

Dear Ms. Redmond:

Our staff have attended the few recent Recycle Water Committee workshops, and we heard firsthand the many market presentations and deliberations by the Committee Members, and District staff. Firstly, let me take this opportunity to congratulate the District in conducting an open and transparent approach to the various matters relating to the project. It is also very heartening to note that the District is open and receptive to new ideas and truly committed to embracing innovation. We have been associated with many owners, under similar circumstance on major capital projects – never before have we seen this level of transparency, and your receptivity to new ideas. Kudos to the District, and its leaders for this.

Specific Suggestions, following on from February 8, 2018 RWC meeting.

1. We concur with the District, Option A is not appropriate for the Expedited Pure water project. Reasons as discussed by the Committee members.
2. Among the 2 remaining options, we recommend you adopt Option B. Reasons as follows:
 - a. A project development team, is only as good as the collective sum of its parts, including the developer, financier, builder, and operator. We believe the District should set the minimum qualification criteria (if any) and allow the market to form its own Project Development Team. Ultimately, the choice of the teaming partners should be left to the Developer.
 - b. We frankly see no District role in the selection of teaming partners, except that the District may disapprove/reject one or more of the selected partners for some egregious cause.
 - c. The Project Development team will include intricate agreements within, and between the team members which set out risk allocation, cost, performance obligations etc. between the team members. Selection/confirmation of teaming partners involve many discussions and negotiations between and within the team. Frankly, District involvement in the partner selection is disruptive, and adds no value to the District (perhaps, even exposes the Districts to unnecessary risks).
 - d. For these reasons, Option C delays the project, with no apparent gain to the District or anyone.
3. Comment was made by one of the market presenter to use a “hybrid option”, somehow resuscitating the Districts shortlist for the Progressive Design Build option from 2016. We absolutely recommend against this. Reasons:
 - a. Districts 2016 pre-qualification criteria included very relevant criteria, including: qualification of key personnel, financial strength, and others. We highlight to the District that these factors are not static – over the nearly 2-years since the Districts original prequalification, financial strength (balance sheet) may have changed, not necessarily for better. Key staff may have changed, moved to other employers. In this era of mega-mergers/acquisitions, companies themselves may have changed.
 - b. For these reasons, pre-qualification status attained in 2016, is not a perpetual right. General industry norm for the validity period for pre-qualification is typically 1-year maximum. Good governance requires that pre-qualification should be verified through due process.
 - c. Further, as stated in item 2 above, please allow the Developer to propose a fully qualified team, meeting qualification criteria set by the District. Further embellishment,

somehow resuscitating old/obsolete pre-qualification efforts is unnecessary, and adds no useful benefit to the District.

4. We fully concur that the Districts overarching public policies, such as PLA, local hiring etc should be adopted for the project, regardless of the contracting vehicle. We see no reason why this project should be any exception.

Other Suggestions.

1. Overall Schedule:

Under all of the options presented by the District's advisor, the commercial operation is expected to occur 2023, 5+ years from now. This means, the ultimate project benefits of the Expedited Pure water scheme – sustainable water supply, hedge against water supply risks, drought etc – will have to wait 5-more years. District is well aware of the supply risks we face, our history of drought, climate change, resilience and other threats to water supply infrastructure. Do we really need to remain vulnerable to these risks for 5 additional years? Can we somehow shorten this “at risk” period? We strongly recommend that the District remain true to the moniker “Expedited” and look for opportunities to expedite the project. By adopting Option B, and during the project development period, District and the selected Developer will be able to jointly explore opportunities to expedite the overall project schedule. We think significant opportunity exists.

2. Embracing Innovation

We fully concur with the District to limit your design efforts to 10-15%, and allow the market to innovate and offer best value solutions. Your priority efforts should be focused on:

- a. Clearly defining influent and effluent water quality. The feed-stock to the Pure Water plant is the effluent from CSJ wastewater plant, which is continuously varying parameter. Many of effluent parameters will have material effect on the Pure Water plant performance and cost.
- b. Define the “boundary conditions” of the site, and logistics.
- c. The proposed site for the Pure Water plant is adjacent to the existing Silicon Valley Advanced water Purification Center. Much scope for harmonizing the two facilities, to exploit the synergies, including cost (capex and opex) and performance efficiency.
- d. We commend the District for exploring innovative brine disposal options. Please carefully consider the performance risks with new technologies, if and how such risks will be allocated to or shared with the Developer.

