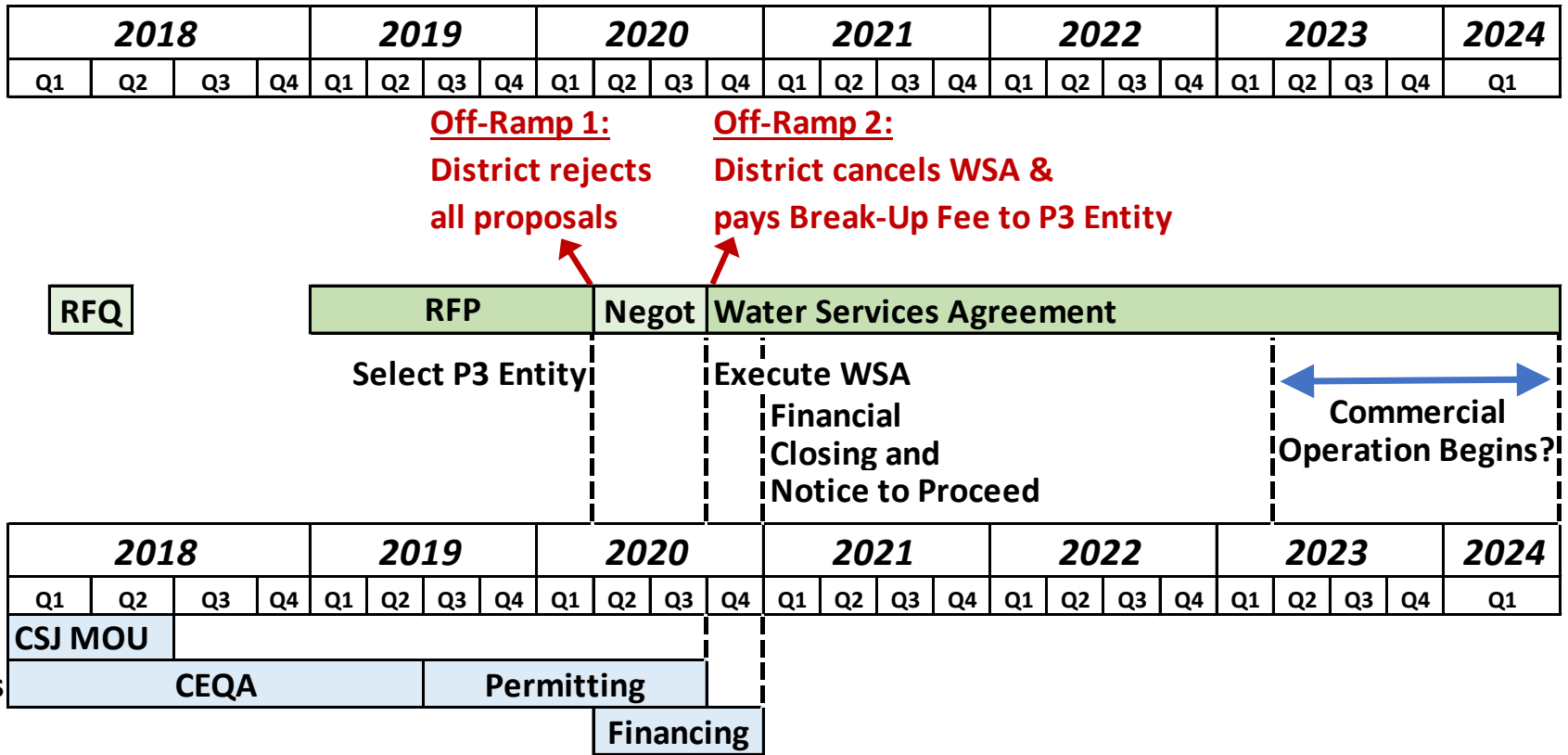


Expedited Purified Water Program P3 Procurement Options

Option A: Traditional P3 Procurement

Option A:
Traditional
P3

Project
Milestones



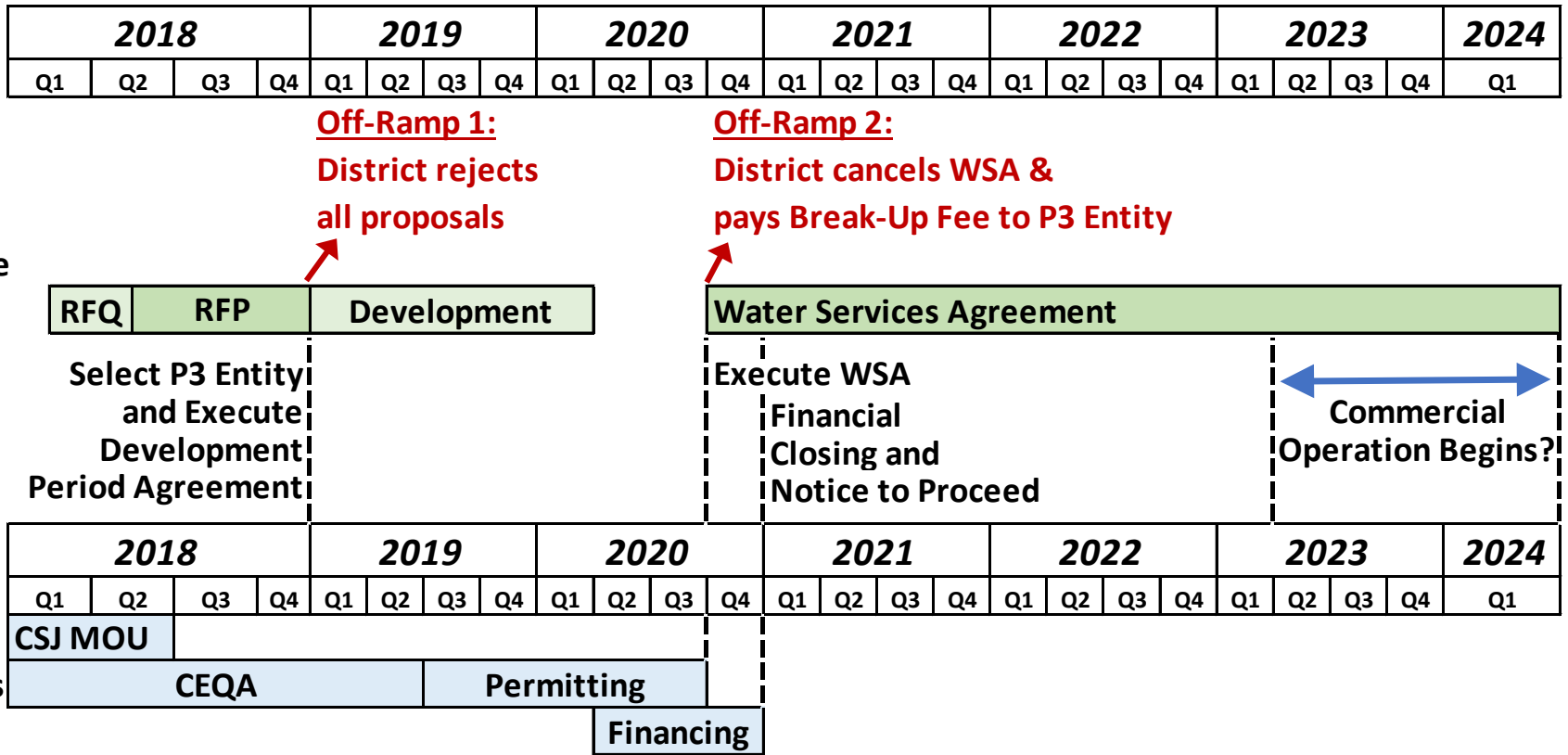
Option A: Traditional P3 Procurement

Description	Pros	Cons
<p>9-12 month RFP process</p> <ul style="list-style-type: none">• P3 entity selected on the basis of:<ul style="list-style-type: none">➤ Technical➤ Financial➤ Life cycle cost (hard-bid subject to re-openers)➤ Team experience• Requires resolution of City of San Jose Agreements• District completes environmental/ permitting work• Stipend expected/ recommended.	<ul style="list-style-type: none">• Price certainty upfront• Competitive pricing ensures rate payers get lowest price as life-cycle cost basis forces integration of facilities design and operations and encourages innovation• Maximum clarity in risk allocation• Most common procurement method in industry• Full team established in RFP (designer, builder, operator, and financier) and enhanced transparency• Off-Ramp #2 break-up fee may be lower than in Option B or C.	<ul style="list-style-type: none">• WSA must include provisions for price adjustments if caused by permitting and environmental processes (shared risk).

