

Sarpy County & Cities Wastewater Agency

***Market sounding in connection with a
multi-phase wastewater project known
as the Unified Southern Sarpy
Wastewater System***

November 2019



SARPY COUNTY & CITIES WASTEWATER AGENCY Market Sounding

Important notice and disclaimer

This Market Sounding document and any accompanying information and materials (collectively, the “Materials”) have been prepared by the Sarpy County and Cities Wastewater Agency (the “Agency”) and its advisors solely for use of prospective developers (“Respondents”) in connection with their consideration of a potential public-private partnership (P3) for the delivery of the Agency’s Unified Wastewater System (the “Project”). The provisions of this disclaimer shall also apply to any communications or documents exchanged with the Agency’s advisors during the Market Sounding process.

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The Agency reserves the right to terminate, at any time, the Market Sounding or any other inquiries involving the possible Project transaction or future participation in any future investigation and proposal process by the Respondents or any other party. Any dealings, negotiations and/or discussions that may be initiated or established with any Respondent may be interrupted or terminated at any time without notice or any explanation. The Agency reserves the right to modify, at any time, any procedures, documents or other information relating to the Market Sounding process, terminate or extend the process, or add or exclude Respondents to the Market Sounding process, without assigning any reason therefore and reject or decline any proposals at its sole discretion.

The preparation and distribution of the Materials and the dissemination of any other information in connection with the Market Sounding do not constitute a form of commitment, promise, agreement, understanding or recommendation relating to the Project or to any Respondent’s future participation in the Project, or any additional Market Sounding or procurement or solicitation related thereto. Neither the information contained in the Materials nor any other information made available by the Agency in connection with the Project will form the basis of or be construed as a contract.

The Materials and the Market Sounding shall not be considered or constructed as a RFQ, information, proposals or any other procurement; rather, the Market Sounding and Materials are intended to aid and inform the Agency and its advisors on certain assumptions for the Project scope and delivery prior to the Agency’s commencement of the procurement for the P3 delivery of the Project.

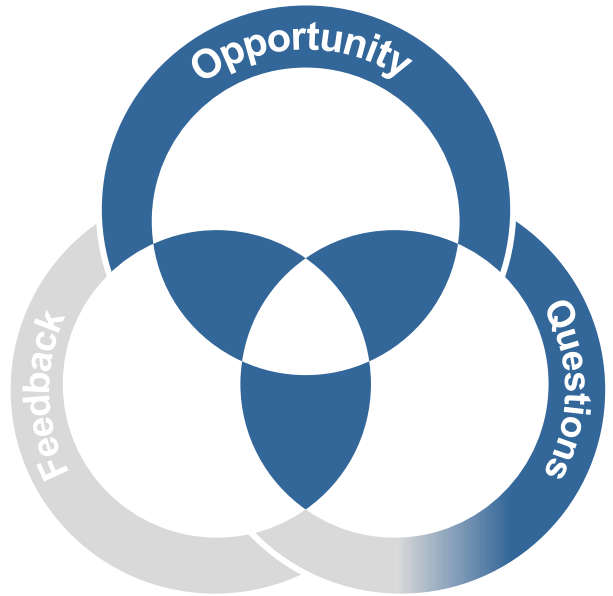
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1. Purpose of the Market Sounding

Introduction

The Sarpy County & Cities Wastewater Agency (the Agency) is seeking to procure a P3 partner to develop the Unified Southern Sarpy Wastewater System (the Project). Located just south of Omaha, Nebraska, Sarpy County is the fastest growing county in the state but the expansion of the southern portion of the county is being hindered by the lack of sewer infrastructure. Anticipated to be built out over four separate phases, the Project, once complete, is projected to serve over 80,000 residents over the next 40 years.



The purpose of this Market Sounding is to obtain feedback on the deliverability and relative attractiveness of the Project. It will also help the Agency to confirm, refine or revise assumptions regarding the proposed transaction scope and structure, including the anticipated delivery model, financing structure, risk allocation, and procurement process.

This Market Sounding does not constitute a Request for qualifications (RFQ), a Request for proposals (RFP), or any other solicitation. Nor does it represent a commitment to issue an RFQ or RFP or any other type of procurement process in the future. Further, neither participation nor non-participation in the Market Sounding process will have any influence over the RFQ and RFP process.

The following sections set out the Agency's objectives, anticipated project scope, proposed approach to key transactional matters and areas on which the Agency is seeking feedback from Respondents. The Exhibit includes additional information on the Agency and the Project.

The market sounding process and schedule are set out in Section 6 (page 17)

2. Project context and objectives

Project context summary

The lack of sewer service in Southern Sarpy County has to date restricted development in the area and has been an impediment to residential, industrial and commercial expansion. Preliminary plans for a regional sewer system were developed in 2006-07, but implementation was delayed due to the recession. Following this, Sarpy County revisited and refined the anticipated Project scope and timing with its engineering advisor HDR.

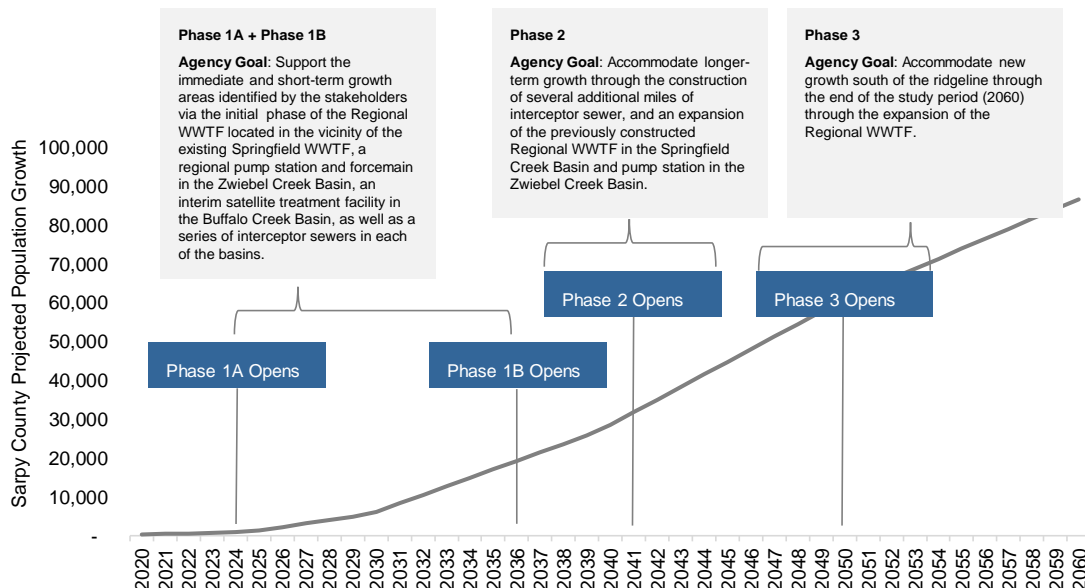
The Agency was created in September 2017 to drive forward the development of the Project, and ultimately act as owner of the regional sewer system on behalf of the County and Cities in southern Sarpy County. The Agency's membership comprises Sarpy County and the cities of Springfield, Gretna, Bellevue, Papillion, and La Vista. The Exhibit provides additional detail on the Agency's jurisdiction, associated interlocal agreements, and the relevant roles and responsibilities of the various stakeholders.

Over the next 40 years, the County is estimating an increase of ~85,000 residents and a doubling of the number of major commercial and

industrial employees. To accommodate the projected growth, the Agency has developed a plan for the Project to be constructed over four phases.

The phased project approach has been developed to meet both near-term and long-term growth. Phases 1A and 1B assume the development of the initial phase of a regional Wastewater treatment facility (WWTF), an interim satellite WWTF, a pump station, force mains and interceptor sewers, as well as construction of a cooling water pipeline for light industrial use. This is expected to be followed by construction of additional miles of sewer, along with expansion to the previously constructed pump station and WWTF to accommodate longer-term growth in Phase 2. Finally, to support potential growth in the coming decades, an expansion of the regional WWTF is planned for Phase 3.

The scope of Phase 1A is well defined, while subsequent phase works are indicative at this stage and will be subject to actual realized growth and the evolving needs of the region.



2. Project context and objectives *(cont'd)*

Agency objectives

The Agency is seeking to procure a P3 partner to deliver this multi-phase Project. Underpinning this process are the following key objectives the Agency hopes to address:

1

Deliver a scalable project that is responsive to the pace of economic development

Each new phase of the Project needs to be financially viable on its own and in conjunction with previous Phases, and not dependent on the build out of future phases.

2

Effective risk allocation between the Agency and the P3 partner, including long-term responsibility for capital investment and operations and maintenance (O&M)

The Agency wishes to act as a service commissioner and contract manager, and ultimate owner of the assets, but not deliver, operate or maintain services.

3

Benefit from private sector competition for the Project, including innovation

The Agency seeks to structure a project that is attractive to the private sector and promotes competition and innovation in service delivery.

4

Minimize complexity, management and administrative burden

The Agency seeks to structure a Project that minimizes burden on the Agency and is straightforward to administer.

5

Wastewater rates that are equitable and competitive with those of the City of Omaha

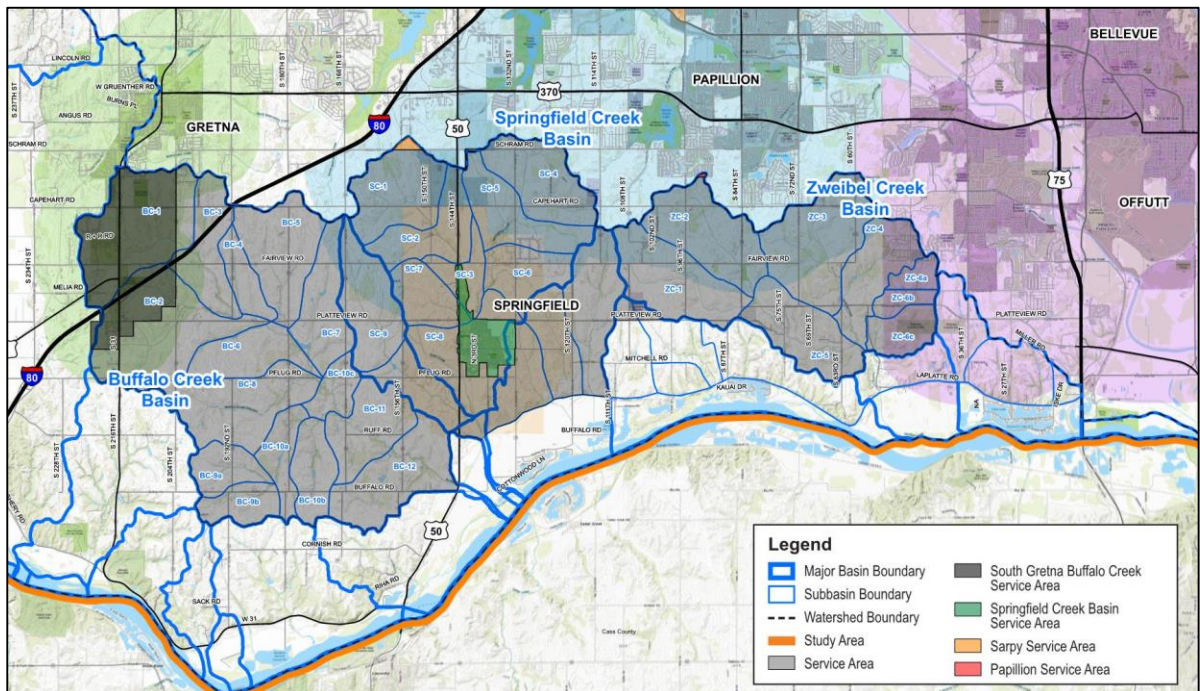
The County and Cities, and their end users, should pay rates and fees that are in line with neighboring municipalities.