We hope we have provided useful suggestions to the District. We look forward to working on this exciting project.

All the best.

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Dear Beth,

First of all I would like to thank you for the opportunity to comment the material provided in your e-mail dated 02/08/2018

In relation with the different P3 model procurement alternatives we would like to highlight the following:

We consider that the traditional P3 alternative even though having a selection term longer than the others, provides a highest transparency to the process and prove the commitment of the client with the Project. We also believe that helps the City to select the most suitable proposal and partner in all the aspects having less cons than the other two alternatives.

For the reasons mentioned above we recommend the selection of the P3 Traditional delivery model

Best regards,

Jose Miguel Janices
Director for North America, Caribbean and Brazil
FCC aqualia

Dear Beth,

On behalf of CDM Smith and our construction entity, CDM Constructors, thank you for the opportunity to comment on the procurement options for the District's Expedited Purified Water Program. We attended the Recycled Water Committee (Committee) meeting on February 8, 2018. We are in agreement with the Committee's preference for a "progressive/development" type of procurement that includes a project labor agreement, stipend, and use of alternative technical concepts. Our comments are.

Option B: Progressive P3

- We like the requirement for the full P3 team to be identified/established during the RFQ/RFP process. This allows companies with similar values and business models to partner, and to present the unique benefits of their P3 teaming offering to the District.
- We like that the model will utilize cost factors (e.g., engineering, construction management as percent of final price, mark-ups, etc.) to create a “formula” to determine a final business arrangement after the development period with the selected respondent.
- This model yields a collaborative approach where the District’s experiences and preferences will be part of the final solution.
- We are concerned with the current requirement to provide “non-binding” capital and operations cost estimates and a unit price ceiling (which we interpret to be binding). Our experience is that during the proposal stage many assumptions and a high degree of effort are required to develop pricing even in a progressive model. The assumptions impact pricing and respondents can make different assumptions, making it difficult for the District to compare costs among respondents. We would suggest the District consider eliminating the requirement to provide “non-binding” capital and operations cost estimates and “binding” unit price ceiling. This requirement could be replaced with the use of cost factors (e.g. engineering, construction management as percent of final price, mark-ups, etc.) to assist with selection. After selection and during the project development period, the selected respondent could be required to confirm market pricing through other ways such as open-book estimating, independent 3rd party cost review, competitive solicitation of work not self-performed, etc. Additionally, eliminating the requirement to provide “non-binding” capital and operations cost estimates and “binding” unit price ceiling would significantly reduce the level of effort of the Respondent; thereby, reducing the need for a “significant stipend” from the District.
- We would like to see the inclusion of a formal way to evaluate Alternative Technical Concepts in this procurement, as that will allow the District to see the creativity, collaboration, and innovation of the Respondents.

Option C: Development-Oriented P3

- The design, construction, and operations experience and qualifications of the P3 team are critically important to the ultimate success of the District’s Expedited Purified Water Program. We are concerned that the full team would not be established nor be visible to the District for consideration during the RFQ/RFP process. This could create a business arrangement where companies (i.e., developer, concessionaire, design/build, operations firms) that are ultimately selected do not have similar values and business models. That could lead to a more a “transactional” arrangement and would not match up to the District’s expectations/objectives for collaboration. We suggest that the full P3 team be established during the RFQ/RFP process.
- We like that this option utilizes cost factors (e.g. engineering, construction management as percent of final price, mark-ups, etc.) to create a “formula” to determine final business arrangement after the development period with the selected respondent.
- We are concerned with the requirement to provide a unit price ceiling (which we interpret to be binding) based on District’s cost estimates. Our experience is that during the proposal stage many assumptions and a high degree of effort are required to develop pricing even in a progressive model. The assumptions impact pricing and respondents can make different assumptions, making it difficult for the District to compare costs among respondents. We would suggest the District consider eliminating the requirement to provide “non-binding” capital and operations cost estimates and “binding” unit price ceiling and use the cost factors (e.g. engineering, construction management as percent of final price, mark-ups, etc.) to assist with

selection. After selection and during the project development period, the selected respondent could be required to confirm market pricing through other ways such as open-book estimating, independent 3rd party cost review, competitive solicitation of work not self-performed, etc.

- Without the full team identified, Alternative Technical Concepts would be limited to those proposed by the P3 developer/concessionaire and would not incorporate the creativity, collaboration, and innovation of future team members (e.g. design-builder, operator, etc.).

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