Option B: Progressive P3 Procurement

Option B:
Progressive
P3

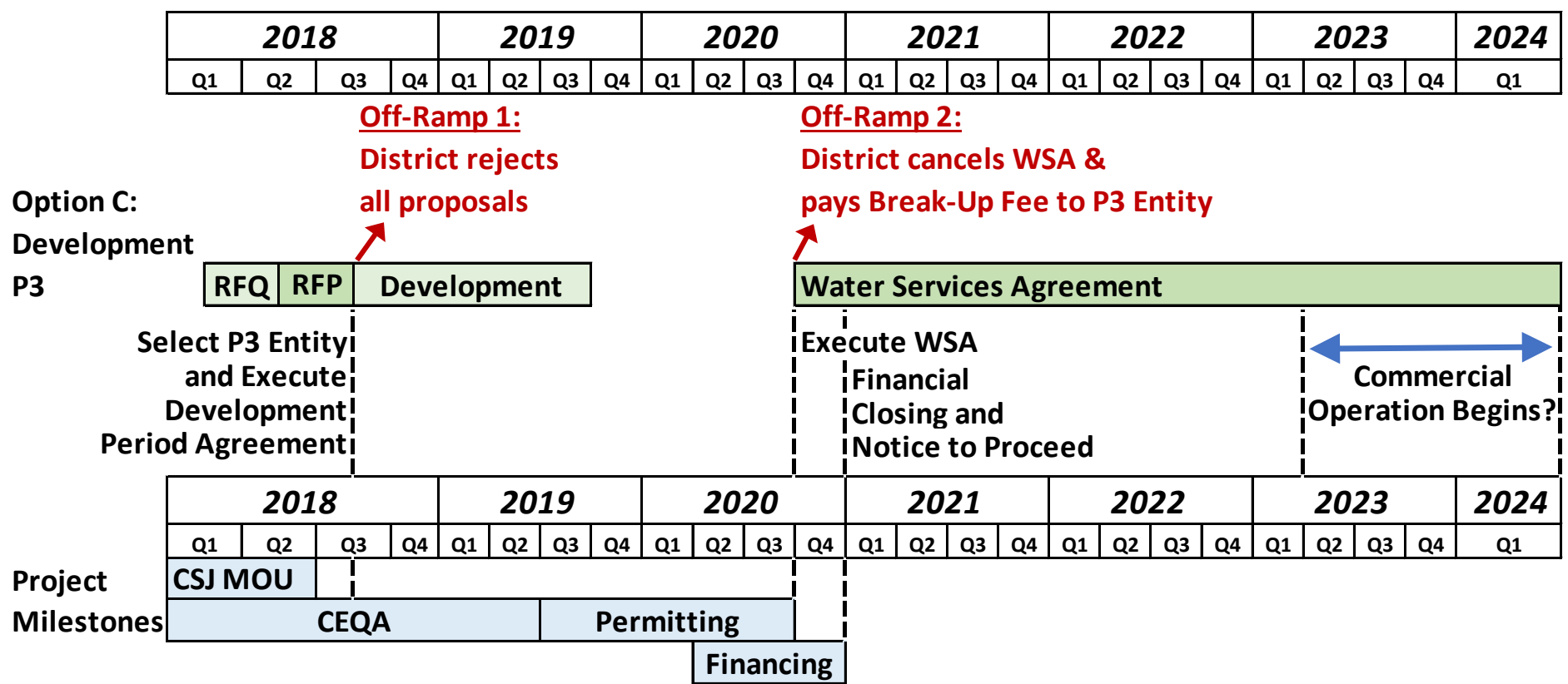
Project
Milestones



Option B: Progressive P3 Procurement

Description	Pros	Cons
<p>6-9 month RFP process</p> <ul style="list-style-type: none"> • P3 entity selected based on: <ul style="list-style-type: none"> ➤ Qualifications ➤ Concepts ➤ Fixed prices on final price development and mark-ups for: <ul style="list-style-type: none"> ○ Construction ○ Operations • Non-binding capital and operating cost estimates • Proposed Water Services Agreement unit price ceiling (based on P3 entity's estimates) • District/P3 completes SJ Agreement negotiations and environmental/permitting work. 	<ul style="list-style-type: none"> • P3 proposing entities have lower costs associated with proposal preparation • Some cost factors are provided (e.g., engineering , construction management as percent of final price, proposed mark-ups, etc.) • Can incorporate District experiences and preferences • Full team established in RFP (designer, builder, operator, and financier) and enhanced transparency • Potential to leverage P3 team experience and goodwill working with multiple external partners. 	<ul style="list-style-type: none"> • Limited price certainty • Limited industry experience with this procurement method. • Risk allocation can be complicated by District involvement in concept development. • Potential loss of competitive pricing for risk transfer.

Option C: Development-Oriented P3 Procurement



Option C: Development-Oriented P3 Procurement

Description	Pros	Cons
<p>3-4 month RFP process</p> <ul style="list-style-type: none"> • P3 entity selected on basis of: <ul style="list-style-type: none"> ➤ Qualifications ➤ Concepts ➤ Development milestones, schedule, and budget ➤ Financial metrics: <ul style="list-style-type: none"> ○ Break-up fee ○ Financing structure (min. BBB- rating) ○ Senior debt credit spread cap ○ Subord. debt rate • Proposed Water Services Agreement unit price ceiling (based on District inputs) • District/P3 completes SJ Agreement negotiations and environmental/permitting work. 	<ul style="list-style-type: none"> • Low threshold to entry for respondents with lowest anticipated proposal costs • District participates in formation of P3 team (e.g., design-builder, operator, etc.) • Can incorporate District experience and preferences • Leverage P3 team experience/potential to accelerate key agency agreements. 	<ul style="list-style-type: none"> • No cost certainty at time of selection. • Potential loss of life-cycle cost efficiency due to separation of Design/Construction and Operations contracts. • Potential loss of competitive pricing for risk transfer. • Limited industry experience with this procurement method. • Risk allocation can be complicated by District involvement in concept development. • Identity of design/builder and operator not known at time of P3 entity selection.

Recommendations

1. Receive information on the Recycled Water Committee's recent consideration of P3 procurement options;
2. Consider staff's recommendation to proceed with Option B - Progressive P3; and
3. Provide direction to staff as to next steps:
 - Option A: Traditional P3 Procurement
 - Option B: Progressive P3 Procurement
 - Option C: Development-Oriented P3 Procurement