thus, instead of hiring a temp to assist, Veolia hired a full time operator, which was a cheaper option for the City.

Veolia does not envision this position being needed for the life of the CA, but did need the assistance for the first few years. Upon taking over the operations of EW-1 (perchlorate O&M services) in 2020, this position will be assigned to that separate agreement. Thereafter, Veolia will not backfill that position and the position will be eliminated from the staffing level.

This position is a boots on the ground position handling day to day water operator activities and responsibilities utilizing his/her water certifications. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Veolia will be eliminating this position upon taking over the operations of CR3. This position will be re-assigned to the CR3 separate O&M agreement and will not be backfilled.

## 10. Water Operator

- a. Department: Water
- b. Position added: 2013
- c. Reasonable substantiation: This position was absolutely needed due to operational necessity and prudent industry standards to handle the backlog of work. For over a year prior to the execution of the CA, the

water department was severely undermanned and was utilizing temps as a band-aide until a contractor could provide O&M services. After operating the water department for a number of months, Veolia realized there was still too much backlog and current work to get to with current staff at that time. Thus, instead of hiring a temp to assist, Veolia hired a full time operator, which was a cheaper option for the City.

Veolia did not envision this position was needed for the life of the CA, but did need the assistance for the first few years. As discussed below, upon executing the direct contract with the City to provide perchlorate O&M, Veolia transitioned this water operator role to fulfill the newly created perchlorate operator role. Thereafter, Veolia did not backfill this position and has eliminated it from the current staffing level.

This position is a boots on the ground position handling day to day water operator activities and responsibilities utilizing his/her water certifications. There is no relation to corporate support functions or any overlap.

- d. Position's tenure: Upon execution of the separate and direct contract with the City in 2017 to provide perchlorate (Chino 2 and CR3) O&M services, this position was not and will not be backfilled. Thus, this position's labor costs only appear in the Labor Reset from 7/2013 through 6/2017. After that, the position has been eliminated from the staffing level.

### Exhibit D – City Staffing Levels Comparison

| Community            | water/ww/<br>cs | water/w<br>w | water &<br>cs | ww<br>only | separated W<br>FTEs | seperated WW<br>fte's | separated CS<br>FTEs | admi<br>n | PT<br>staff | Total fulltime<br>staff | # of<br>accounts | #staff/1000<br>accounts       | comments  |
|----------------------|-----------------|--------------|---------------|------------|---------------------|-----------------------|----------------------|-----------|-------------|-------------------------|------------------|-------------------------------|---|
| Rialto               | x               |              |               |            | 18                  | 21                    | 8                    | 5         | 0           | 52                      | 21531            | 2.42                          | 12,306 w/ww & 9,225 ww only; admin AK, SS, MJ, MP & JP, includes perchlorate operator too   |
| Redlands             |                 | x            |               |            | 53                  | 21                    |                      |           | 6           | 74                      | 22000            | 3.36                          | roughly 18k sewer & 22k w acnts. CS & billing staff NOT included so no way to get accurat staff/1000 accounts without further investigation         |
| West Valley          |                 |              | x             |            | 80                  | 0                     |                      |           |             | 80                      | 21500            | 3.72                          | 67 different positions, with many duplicate roles   |
| Colton               |                 | x            |               |            | 17.5                | 20.5                  |                      |           |             | 38                      | 10105            | 3.76                          | combined w/ww accounts. CS/billing/accounting & PW/Utilities Dir & Asst. Dir NOT included   |
| Yucaipa Valley Water | x               |              |               |            |                     |                       |                      |           |             | 62                      | 26057            | 2.38                          | 12,434w, 13,559ww & 64 recycle wtr acnts. Couldn't separate w/ww staff. 13mgd wtr plant, 4mgd wwtp & 2.2mgd desal. CS & billing not included either |
| Corona               | x               |              |               |            | 64.24               | 32.43                 |                      |           | 0.78        | 96.67                   | 44357            | 2.18                          | 39,755 w/ww accounts + 4,602 water only per Rob Shunk, CS super only person accounted for on the CS and billing side                                |
|                      |                 |              |               |            |                     |                       |                      |           |             |                         | FTE/avgMGD       | FTE/avgMGD                    |   |
| VVWRA                |                 |              |               | x          |                     | 26                    |                      | 12        |             | 38                      | n/a              | 3.55                          | 14MGD design, 10.7 avg, \$3,503/MGD as wholesaler, not per account. AV, Hesperia, Victorville, Spring Valley, Lake Oro Grande                       |
|                      |                 |              |               |            |                     |                       |                      |           |             |                         |                  | fte/avgmgd compared to Rialto |   |
|                      |                 |              |               |            |                     |                       |                      |           |             |                         |                  | 3.00                          | plus Rialto does collections, VV is mainly general treatment  |

W/WW International standard for FTEs/1,000 accounts is 1.5-3.0 from Twerts Water Supply 2009