3. Project scope

To provide the necessary infrastructure and enable greater economic development opportunities in southern Sarpy County, the Agency is seeking a private partner to develop, operate and maintain a public wastewater system in the region to serve the incremental population located within the Agency's jurisdiction, as defined through interlocal agreements (see additional information in the Exhibit) and as illustrated by the gray service area in the map below.

Existing residents south of the ridgeline but located outside of the Agency's jurisdiction (in the cities of Gretna and Springfield), will continue to be served by their current systems in the near term. In the case of Gretna, this population base is anticipated to join the system when the system is further expanded and able to serve its residents (currently envisioned in Phase 1B). Springfield will continue to serve its current customer base until such time that it requests to join the system, which it will have the right to do at any time. As discussed in greater detail in the Exhibit, the Agency's expectation is that Phase 1A design capacities should be sufficient to accommodate Springfield's existing customer base in the event Springfield elects to join the system during the Phase 1A timeframe.





3. Project scope *(cont'd)*

The Agency, and by extension the P3 partner, will be responsible for providing wholesale wastewater conveyance and treatment services to the County and Cities.

Retail service, customer billing, and collection system management will be the responsibility of individual Cities or the County based on the relevant customer jurisdiction.

As discussed in the following section on proposed project structure, the P3 partner is not expected to bear demand risk associated with future growth in the Agency's jurisdiction.

The Agency is open to appropriate alternative technical, financial and commercial structures that achieve its core objectives, but envisages the following minimum Project scope:

- P3 partner will design, build, finance, operate and maintain the Phase 1A infrastructure, including the WWTF, pump station, force main, trunk sewer, and other specified infrastructure (as set out in the Exhibit).
- Commercial operations for Phase 1A should commence no later than 2024. The P3 partner will operate and maintain this infrastructure for a minimum of 30 years. The Agency is willing to contemplate a contract term of up to 50 years.
- The Agency's service area is anticipated to include a number of mid- to large-scale commercial and industrial users (such as data centers) with potentially significant cooling requirements.

- In addition, the P3 partner will have responsibility for design, construction and O&M for all subsequent phases over the term of the contract. The Agency's proposed approach to addressing uncertainties associated with future phases is set out in greater detail in Section 4.
- The P3 partner will meet specified contractual performance requirements that in turn enable the Agency to fulfil its role as wholesale wastewater treatment provider to the County and City-level customers within its jurisdiction.

Cooling water infrastructure

- The Project anticipates the development of cooling water infrastructure to meet the needs of one or more such users. The P3 partner will be expected to construct and operate this infrastructure as part of the Project, with a commercial operations date no later than Q4 2022 (i.e., ahead of the core Phase 1A wastewater infrastructure).
- Negotiations relating to the cooling water needs are ongoing, but the Agency currently anticipates a capital contribution from the initial anchor tenant sufficient to cover 100% of the cooling water infrastructure capital cost.
- The Agency is open to the following approaches regarding design subject to market feedback on schedule deliverability:
 - (i) Agency provides 10% conveyance design and relevant design or performance requirements at RFP, bidders design to 30% as part of proposal, and selected bidder then designs to 100%
 - (ii) Agency will design the cooling water infrastructure during the procurement process, a ~30% design will be provided at RFP for information, and at contract close, a 100% design specification will be provided to the selected bidder

Additional information on the proposed technical scope parameters and future phases is provided in the Exhibit



4. Proposed project structure

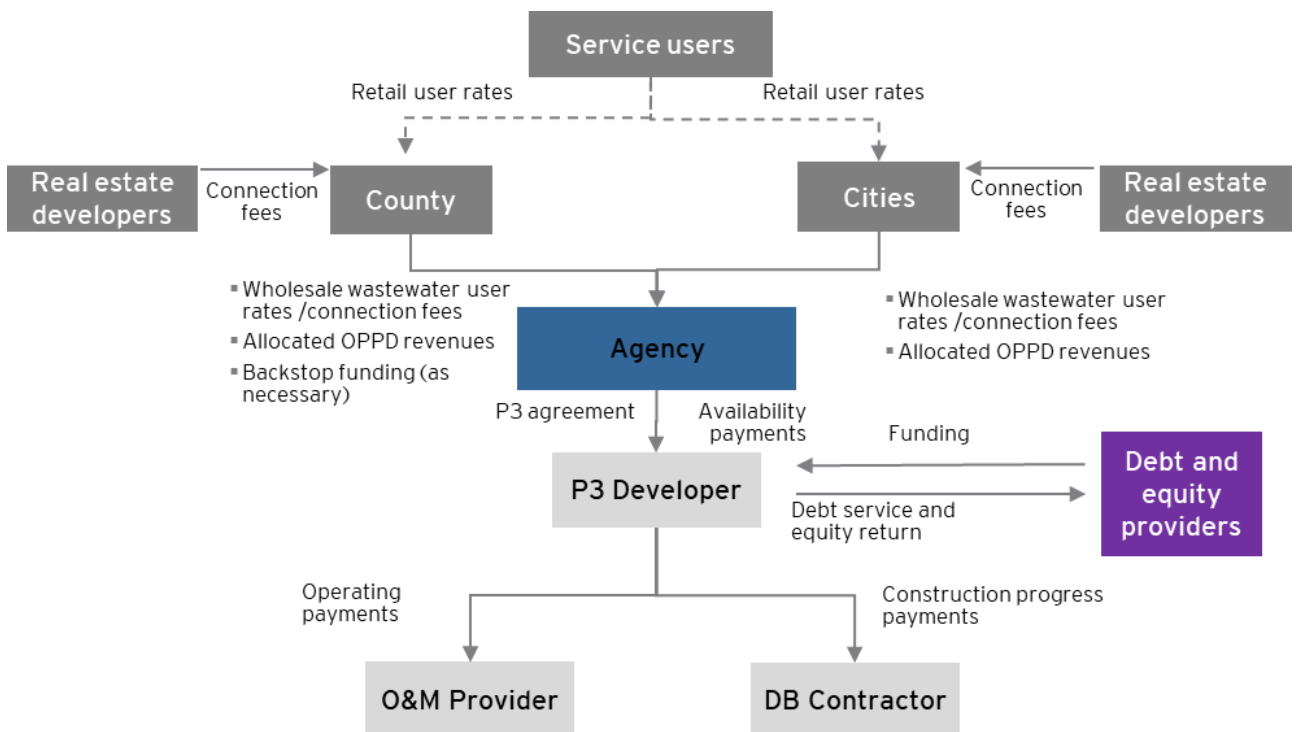
Proposed delivery model

- The Agency recognizes that a single conventional P3 contract covering all four phases is unlikely to be achievable at the outset of Phase 1A and will not represent good value to the Agency given the scale of the risk premium that any bidder would need to include within its bid price to cover Project uncertainties over multiple future phases.
- As such, the Agency proposes a P3 contract structure for Phase 1A that focuses on a committed technical solution and pricing proposal under a performance-based contract. Recognizing the value and importance of engaging with a single counterparty to manage the whole system, the P3 contract will also grant the selected partner operating exclusivity for both Phase 1A and all future phases, subject to certain provisions in the event that agreement cannot be reached on pricing for future phases.
- The Agency proposes that construction of future phases will have a more progressive structure, whereby (i) the Agency has absolute discretion on the timing and initiation of future phases based on its own assessment of future demand; (ii) the P3 partner will work collaboratively with the Agency to design the relevant phase and agree on a supply chain procurement and financing strategy; (iii) construction procurement, financing and pricing will be undertaken on a transparent open book basis; and (iv) the P3 partner and the Agency will agree on the Agency's payment obligation to preserve the balance of risk consistent with that envisaged at the outset.
- The Agency will make payments akin to Availability Payments (APs) to the P3 partner that enable recovery of construction, financing and operations costs (subject to agreed performance adjustments per a payment mechanism). These payments will be backed by a number of revenues sources from the County and Member Cities, as set out in this section.



4. Proposed project structure *(cont'd)*

The diagram below summarizes the proposed project structure and flow of funds anticipated by the Agency. This and the following pages briefly summarize the key features of the proposed approach, and additional detail is set out in the Exhibit.



Proposed financing structure

- Subject to market feedback, it is assumed that the P3 partner will obtain its own financing to design and construct the system.
- The Agency has also explored potential public financing for construction via the Nebraska Clean Water State Revolving Fund (SRF) and has already received an in-principle commitment for the required financing should it be required.
- It is also open to consideration of alternative sources or hybrid financing solutions where this is demonstrated to provide value to the Agency.



4. Proposed project structure *(cont'd)*

Revenue and demand risk

It is not anticipated that the P3 partner will assume risks connected with revenue collection or user demand, but rather that the Agency will make payments akin to APs to the P3 partner. The Agency will satisfy this payment obligation primarily through:

- Collection of wholesale sanitary sewer rates from the County and Cities. Rates have been adopted by the Agency at a level consistent with safeguarding the long-term financial stability of the Agency and creating a revenue base able to support the development of subsequent Project phases over time. Further details on rates are set out in the Exhibit.
- Connection fees from real estate developers. Connection fee levels have been adopted by the Agency, and further details are set out in the Exhibit.
- Collection of cooling water rates from relevant commercial and industrial customers. Rates will be set by the Agency to achieve full cost recovery on cooling water infrastructure on a case-by-case basis, and are currently subject to negotiation with anchor system users.

Supplemental revenue streams

- Given the greenfield nature of the Project and the Agency, and the relatively conservative demand growth projections in the Agency's business plan, the Project is likely to operate with a cash flow deficit in the initial years, with revenues received by the Agency insufficient to fully meet the anticipated AP obligations.
- In order to address this, the Agency has secured additional funding to address this deficit in the early years through a commitment by its members to allocate up to \$30m of their incremental Omaha Public Power District (OPPD) payment in-lieu of tax (PILOT) revenue allocations from all residential, commercial, and industrial customers, including light industrial customers. These light industrial customers are anticipated to be the largest source of OPPD funds given their size and projected energy use.
- Multiple light industrial projects are in various stages of negotiations and/or construction in southern Sarpy County. OPPD has provided the Agency with a letter outlining the estimated incremental increase in OPPD revenues from one project already in construction, specifically an additional \$2m per year, of which the Agency would be entitled to approximately 40%. Two other similar sized projects are currently in negotiations within the Agency's jurisdiction.
- Further details on OPPD funding allocations are provided in the Exhibit.

Credit backstop

- The Agency anticipates holding six months of APs in reserve, and Sarpy County (rated AAA by Moody's) will provide a credit backstop to the Agency to address a potential scenario whereby the combination of project revenues and OPPD funding is insufficient to cover the Agency's AP obligation to the P3 partner, or to replenish the reserve account (see Exhibit for further detail on resolutions passed by the County).



4. Proposed project structure *(cont'd)*

The Agency is committed to allocating risk according to the P3 principle that risk should be assigned to the party best able to manage it. The following pages set out a summary of the key risks identified by the Agency and its proposed approach to risk allocation. Below a number of key retained or shared risks are highlighted:

- **Retained risk: Land acquisition, right-of-way (ROW) and easements.** To be acquired by the Agency prior to the commencement of construction.
- **Retained risk: Revenue.** As outlined on the previous page, the Agency will bear demand risk. The Agency will also determine wholesale rates and connection fees and retain rate setting authority (while the County and Cities will retain retail rate setting authority).
- **Retained risk: Future phases.** As outlined earlier, the intention is to award a long-term P3 contract to deliver the Agency's wholesale services and infrastructure. The structure will transfer O&M responsibilities to the P3 partner across all phases, and require a progressive structure for developing future phases, which enables the AP to be reset with the completion of each phase on an open and transparent basis.
- **Shared risk: Environmental approvals and permitting.** The Exhibit summarizes the Agency's current thinking on an efficient approach to environmental approvals and permitting that appropriately shares responsibility between the P3 partner and the Agency.

Risk / responsibility	P3 partner	Agency	County/Member cities
Project delivery			
Design	Will bid ~30% design (or the appropriate level as determined via this market sounding) for the wastewater system at RFP, demonstrating conformance with stated performance requirements, and advance to 100% post contract close. May also apply to cooling water infrastructure subject to market feedback on schedule deliverability	Will provide 10% conveyance design and specify relevant design or performance requirements for WWTF and pump station at RFP. Will provide either 10% or 30% cooling water design at RFP, subject to market feedback on schedule deliverability, with subsequent design responsibility to be agreed.	n/a
Land acquisition	n/a	Detail of site packages to be made available to bidders at RFP, and will acquire all necessary land by start of construction	n/a
ROW & easements	n/a	Detail of RoW and easements to be made available to bidders at RFP, and will be secured by construction commencement	n/a



4. Proposed project structure *(cont'd)*

Risk / responsibility	P3 partner	Agency	County/Member cities
Project delivery <i>(cont'd)</i>			
Permitting	Will obtain all permits other than those that for which the Agency is taking responsibility (see Exhibit summarizing current expectations)	Will obtain the permits specified in the Exhibit	n/a
Site conditions	Bidder to undertake supplemental site investigations as necessary	Will provide general site condition information at RFP. Information to be provided on a non-reliance basis	n/a
Construction	Will construct all Phase 1A infrastructure in accordance with proposed technical solution and design approved by the Agency	Will assign a 3 rd party engineer to monitor design and construction progress and compliance with defined requirements	n/a
O&M	Responsible for all day-to-day O&M	Will assign a 3 rd party engineer to monitor compliance with defined performance requirements	Responsible for O&M of respective collection systems and retail activities
Performance risk	Responsible for meeting performance specification per contract, subject to relief where wastewater influent does not meet predefined input characteristics	Agency to establish performance specification based on current and anticipated future regulatory requirements and establish influent input characteristics	Responsible for monitoring and enforcing applicable pretreatment ordinances for commercial and industrial system users
Renewal / lifecycle work	Responsible for all asset lifecycle works	Will assign a 3 rd party engineer to monitor compliance with defined performance requirements	Responsible for lifecycle works of respective collection systems and retail activities
Insurance	Responsible for procuring and maintaining industry standard coverage	n/a	n/a
Retail interface	Only interface is with the Agency	Will collect connection fees from real estate developers when platted and collect wholesale rates from County and Cities	Will manage all retail services and collection of retail rates
Future phase scope and delivery	Responsible for design, construction, financing and operation of future phases. Will assume these risks in subsequent phases at the time of Phase development	Will determine need, scope and timing of future phases and will assume risk profile consistent with Phase 1A at that time	n/a



4. Proposed project structure *(cont'd)*

Risk / responsibility	P3 partner	Agency	County/Member cities
Financing			
Project financing	Responsible for obtaining project financing (unless alternative approach agreed with the Agency)	Upfront financing of land and ROW acquisition costs will be repaid (and therefore effectively refinanced) by Project finance	n/a
Refinancing	Able to refinance debt but the Agency must approve	Will share in any refinancing gain	n/a
Market			
Inflation	AP will escalate annually at an agreed indexation rate or mechanism	Will assume inflation risk as determined by the agreed indexation mechanism	n/a
Utility/commodity costs	Assumes consumption risk to extent driven by inefficiencies relative to specified performance parameters	Assumes price risk for specified utilities/ commodities and demand-driven consumption risk	n/a
Revenue			
APs	Will bid required AP at procurement, which will form the basis of payments subject to a contractually agreed payment mechanism	Will make APs monthly in accordance with agreement payment mechanism and hold 6-months of reserves	n/a
User rate and connection fee setting	n/a	Responsible for setting wholesale wastewater rates, cooling water rates and connection fees	Responsible for setting retail wastewater rates
Rate and Connection Fee revenue collection	n/a	Responsible for collecting rate revenue from County and Cities, and connection fees from real estate developments	Responsible for collecting rate revenue from customers
Demand risk	n/a	Will assume all demand risk. AP to include fixed and demand-driven volumetric elements	n/a
OPPD PILOT revenue	n/a	Will receive and manage PILOT funds and allocate to AP payments as needed	Will allocate 100% of their incremental annual PILOT revenues to the Agency up to \$30m in aggregate
County backstop	n/a	n/a	Sarpy County will provide a backstop to cover any shortfall in AP obligations



4. Proposed project structure *(cont'd)*

Risk / responsibility	P3 partner	Agency	County/Member cities
Regulatory			
"Discriminatory" change in law (per typical industry definition)	Responsible for adapting to changes in law to ensure system continues to meet performance standards	Compensates P3 partner for costs of complying with discriminatory change in law consistent with common P3 practice	n/a
General change in law	Assumes risks associated general change in law relevant to the P3 partner and/or the Project	n/a	n/a
Taxes	Responsible for all taxes (including risk of future changes in tax laws)	n/a	n/a
Regulated substance	Will be responsible for cost and removal unless caused by gross negligence of the Agency or member	Responsible for clean-up cost if due to Agency, or County and City gross negligence	Responsible for clean-up cost if due to County and City gross negligence
Other			
Assigning rights	No assignments permitted without Agency prior written consent, which may be withheld in the Agency's sole and absolute discretion	Assignment rights consistent with P3 market practice	n/a
Termination	Customary risks and protections under P3 for contractor default, termination for convenience or force majeure	Customary risks and protections under P3 for contractor default, termination for convenience or force majeure	n/a



5. Procurement approach

Proposed procurement approach

The Agency anticipates a multi-stage procurement process to select a partner for the Project. A RFQ will be used to shortlist the bidders who will be asked to submit technical and financial proposals based on a two-stage RFP process. The Agency and its advisors will then work with the preferred bidder to finalize the contract terms through to commercial and financial close. The following provides additional detail on the anticipated stages of the procurement process:

1 RFQ

Primary objective: Identify 3-4 bidders with the strongest capabilities and experience to deliver both Phase 1A and potential future phases.

Key components:

- Qualifications: Bidders will submit qualifications covering relevant experience with wastewater systems similar in size and complexity to the anticipated built out system beyond Phase 1A, their financing capabilities and evidence of financial strength
- Evaluation and shortlisting: Agency will evaluate and shortlist the 3-4 most qualified bidders based primarily on their demonstrated track record of delivering the technical / operational objectives outlined.

Indicative timing: 1 month response time, 1 month evaluation and shortlisting

2 RFP

Primary objective: Select a preferred bidder based on the technical and financial proposal for Phase 1A, using a project agreement that is capable of governing the entire contract term.

Key components:

- Draft RFP: Agency will release a draft RFP to shortlisted bidders that will include: 1) instructions to proposers; 2) draft Project Agreement (covering the entire contract period); and 3) draft conveyance conceptual design and draft technical prescriptions or performance requirements for both conveyance and facilities for Phase 1A
- Feedback: Agency will organize structured exchanges and conduct 1-on-1 meetings with each bidder to obtain feedback on the draft RFP, as well provide comments on the bidder's preliminary technical approach or concept for Phase 1A
- Final RFP: Agency will release a final RFP updated to reflect feedback on common or material issues or changes resulting in a new conformed PA and technical concepts and prescriptive or performance-based requirements
- Submission: Bidders will submit a final technical solution (~30% design) on a fixed price basis for Phase 1A
- Evaluation and selection: The Agency will select the bidder that best meets its objectives in accordance with the evaluation criteria set out in the RFP. Weighting between technical and pricing to be determined

Indicative timetable: 3.5 month response/exchange time, 1.5 month evaluation and selection

3 Committed stage

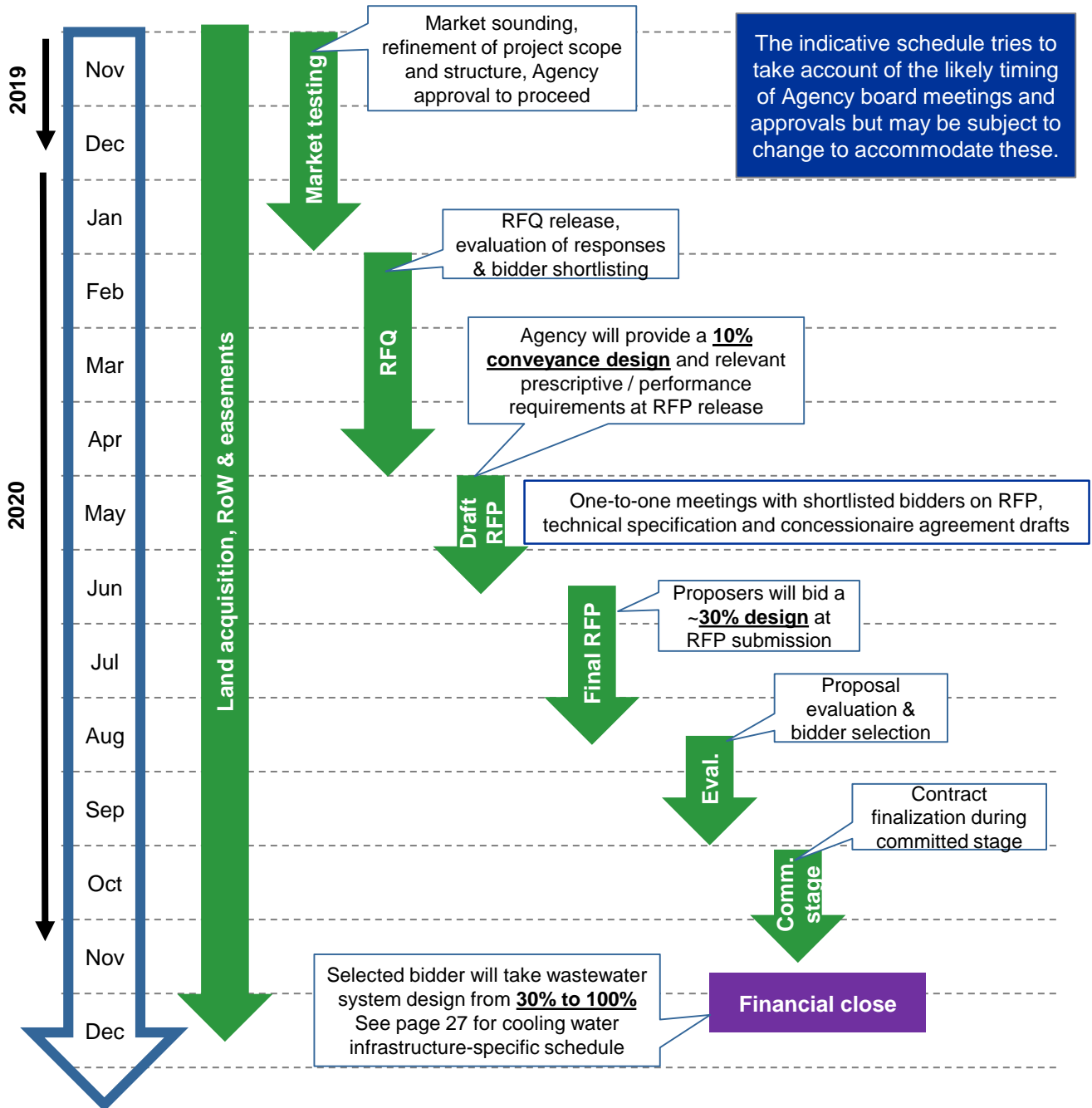
Primary objective: Reach financial close and finalize design by Q4 2020.

Key components:

- Design finalization: Preferred bidder will take its 30% design to 100% based on its technical submission and in consultation with the Agency's technical advisors.
- Commercial and financial close: Finalization of agreements on contract terms to reach commercial close and finalization of financing package to reach financial close within 30 days of each other



5. Procurement approach *(cont'd)*





6. Market information & feedback

In undertaking this Market Sounding, the Agency is seeking the non-binding views, opinions, and feedback from Respondents on the proposed Project scope and structure presented in this document. As such, the Agency intends to use the information gathered through responses to this Market Sounding to:

- 1) Understand the level of market interest in the Project
- 2) Confirm the ability of market participants to deliver Phase 1A and potential future phases
- 3) Confirm the perceived bankability and deliverability of the Project
- 4) Refine the project scope and structure as relevant
- 5) Modify the procurement approach as necessary

Based on the information presented in the Materials, the Agency is seeking responses from Respondents with experience delivering comprehensive wholesale wastewater services including design, construction, financing, O&M for wastewater systems in the US. The following pages set out the specific questions and topics on which the Agency is seeking feedback. Respondents are encouraged to be candid in their responses.



Timetable and contact details

The Agency is seeking email responses from companies seeking to participate in this Market Sounding no later than **November 22 2019**. Following an expression of interest, the Agency will arrange a conference call with each Respondent (no more than 1 hour) between **November 18 and December 6** to discuss the questions set out in Section 7. Relevant members of the Agency's advisory team will reach out to Respondents to establish a mutually convenient time. Minutes of such conversations will be anonymized and aggregated into a market sounding report to be provided to the Agency.

The Agency has engaged financial, technical and legal advisors to assist with the Project. In its capacity as financial advisor, Ernst & Young Infrastructure Advisors, LLC (EYIA) is assisting the Agency in the conduct of the Market Sounding and as such, any expression of interest or queries in relation to this Market Sounding, should be directed in writing to:

Steve Pangle

Vice President, EYIA

steve.h.pangle@ey.com

Please also copy the following in any correspondence:

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7. Feedback questions

Topics		Discussion questions
1	General	<p>In the context of your market focus, the information contained in the Materials and the specific role you would likely have in delivering the Project, what is your view of the overall attractiveness of the Project and why?</p> <p>Please provide perspectives on what minimum design, construction, O&M, and finance experience/requirements should be specified.</p> <p>What key changes or points of clarification would you seek in advance of any procurement process? Is there anything specific that would make this Project more attractive?</p>
2	Finance	<p>What would your likely approach to financing the Project be in terms of sources of finance and anticipated weighted average cost of capital (WACC)? Would the Agency pursuing some element of SRF-based financing for Phase 1A increase or decrease Project attractiveness from your perspective, and if so why?</p>
3	Risks	<p>What you see as the key Project deliverability/ bankability risks, and to what extent is the Agency (based on the information presented in the Materials) is addressing these to your satisfaction?</p> <p>What level of detail on these matters would you expect to be shared at (i) RFQ and (ii) RFP to satisfactorily address these risks?</p>
4	Procurement process	<p>Do you have any views on the Agency's anticipated approach to procurement, including the use of the two-step procurement process; the evaluation weighting between price and technical components; and/or the balance of focus between Phase 1A and the overall Project and timeline?</p> <p>Please raise any issues, requirements or concerns you may have regarding the procurement process and any alternative approaches you believe may better meet the Agency's needs.</p>
5	Future phases	<p>Does bundling of potential future phases under one contract enhance or reduce Project attractiveness to you? Is there an alternative approach that would be preferred?</p> <p>Please comment on the extent to which the Agency's approach to managing and allocating the risks inherent in the multi-phase approach are appropriate, and what, if any, alternative approaches might be preferable from your perspective?</p>



7. Feedback questions *(cont'd)*

Topics		Questions
6	Firm fixed pricing	<p>Based on the procurement process outlined, what would be your likely ability to commit to a firm fixed price for Phase 1A at the time of RFP submission?</p> <p>What information would be required to be able to submit a bankable committed bid at that point? What approximate level of design level % would make you comfortable committing to a firm fixed price?</p>
7	Land, RoW, easements & permitting	<p>Do you agree with the Agency's approach with respect of land, RoW, easements and permitting? If not, what would be a more appropriate allocation?</p>
8	Cooling water infrastructure	<p>Do you foresee any challenges in delivering the cooling water line with an earlier targeted commercial operation date? Which approach to design completion is most (i) deliverable and (ii) attractive?</p> <p>If earlier completion is deemed challenging or inconsistent with the proposed procurement path, what would you propose as an alternative and what would the Agency need to do to facilitate this?</p>
9	O&M	<p>Are there any specific O&M components you would be unwilling to assume price risk on? What key O&M components do you consider to be fixed versus volumetric in nature for Phase 1A?</p>
10	Technical	<p>Do you have any specific view on the extent of prescriptive technical specifications versus more performance-based specifications for the design and construction of the relevant infrastructure components? What is the minimum level of technical detail desired in the RFP?</p> <p>What design % level would you ideally seek to attain in advance of the submission of the RFP, and to what extent is the proposed procurement timetable and approach compatible with this?</p>

Exhibit

**Additional project
information**

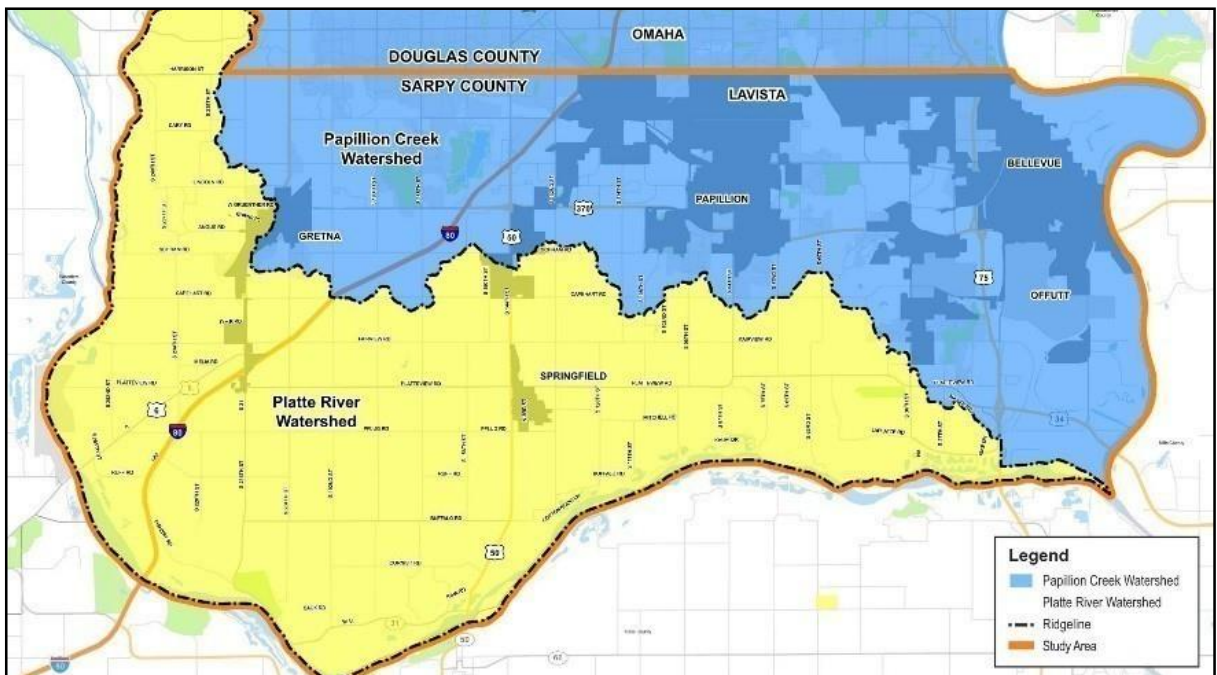




Project summary

The communities of Sarpy County, Nebraska (Bellevue, Gretna, La Vista, Papillion, and Springfield) have experienced significant growth in recent years. In general, this growth has occurred in areas where public water supplies and municipal sewerage systems were available; predominately north of the hydrologic ridgeline (ridgeline). The ridgeline separates Sarpy County into a northern portion that drains to Papillion Creek and a southern portion that drains to the Platte River.

Wastewater in northern Sarpy County is collected and conveyed through the Papillion Creek watershed to the City of Omaha's Papillion Creek Water Resource Recovery Facility (PCWRRF), where it is treated and discharged to the Missouri River. Providing wastewater services south of the ridgeline (southern Sarpy County) has been more challenging which is reflected by the yellow area below (below the ridgeline).





Project summary *(cont'd)*

Lack of sewer service is increasingly an impediment to development in southern Sarpy County. As the availability of land north of the ridgeline diminishes, growth pressures move to the southern portion of Sarpy County. In the absence of a long term wastewater solution, continued development south of the ridgeline could be limited by the inability to collect and pump wastewater back over the ridgeline (generally a relatively costly, short-term solution) and/or by exceeding the capacity of Omaha's PCWRRF collection and/or treatment system. Additionally, it could also result in the proliferation of large lot residential development with septic systems or prompt multiple smaller package-type wastewater treatment facilities. These solutions may not be advantageous environmentally, or for the continued economic growth and development of Sarpy County, the Omaha metropolitan area, or the state of Nebraska.

An initial concept for wastewater service in southern Sarpy County was developed in 2006 - 2007. At that time, it was determined that wastewater infrastructure constructed on a regional basis provided the greatest efficiency, economic advantage, and environmental protection. This regional wastewater concept included a regional WWTF (WWTF) discharging to the Platte River in southern Sarpy County, as well as a system of interceptor sewers, pump stations, and interim satellite wastewater treatment facilities (collectively, the Unified Southern Sarpy Wastewater System or "Project", to convey and treat wastewater generated south of the ridgeline).

After the recession and subsequent recovery of the economy, the regional system concept was revisited in 2015-2016. Key decisions and recommendations from the prior work were validated at this time. Environmental and regulatory considerations were defined, existing statutory schemes available for use by Sarpy County and the Cities to form a governing entity for wastewater service were identified, and earlier phasing strategies were updated through close coordination with the local development community to reflect current and anticipated future growth demands. Additionally, various regional wastewater treatment alternatives were evaluated, and a preliminary financial assessment was completed which affirmed the financial feasibility of the recommended alternative.



Project summary (cont'd)

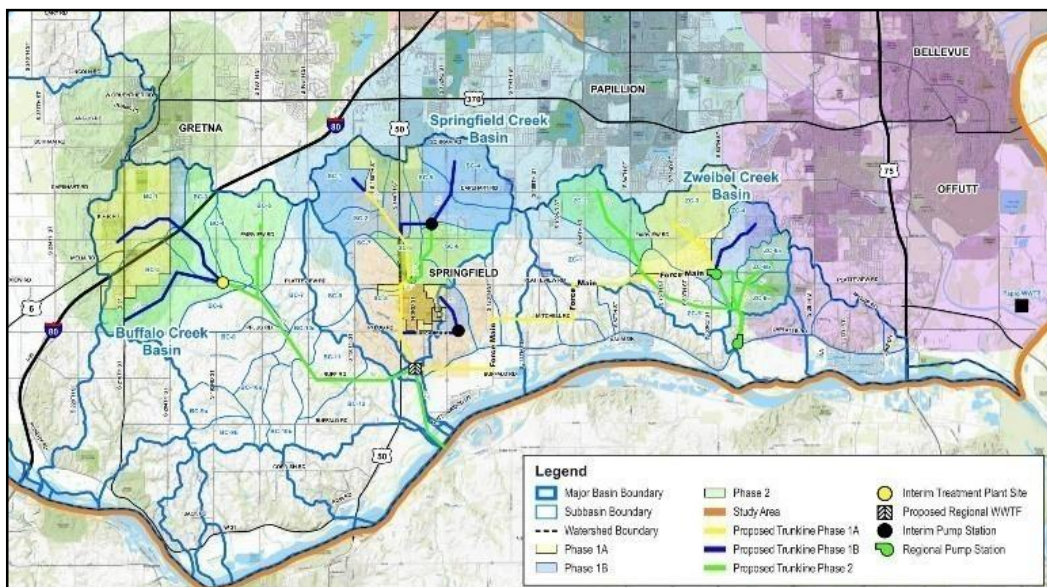
The regional system is proposed to accommodate growth in southern Sarpy County. Based on projected growth in the area, a treatment capacity of approximately 10 million gallons per day (MGD) would be required to satisfy long-term regional needs over the next 40 years. As initial capital investment to construct the full Project to open the entire service area from day one is expected to be cost prohibitive, it is anticipated that the regional concept will be implemented in multiple phases. Phasing the infrastructure manages early capital requirements, allowing the Agency to economically accommodate projected growth pressures scattered across the upstream end of the watershed.

The first phase, subdivided into Phase 1A (yellow) and Phase 1B (blue) for economic benefits, would support immediate (Phase 1A) and short-term (Phase 1B) priority growth areas identified by stakeholders. Phase 1 is expected to include the first phase of the Regional WWTF located in the vicinity of the existing Springfield WWTF, a regional pump station and forcemain in the Zwiebel Creek Basin, an interim satellite treatment

facility in the Buffalo Creek Basin, as well as a series of interceptor sewers in each of the basins.

The second phase (green) would accommodate longer-term growth through the construction of several additional miles of interceptor sewer, and the expansion of the regional WWTF and pump station and force main in the Zwiebel Creek basin. The final phase would accommodate new growth south of the ridgeline through the end of the study period through expansion of the previously constructed regional WWTF. Growth projections for southern Sarpy County are included in a subsequent section for reference.

In recent years, focus has been directed toward implementation of the regional wastewater concept. To this end, the Sarpy County and the cities of Bellevue, Gretna, La Vista, Papillion, and Springfield established a draft Interlocal Cooperation Agreement to establish a Joint Public Agency for the construction and operation of a regional system in southern Sarpy County. The Agency was subsequently formed. The Agency is made up of representatives from the County and each of the Cities.





Project summary (cont'd)

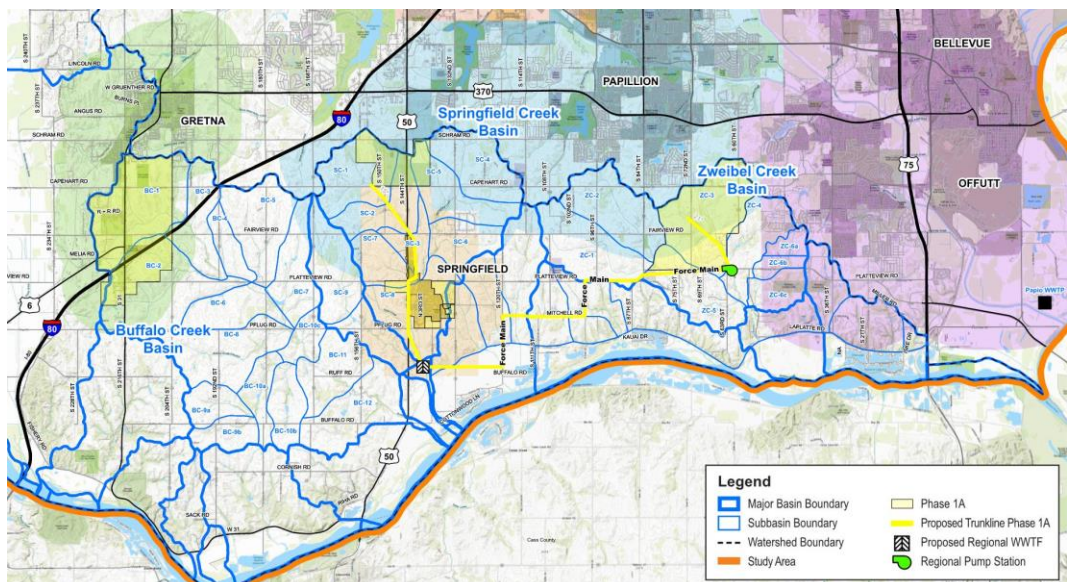
Wastewater Infrastructure: Phase 1A

The Agency proposes to move forward with the implementation of Phase 1A of the Project to provide wastewater service to a portion of southern Sarpy County.

As discussed in more detail later in this Exhibit, Phase 1A is anticipated to include the initial construction of a regional WWTF with an initial treatment capacity around 1.9 MGD located on a site owned / controlled by the Agency, which will be in the vicinity of the existing Springfield WWTF primarily to support industrial growth at the north end of the basin and residential growth around the City of Springfield and south of Papillion, the construction of a wastewater pump station with a capacity of ~2.25 MGD and about 10 miles of force main in the Zwiebel Creek basin, as well as over 5 miles of interceptor/trunk sewer in the Springfield Creek and Zwiebel Creek basins.

Phase 1A includes improvements in two separate drainage basins within the Platte River watershed. These areas are narratively described and graphically depicted herein.

- **Springfield Creek basin** - The Project area in the Springfield Creek basin includes the construction of a new regional WWTF in close proximity to the existing Springfield WWTF located south of Pflug Road and east of Highway 50, as well as interceptor sewer in a 300 foot wide linear corridor roughly following Highway 50, beginning northwest of S. 150th Street and Capehart Road and traversing south to the WWTF site.
- **Zwiebel Creek basin** – The Project area in the Zwiebel Creek basin includes trunk sewer in a 300 ft wide linear corridor beginning NW of 72nd Street and Fairview Road and extending southeast to the location of a new wastewater pump station. The wastewater pump station is expected to be located in the vicinity of S. 63rd street and Platteview Road and will convey raw wastewater from the Zwiebel Creek Basin west, to the new regional WWTF in the Springfield creek basin.





Project summary *(cont'd)*

Cooling Water: Phase 1A

In recent years, the Highway 50 corridor in Sarpy County has become a leading location for data center development. In addition to this contributing to anticipated regional growth in demand for the domestic wastewater services that the Agency is seeking to accommodate, it is also generating interest in long-term solutions relating to cooling water blowdown waste from cooling systems operating at data center type facilities.

One such data center facility development, referred to as “Project Gemini”, is expected to create an “anchor” demand for such infrastructure. Sarpy County is currently in the process of finalizing commercial negotiations with Project Gemini. As such, the Phase 1A project is expected to include a cooling water collector main to meet the needs of Project Gemini and other potential future users.

The preliminary concept for managing and disposing of cooling water blowdown waste is summarized below. The Agency intends to define this concept in greater detail upon the conclusion of commercial negotiations, and prior to the commencement of the P3 RFP process. It is currently assumed, but under negotiations, that Project Gemini will make a capital contribution to the Agency that will pay for the entire cooling water infrastructure.

The preliminary concept includes over six miles of cooling water collection mains to convey cooling water from the Project Gemini project location to a lagoon/equalization pond/tank anticipated to be located on the site of the new regional WWTF.

Once properly cooled, decant from the lagoon/equalization pond/tank would be discharged to surface water. The Agency will work with the Nebraska Department of Environment and Energy (NDEE) to permit this surface water discharge.

These cooling water components are expected to be sized to accommodate cooling water blowdown quantities generated from all Project Gemini facilities, a portion of the cooling water volume from an existing nearby facility, as well as a another future industrial facility of similar size to Project Gemini. It should be noted that the Agency may opt to oversize the facilities in anticipation of additional future cooling water flows from other future development in the vicinity.

Given Project Gemini is likely to be constructed and operational earlier than the anticipated 2024 completion of the Phase 1A wastewater infrastructure, the Agency is interested in the potential to prioritize and acceleration construction of the cooling infrastructure to be commissioned by the end of 2022.

The Agency intends to obtain the necessary permits and easements but is open to either (i) the P3 partner submits 30% design at RFP based on initial 10% conveyance design and performance specification and then takes to 100% design post contract award; or (ii) the Agency will provide 100% design for the P3 partner to proceed with construction at award of contract.

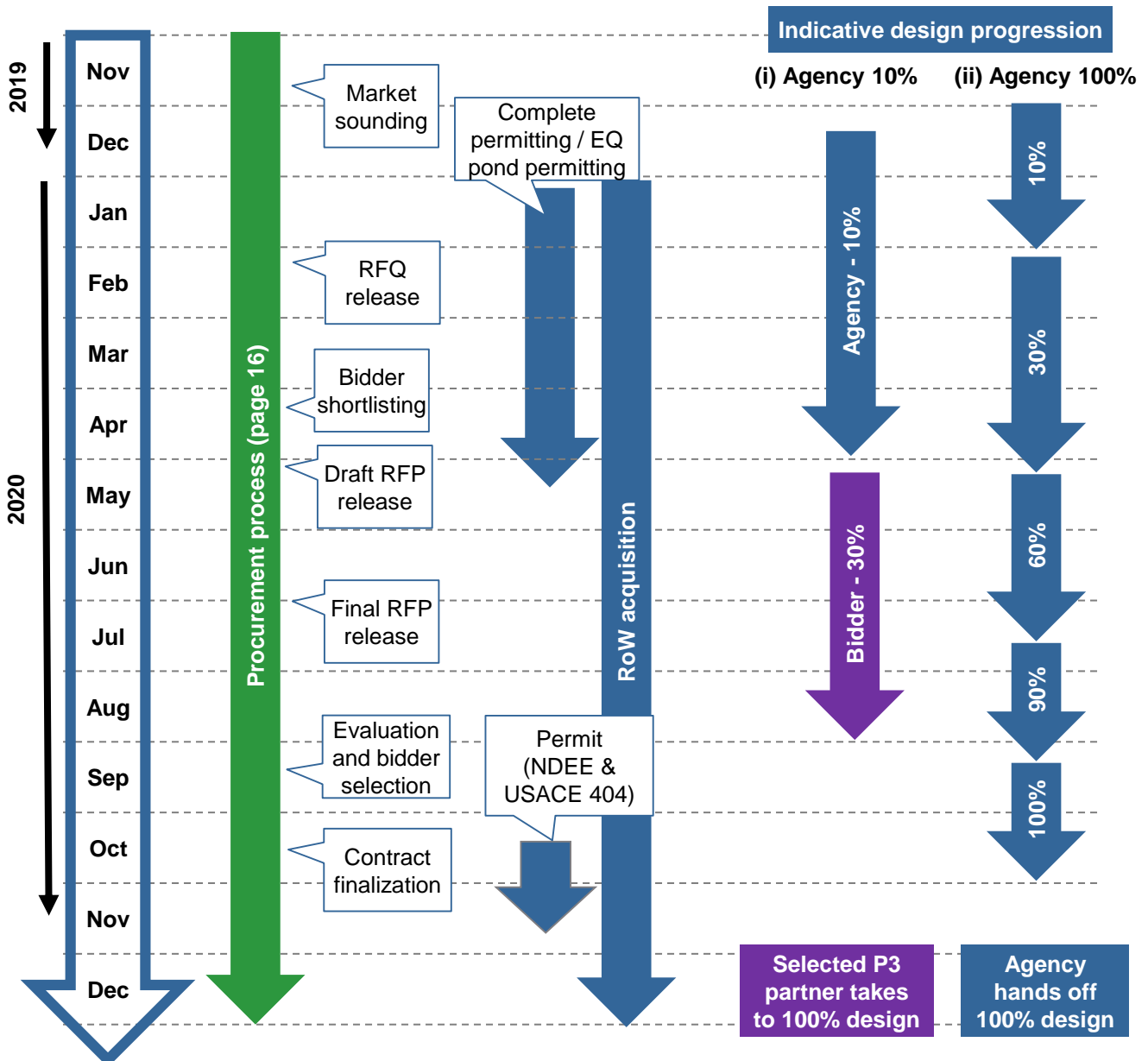
Please see the indicative timeline for design advancement, permitting, and land acquisition under the two approaches on the following page overlaying the procurement process.



Project summary *(cont'd)*

Cooling water phasing

Below is a preliminary timeline for the design development, land / RoW acquisition, and permitting for the cooling water infrastructure under the two proposed scenarios. While negotiations are ongoing, it is understood that commercial operations would be required no later than Q4 2022.



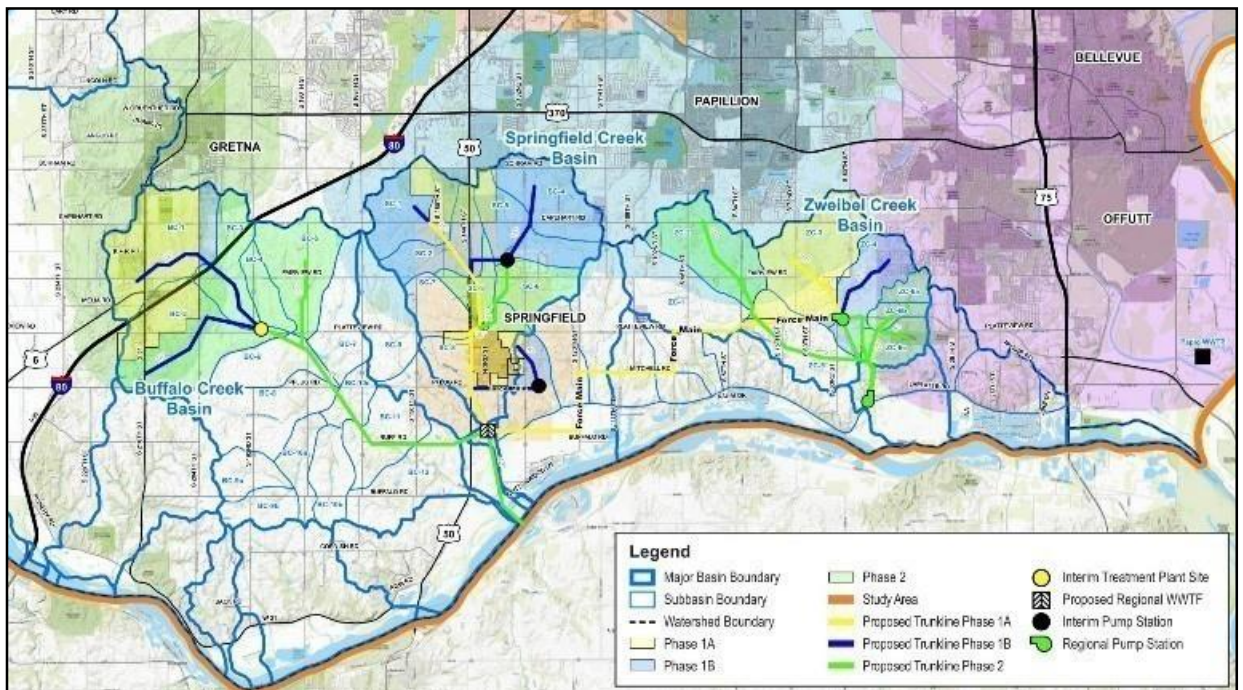


Project summary (cont'd)

Phasing approach

A phasing approach was adopted by the Agency and its technical advisors due to the greenfield nature of the Project and the incremental population base used to support operations. The phasing approach was designed to meet the anticipated demand of the forecasted population – growing from 1.9 MGD in Phase 1A to support near-term growth to 9.9 MGD in Phase 3 to support the long-term growth expectations.

The structure of the phasing was put together with the end in mind. As the picture below outlines, this is accomplished by first constructing the initial regional WWTF near Springfield, along with pump stations, force main pipes, and conveyance in Phase 1A and Phase 1B. Phases 2 and 3 are envisioned to expand on the capacity of this system and construct additional conveyance to serve the population growth throughout the Agency's jurisdiction. The following page provides additional detail into each of these phases with the infrastructure to be constructed within each.





Project summary *(cont'd)*

Potential project phases

Future regional system project phases will be dependent on actual growth demands within the Agency's sewer service area set out in Technical Project Information, later in this exhibit. The Agency will direct/manage growth according to the growth management plan and guiding principles adopted by the Agency. This document is available upon request. It is assumed that future growth will be focused / managed to areas where sewer service is being provided by the Agency.

Indicative phase snapshots

1A

Snapshot:

- ▶ Year operational: 2024
- ▶ Design & Construction duration: 4 years
- ▶ Total Treatment Capacity: 1.9 MGD
- ▶ Total est. cost: \$47.0 million* (2018\$'s)
- ▶ Avg. est. yearly OM cost: \$1.5-2.5 million (2018\$'s)

Infrastructure Built:

- ▶ About 15 miles of trunk sewer / force main
- ▶ Initial Construction of Regional WWTF (Springfield Creek)
- ▶ Wastewater Pump Station (Zwiebel Creek)
- ▶ Cooling water infrastructure

1B

Snapshot:

- ▶ Year operational: 2036
- ▶ Design & Construction duration: 4 years
- ▶ Total Treatment Capacity: 3.4 MGD
- ▶ Total est. cost: \$34.0 million (2018\$'s)
- ▶ Avg. est. yearly OM cost: \$3.5-4.5 million (2018\$'s)

Infrastructure Built:

- ▶ About 13 miles of trunk sewer / force main
- ▶ Regional WWTF expansion (Springfield Creek)
- ▶ Wastewater Pump Station expansion / Satellite Treatment Facility (Zwiebel / Buffalo Creek)

2

Snapshot:

- ▶ Year Operational: 2041
- ▶ Design & Construction duration: 4 years
- ▶ Total Capacity: 6.6 MGD
- ▶ Total est. cost: \$80.0 million (2018\$'s)
- ▶ Avg. est. yearly OM cost: \$6.0-7.0 million (2018\$'s)

Infrastructure Built:

- ▶ About 28 miles of trunk sewer / force main
- ▶ Regional WWTF expansion (Springfield)
- ▶ Wastewater Pump Station (Zwiebel Creek)

3

Snapshot:

- ▶ Year Operational: 2050
- ▶ Design & Construction duration: 4 years
- ▶ Total Capacity: 9.9 MGD
- ▶ Total est. cost: \$45.0 million (2018\$'s)
- ▶ Avg. est. yearly OM cost: \$9.0-10.0 million (2018\$'s)

Infrastructure Built:

- ▶ 0 LF of additional conveyance
- ▶ Regional WWTF expansion

*Includes ~\$9m of cooling water infrastructure which will be paid for by the pioneer developer utilizing the cooling water system.

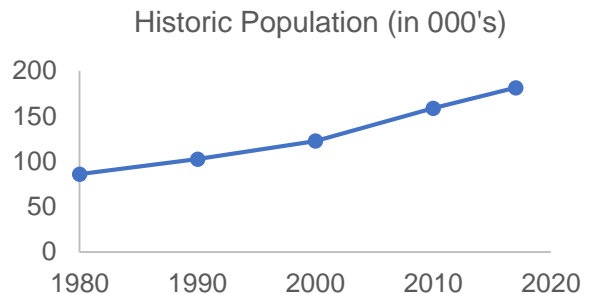


Technical project information

Population growth and demand assumptions

Sarpy County has experienced steady, near linear growth over the last several decades. Regional planners project growth in Sarpy County to continue over the next several decades as well, which is supported by recent 2017 census estimates.

Historic Population	
Year	Population
1980	86,015
1990	102,583
2000	122,595
2010	158,840
2017	181,439



Future population forecasts for Sarpy County were completed assuming a continuation of the historic near linear growth trends observed in Sarpy County, and with the following premise: with the availability of sewer service in southern Sarpy County, growth in the County would occur both north and south of the ridgeline. Additionally, as the remaining developable area in the Papillion Creek watershed filled up, growth pressure in southern Sarpy County would increase. The population of Sarpy County is projected to increase by approximately 140,805 residents by year 2055. About 60 percent of that total growth is projected to be located south of the ridgeline.

Major commercial and large industrial employment growth projections through 2055 were also completed based on data included in the Sarpy County Comprehensive Plan. Additionally, wastewater flows were estimated for residential, commercial, and industrial sources based on historic flow data from the City of Springfield and using typical tabulated unit flow rate values. The per capita residential flow was intended to include neighborhood commercial flows. The per acre commercial and industrial flows were believed representative of primarily domestic wastewater contributions from the type of major commercial and industrial development anticipated in Sarpy County. This does not include cooling water blowdown from data center type industries that are expected to develop/expand in Sarpy County, nor does it include higher wastewater flows / concentrations from wet industrial sources not anticipated to locate in Sarpy.



Technical project information *(cont'd)*

Population growth and demand assumptions *(cont'd)*

Key assumptions utilized in the growth and flow forecasting are summarized on the following page. Results from these projections are summarized below. The table includes population and employment projections for all of Sarpy County, as well as the portion of the growth expected to occur in the southern portion of the County. Values presented represent new cumulative growth occurring through 2060.

Growth and flow forecasting								
Year		Sarpy County			Southern Sarpy County			
		Residential Population	Developable Commercial Acres	Developable Industrial Acres	Residential Population	Developable Commercial Acres	Developable Industrial Acres	Max Month Flows (gpd)
0	2025	21,747	6.8	41.7	1,269	1.1	7.3	139,400
5	2030	39,870	17.1	107.5	6,162	5.6	38.6	682,600
10	2035	57,992	33.3	213.5	17,035	16.1	110.2	1,892,900
15	2040	76,115	50.2	324.6	28,452	27.3	186.9	3,166,500
20	2045	94,237	72.0	469.1	44,763	43.3	296.9	5,136,600
25	2050	112,360	93.9	614.3	61,073	59.5	407.7	6,958,000
30	2055	126,582	114.7	751.7	73,873	74.5	510.6	8,415,100
35	2060	140,805	135.8	891.0	86,674	89.9	615.6	9,875,500



Technical project information *(cont'd)*

Growth forecast assumptions		
Variable	Unit	Value
Percentage of Projected Incremental Growth Occurring South of Ridgeline:	Percent	<ul style="list-style-type: none"> 10% 25% 75% 90%
• Year 2025		
• Year 2030		
• Year 2040		
• Year 2055		
Single Family Residential	People/DU	2.7
Dwelling Units (DU) per Gross Acre	DU/acre	3
People per Gross Acre	People/acre	8.1
Developable Acre to Gross Acre Ratio (Residential)	Percent	60%
Commercial Growth	SF/10 years	500,000
Commercial Building Area per Developable Acre	SF/acre	13,700
Area per Commercial Employee	SF/employee	196
Commercial Employees per Developable Acre	Employees/acre	70
Industrial Growth	SF/10 years	3,000,000
Industrial Building Area per Developable Acre	SF/acre	12,000
Area per Industrial Employee	SF/employee	600
Industrial Employees per Developable Acre	Employees/acre	20
Developable Acre to Gross Acre Ratio (Commercial/Industrial)	Percent	65%
Residential Wastewater Flow	gpcd	100
Commercial Wastewater Flow	gpad	1,500
Industrial Wastewater Flow	gpad	1,500



Technical project information *(cont'd)*

Project performance parameter focus

The Agency will take responsibility for securing the relevant Phase 1A sites/land, RoW and sewer alignment easements, and for demonstrating National Environmental Policy Act (NEPA) compliance, as detailed on the following pages.

Regarding design and performance parameters, the Agency anticipates that it will focus on establishing a set of performance requirements rather than detailed design drawings and design specifications, in order to provide P3 partners as much room for flexibility, creativity, and cost efficiencies as possible to satisfy stated performance requirements, while reducing the pre-procurement timeline and costs to the Agency.

The technical performance requirements set for Phase 1A (and any subsequent phase of the Project) will therefore establish a number of minimum standards and performance parameters (provided as part of the RFP), but otherwise allow the potential P3 partners to propose a technical solution (to about 30% design completion) that they believe meet these minimum standards or parameters for evaluation by the Agency, and then proceed with detailed design sufficient for construction of the agreed upon infrastructure.

Performance requirements will include identification of such things as:

- Building construction related reference codes and standards
- Anticipated wastewater flows and characteristics
- Treated effluent water quality requirements
- Residual solids disposal parameters or requirements

- State of Nebraska and industry standard wastewater conveyance and treatment facility design standards
- Coordination with future project phases.

Where certain design requirements are more prescriptive, these are likely to relate to, for example:

- Regulatory agency approval driven requirements including such things as incorporation of biological nutrient removal and ultraviolet disinfection into the treatment process;
- Property and RoW-driven requirements such as the specific horizontal and vertical alignment for trunk sewers and the specific sites for treatment facilities; and
- Materials of construction to ensure facility longevity.

Siting and land acquisition

- Land acquisition is currently in progress. The P3 partner should assume that property needed for wastewater facilities will be procured in parallel with Contract negotiations and available to the P3 partner's use at time of construction. General site details will be included in the RFP.
- Site details will be available at the time of the issue of RFP.



Technical project information *(cont'd)*

RoW and easements

- Subject to feedback on alternative approaches offering greater value, the Agency intends to take responsibility for securing the necessary easements (permanent and construction) to facilitate construction of Phase 1A.
- Details regarding the secured and/or anticipated easement locations and dimensions, alignments, descriptions and tract maps will be provided as part of the technical requirements in the P3 RFP documentation
- The P3 partner should assume that easements needed for wastewater conveyance will be procured in parallel with Contract negotiations and available for use at the time of construction.

Environmental approvals and permits

The Agency is currently working with the NDEE and other resource agencies to secure select environmental approvals prior to commercial close of the P3 contract, unless specifically noted otherwise. This includes a decision document in accordance with NEPA.

The Agency shall obtain the approvals set out in the table below and provide them to the P3 partner. The P3 project agreement shall include provisions to address compensation or relief in the event that failure to secure these in a timely manner adversely impacts the ability of the P3 Partner to meet its obligations.

Environmental approvals to be sought by Agency

Approval	Notes
NEPA Decision Document	Sufficient to facilitate allocation of Clean Water SRF and including associated public and agency outreach, should federal funding be incorporated.
NHPA Section 106	Including SHPO Determination of Effect for standing structures and archeological resources, and supporting archeological survey.
ESA Section 7	Including USFWS Determination of Effect for federally-listed threatened or endangered species, and supporting consumptive use analysis.
NESCA	Including NGPC Determination of Effect for state-listed threatened or endangered species, and supporting consumptive use analysis.
FPPA	Including NRCS farmland conversion impact analysis, and supporting AD-1006 Farmland Conversion Impact Rating Form.
NPDES Discharge Permit	Secured during construction at least 60 days prior to commissioning of the Regional WWTF



Technical project information *(cont'd)*

(Permits cont'd)

As detailed below, permit authorizations that require advanced design shall be acquired by the P3 partner. The P3 partner shall obtain the following approvals and provide them to the Agency:

Approval	Notes
Wastewater Construction Permit	P3 partner efforts to include, but are not limited to, completion of a preliminary engineering report completed to the satisfactory of stated NDEE requirements detailing planned infrastructure, and completion of applicable permit schedules.
Construction Stormwater Permit	To include the preparation of a SWPPP and filing of the Notice of Intent.
Biosolids Permit	Required from NDEE to land apply or dispose of municipal biosolids. Biosolids generation and disposal must be in compliance with federal regulations administered by EPA Region 7 and include the generation of a Biosolids Management Plan.
CWA Section 404 Permit	Permit application development and required supporting analysis. It should be noted that, the Agency has completed wetland delineations along portions of the conveyance corridors and can provide this information to the P3 partner. The Agency does not guarantee their accuracy as no jurisdictional determinations have been requested of – or received from – USACE.
Floodplain Development Permit	Required from Sarpy County if improvements occur within a FEMA- designated 100-year floodplain.
Air Quality Construction Permit	If a permit is required, it is anticipated to be a minor source permit. Dispersion modeling may be required as part of the application process. H2S emissions may need to be incorporated into the modeling.
NDOT ROW Permit	Required from NDOT for construction activities within and occupation of NDOT ROW.
County Road ROW Permit	Required from Sarpy County for construction activities within and occupation of Sarpy County ROW.
Local Building Permit	Required from Sarpy County to demonstrate consistency with planning/zoning and building codes.



Financial & commercial summary

Phase 1A sources and uses of funds during construction

The following table provides an estimate of the sources and uses of funds to construct Phase 1A of the Project assuming private financing and a 90/10 debt to equity split in year-of-expenditure (YOE). Subject to ongoing negotiations, it is currently assumed that Project Gemini will make a capital contribution to pay for the entire cooling water infrastructure. In addition to the cooling water infrastructure, the Development & Construction line item includes the design / construction of Phase 1A as well as the repayment of the Agency's \$5m SRF pre-development loan which is being used for land acquisition, RoW, and advisory fees. Any additional land acquisition costs above / beyond the \$5m will be paid through other cash sources of the Agency.

Sources of funds	Estimated \$ YOE	Uses of funds	Estimated \$ YOE
Debt	\$49.0m	Development & construction	\$58.5m
Equity	\$5.0m	Interest during construction	\$5.0m
Project Gemini capital contribution	\$10.0m	Financing fees	\$0.5m
Total	\$64.0m		\$64.0m

Phase 1A sources and uses of funds during operations

The following tables provide an estimate of the sources and uses of funds during operations of Phase 1A. This reflects current aspirations of the Agency which includes commencement of cooling water operations in Q4 2022 before the anticipated commencement of full operations in 2024 up to 2035 when it is assumed that Phase 1B will become operational). In the event that Phase 1B is not commissioned by the Agency, Phase 1A shall continue for the duration of the P3 contract. In addition, key assumptions on O&M costs are also included.

Sources of funds	Estimated \$ YOE	Uses of funds	Estimated \$ YOE
User rate revenue	\$53.0m	APs	\$88.0m
Connection fee revenue	\$48.0m	Contingency	\$18.0m
Member contributions	\$23.0m	Agency cashflow reserves	\$18.0m
Total	\$124.0m	Total	\$124.0m



Financial & commercial summary *(cont'd)*

The following are key assumptions underpinning the estimated O&M costs in the Agency's feasibility analysis:

Input	Assumption Phase 1A
Real construction cost	3.50% inflation to \$YOE All RoW, land acquisition, and easements to be acquired prior to construction commencement by the Agency
O&M costs (\$2015 unless noted)	\$0.25/inch diameter foot (sewer / cooling water) \$0.08/inch diameter foot (force main) Pumping: \$0.08/gdp Treatment: \$0.33/gdp Pricing based on assumed capacity flows \$150,000 for 2x full-time oversight staff (\$2024) 3.01% inflation to \$YOE
Fixed costs assumptions	\$0.53/inch diameter foot (sewer / cooling water) \$0.18/inch diameter foot (force main) Pumping: \$0.18/gdp Treatment: \$0.71/gdp Cooling lagoon: \$30k per year Pricing based on capacity w/ ramp-up period to full capacity 3.01% inflation to \$YOE

Financing

Subject to feedback to the questions set out in Section 7, it is assumed that the P3 partner will obtain its own financing to design and construct the system based on a combination of debt and equity.

In its Project feasibility analysis to date, the Agency has assumed the following key financing terms:

- 90/10 debt to equity;
- 1.25 debt service cover ratio (DSCR);
- Interest rates based on the Municipal Market Data (MMD) curve for a AAA credit with a credit spread assuming BBB- plus an additional rate buffer;
- 30-year debt with 26 year payback period; and
- Equity returns based on market precedent.



Financial & commercial summary *(cont'd)*

Financing *(cont'd)*

While acknowledging the value of the role of private finance in P3, the Agency also has access to public sources of financing such as Nebraska's Clean Water SRF, which provides low interest loans to municipalities for construction of public financing sources such owned wastewater treatment facilities and sanitary sewer systems.

Conversations with the administrators of this program (NDEE) have indicated the likely ability to integrate SRF funding into various potential P3 commercial structures. Respondent feedback is sought as to the value or attractiveness including SRF funding in the P3 structure.

Key clean water SRF features

Interest Rates:

- 20 year tenor at 1.5%
- 30 year tenor at 2.0%
- Administrative fee of 0.5%
- Required to begin paying the administrative fee within a year
- "Green" projects are given a 0.25% reduction in their interest rates

Repayment:

- Tenor can range from 20 to 30 years
- Borrowers required to begin repaying at the earlier of operations and **3 years from signing**

Structuring:

- Borrower must be a public entity
- Not precluded from funding alongside a P3
- Require repayment seniority and credit backstop from the County
- Federal loan requirements apply

The Agency also recognizes the potential relevance of the Environmental Protection Agency's WIFIA loan program as a potential source of financing for approximately half of the project costs.

The Agency is also willing to consider hybrid public-private financing structures as relevant.



Financial & commercial summary *(cont'd)*

AP structure

The anticipated AP structure will be a combination of capital and operations payment components, the calibration of which will be bid back at RFP by bidders:

- Capital: at a level sufficient to cover debt and equity, tax and cover ratios
- Fixed O&M: The fixed component is anticipated to be constant over the term of Phase 1A, subject to the application of agreed indices. The P3 partner will assume the risks and rewards of operating costs being higher or lower than that fixed in the project agreement. These costs may be renegotiated prior to the commencement of any future phases
- Variable O&M: A volumetric component to reflect the certain costs that are driven by system utilization and flow. P3 partners are expected to assume risk in respect of rate / unit treated, but not assume volumetric risk

The Agency does not currently anticipate offering cost recovery components on a pass through basis (i.e.. Agency assuming both price and volume risk on any component of the cost structure), but Respondents are requested to provide their feedback as part of this market sounding on this approach in respect of specific cost elements.

The following pages set out in greater detail the revenue base for the Agency, and its ability to make payments to the P3 partner.



Financial & commercial summary *(cont'd)*

Rate and fee structure

On 28 August 2019 the Sarpy Agency Board approved the rates and fees set out below as the basis upon which the Agency will charge the County and relevant Cities for wholesale wastewater services for all new customers within the Agency's jurisdiction. Rates for the cooling water system are still in negotiations but will be sufficient to cover the O&M for the system. Given the bespoke nature of this cooling water project and others potentially in the future, the Agency anticipates negotiating the rates and fees on a per project basis.

This rate structure has been developed based on analysis of revenue requirements to meet anticipated P3 payments and is anchored by two concepts:

- 1) To align rates / fees with those in neighboring municipalities and specifically Omaha; and
- 2) To provide adequate growth for rates and fees to ensure the Agency can build up cash reserves to support future phases.

Connection fees are to grow at a rate of 3% per year beginning with a base year of 2015. Rates for all customers are to grow at 5% per year with a base year of 2015.

Cities will be required to pay the Agency based on the flow incurred over the previous time period regardless of what they have collected at that point from their customers. This rate revenue is intended to cover the O&M, lifecycle and financing costs for the system including the conveyance, treatment, force mains, and pumps.

With connection fees, cities are required to follow the Growth Management Plan assumptions provided that requires a connection fee of \$17,500 per acre (2015\$'s).

The Agency will be responsible for collecting the connection fees from local real estate developers that request connection to the Agency's system.

	2015 \$'s (Baseline year)	2019 \$'s (Current year)	2024 \$'s (Operations year 1)
Residential			
Average Monthly Bill	49.37	60.01	76.59
\$/1000 gal	6.58	8.00	10.21
Connection Fee per EDU	3,500	3,941	4,571
Commercial			
\$/1000 gal	6.58	8.00	10.21
Connection Fee per EDU	3,500	3,941	4,751
Industrial			
\$/1000 gal	9.87	12.00	15.32
Connection Fee per EDU	3,500	3,941	4,751
Cooling water	<i>In negotiations but will cover O&M costs to operate with sufficient buffer</i>		



Financial & commercial summary *(cont'd)*

OPPD in lieu of taxes

OPPD provides electric service across 13 counties, including all of Sarpy County. As a public utility this entity is not required to pay property taxes and instead makes an in-lieu of tax payment. Any public power district that sells electricity at retail within an incorporated city or village shall by April 1 of each year, make an in-lieu of tax payment to the County treasurer of the County in which the city or village is located. The in lieu of tax payment is 5% of the gross retail sales collected from within the city or village, for the previous calendar year.

OPPD project support

Given the greenfield nature of the Project and the Agency, and the relatively conservative demand growth projections that the Agency is relying on in its business plan, the Project is likely to operate at a cash flow deficit in the initial years, whereby revenues received by the Agency are insufficient to meet anticipated P3 APs. Currently, it is anticipated that an operating deficit (defined as the delta between rates and fees received by the Agency versus the P3 APs and Agency costs of management) will occur for the first five to seven years of post construction operations for Phase 1A based on population projections.

To enhance the creditworthiness of the Project, the Agency has secured the commitment from its member cities and the County to allocate 100% of their incremental OPPD revenues beginning in 2020. The member cities and County will continue to contribute their incremental OPPD allocation until an aggregate of \$30m is reached OR the Agency determines operations have reached a sufficiently comfortable surplus position and the Agency has ample cash reserves.

Expected funds

- The member cities and the County are entitled to 40% of the total OPPD allocation within the Agency's jurisdiction with the other 60% going to schools. These cities have pledged* 100% of *their* 40% allocation to the Agency up to \$30m. Beginning in 2020 the Agency will receive 100% of the cities' incremental growth allocation from residential, commercial, industrial and as discussed below, light industrial customers (only the incremental OPPD revenue from light industrial customers was included for feasibility purposes). The Agency has a high-degree of confidence in light industrial customer growth given one project is in construction and another is in negotiations.
- The light industrial project in construction will generate at least \$2m in annual incremental OPPD funds once fully ramped-up in 2022/2023 for which OPPD has provided a letter confirming the estimated increase (would equate to ~\$850k of funds to the Agency i.e., 40% of \$2m). Another light industrial project is in negotiations which will be similar in size and allocation to the Agency.
- A 3rd project is at the early stages of negotiations – but has not been factored into the feasibility analysis of the project given early nature of negotiations. However, if included it would likely be similar in size and revenue as the other two.

*Note: There are mechanisms in place that will allow cities to reduce their incremental OPPD allocation from 100% to 50%. These reductions will only take place after cities have reach predetermined thresholds and the Agency has collected ~\$22m in funding. These cities will be required to continue to contribute 50% of their incremental OPPD revenue until \$30m is collected in total.



Financial & commercial summary *(cont'd)*

Credit backstop

On November 5, 2019 Sarpy County passed a resolution providing a credit backstop for the Project (see page 45 for further details). This backstop will be used in the event that revenues from rates and fees and accumulated OPPD revenues by the Agency are insufficient to cover the Agency's payment obligations in any period. It is also anticipated that the credit backstop will also be drawn upon if in any period the Agency's cash reserves fall below 6-months of anticipated payment obligations. The final form of the backstop will be agreed in the ultimate interlocal agreement, that the County intends to pass prior to financial and commercial close.

Sarpy County Credit

- Sarpy County is the fastest growing county in Nebraska with an estimated population of nearly 185k in 2018. The County is located just south of Omaha, the largest city in the state.
- Per the US Census bureau, the median household income in the County is \$75,752 over 30% higher than the median income for all Nebraska residents.
- The County's unemployment rate was 3.1% as of July 2019 compared to 3.7% nationally with only 5% of its population below the poverty line compared to nearly 11% across the state. Further, 95% of the population holds a high school diploma while 40% have a bachelors degree compared to 91% and 31%, respectively, statewide.
- The County holds a AAA rating supported by its "continued population growth derived from its economic ties the expanding Omaha metropolitan area and favorable resident incomes...the county's healthy financial profile with ample revenue raising flexibility and low debt and pension burdens."⁽¹⁾

(1) Source: Moody's investors report: https://www.moody.com/research/Moodys-assigns-Aaa-to-Sarpy-County-NEs-Lease-Revenue-Bonds--PR_905607163

(2) Other sources: US Census bureau; St Louis Fed research



Legal provisions & agreements

Formation Interlocal Agreement

- The Agency was formed in September 2017 pursuant to the Nebraska Interlocal Cooperation Act, Neb. Rev. Stat. 13-801, et seq. (the Act).
- The Act permits local governmental units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with each other to, among other things, provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities.
- The Agency's powers are exercised pursuant to the Act and the Interlocal Agreement Creating the Sarpy County and Cities Wastewater Agency dated September 19, 2017 (as amended, the "Formation Interlocal Agreement").
- Under Nebraska law, the Agency, as a joint agency under the Act, is granted all of the powers that each of its Members possesses.

Agency's rate setting authority

- Pursuant to Section V(3) of the Formation Interlocal Agreement, the Agency has the authority to establish rates, fees, or charges for the use of or connection to the Project, any property or equipment associated therewith, or any services provided in connection with the Project.

Agency's Jurisdiction

- Pursuant to the Formation Interlocal Agreement, the Agency's powers are exercised by the Agency Board, which is comprised of six voting members. The Chair of the Sarpy County Board of Commissioners and the mayors of the five Agency member cities comprise the six voting members of the Agency Board.
- Pursuant to Section V(A)(11) and VII of the Formation Interlocal Agreement, the Agency, with the approval of the Agency Board and the affected Agency members(s), has the power and authority to establish the area over which the Agency has sole jurisdiction to authorize, design, construct, and control the Unified Wastewater System to the exclusion of all other sewer systems (the "Agency Jurisdiction").
- On June 26, 2019, the Agency officially adopted and established the Agency's Jurisdiction over the "Service Area" described and depicted in Agency Resolution 2019-004. Pursuant to action by each member's respective governing bodies, each of the six Agency members subsequently approved the establishment of the Agency's Jurisdiction.



Legal provisions & agreements *(cont'd)*

Gretna and Springfield Sewer Interlocal Agreements

- Pursuant to that certain Interlocal Agreement for the Operation of the Gretna Sewer System Located in the Agency's Jurisdiction dated July 17, 2019, the City of Gretna acknowledged the Agency's Jurisdiction, the Agency agreed to allow Gretna to operate its own sewer system within the Agency's Jurisdiction, and the parties set forth certain conditions upon which the Gretna sewer system will connect in the future to the Agency's Unified Wastewater System.
- Pursuant to that certain Interlocal Agreement for the Operation of the Springfield Sewer System Located in the Agency's Jurisdiction dated July 9, 2019, the City of Springfield acknowledged the Agency's Jurisdiction, the Agency agreed to allow Springfield to operate its own sewer system within the Agency's Jurisdiction, and the parties set forth certain conditions upon which the Springfield sewer system will connect in the future to the Agency's Unified Wastewater System.

Growth Management Plan

- Pursuant to Section VI of the Formation Interlocal Agreement, the Agency is required to plan, develop and approve a "Master Plan" for the design and development of the Unified Wastewater System.
- On June 26, 2019, the Agency also officially adopted and established a "Growth Management Plan" that prioritizes areas of land development and growth within the Agency's Jurisdiction and that serves as a necessary step in developing the Master Plan. As of the date of this Market Sounding, not all of the Agency Members have adopted and incorporated into their respective comprehensive land use plans the Growth Management Plan, but the Agency anticipates that it will obtain all such approvals before the end of this calendar year.



Legal provisions & agreements *(cont'd)*

County Credit Backstop

- The Agency does not have a current dedicated source of revenues in amounts sufficient to cover potential concessionaire and APs to a potential P3 contractor to design, build, operate, maintain and finance the Project.
- As such, pursuant to Sarpy County Resolution 2019-367, Sarpy County has expressed willingness to backstop certain Agency cash flow shortfalls in the event the Agency, in the near term, does not have sufficient revenue to cover its P3 payment obligations.
- Prior to financial close of the P3 contract, the Agency and Sarpy County expect to enter into an interlocal agreement to memorialize Sarpy County's expression of intent under said resolution.
- Sarpy County is permitted under the County Industrial Sewer Construction Act to fund its backstop obligations by using its existing property tax levy authority to secure revenue bonds for the backstop for a regional wastewater system without a vote of the public.

OPPD PILOT Interlocal Agreement

- Pursuant to Neb. Rev. Stat. 70-651.03, on or before April 1 of each year, the OPPD is required to pay to the Sarpy County treasurer, in lieu of taxes, a sum equal to five percent (5%) of the gross revenues collected by OPPD during the preceding calendar year from retail sales of electricity within the incorporated cities and villages located within Sarpy County.
- Pursuant to that certain Revised Interlocal Agreement for the Contribution and Allocation of OPPD PILOT funds approved by the Agency on November 6, 2019, the Agency Members agreed to allocate to the Agency a portion of each Member's share of the annual OPPD PILOT funds, as described further on page 40.



Legal provisions & agreements *(cont'd)*

Legality of P3 contracting structure and public procurement

The P3 delivery structure envisioned by the Agency will generally comprise of the following transactions:

- The Agency buys or leases land or other property (e.g. existing facilities owned by the Agency's Members) upon which wastewater facilities would be developed, or which would be incorporated into the Project.
- The Agency enters into a series of transactions with a private sector consortium (or P3 partner) as follows:
 - The Agency leases land and/or acquired property to the P3 partner.
 - The Agency enters into an agreement with the P3 partner, pursuant to which the P3 partner agrees to, among other things, finance, develop, operate and maintain a wastewater system that meets the Agency's performance specifications for a term of 30-50 years, while recognizing that the financing of the Project remains to be determined, and this component of the project may be retained by the Agency.
 - The agreement with the P3 partner may include, among other provisions, system operational requirements and performance specifications, operations and maintenance and capital requirements, handback requirements, and a payment structure setting forth the Agency's payment obligations in exchange for the P3 partner providing, operating and maintaining the Project.
- These transactions would involve a development agreement and acquisitions and leases of real property. They specifically would not require the Agency to enter into a design-build contract or a construction management at risk contract; rather, the Agency would contract with an entity that, in exchange for a series of payments from the Agency over a long term period, will develop, operate and maintain a wastewater system.
- Each of the Agency Members, and therefore, the Agency, are authorized to lease a wastewater treatment system and to contract for services to operate and maintain such a system.

Glossary

Abbreviation	Definition
Act	Nebraska Interlocal Cooperation Act, Neb. Rev. Stat. 13-801, et seq.
Agency	Sarpy County & Cities Wastewater Agency
AP	Availability payment
CWA	Clean Water Act
EDU	Equivalent dwelling unit
EYIA	Ernst & Young Infrastructure Advisors, LLC
FEMA	Federal Emergency Management Agency
FPPA	Farmland Protection Policy Act
gpcd	Gallons per capita per day
MGD	million gallons per day
NDEE	Nebraska Department of Environment and Energy
NDOT	Nebraska Department of Transportation
NEPA	National Environmental Policy Act
NGPC	Nebraska Game and Parks Commission
NHPA	National Historic Preservation Act
NPDES	National Pollutant Discharge Elimination System
O&M	Operations and maintenance
OPPD	Omaha Public Power District
P3	Public-private partnership
PCWRRF	Papillion Creek Water Resource Recovery Facility
PILOT	payment in-lieu of tax
Project	Unified Southern Sarpy Wastewater System
RFP	Request for proposal
RFQ	Request for qualifications
RoW	Right-of-way
SF	square foot
SHPO	State Historic Preservation Office
SRF	State Revolving Fund
SWPPP	Stormwater Pollution Prevention Plans
T&C	Terms & conditions
USACE	US Army Corp of Engineers
USFWS	US Fish and Wildlife Service
WIFIA	Water Infrastructure Finance and Innovation Act
WWTF	Wastewater treatment facility
YOE	Year-of-expenditure

