



February 12, 2018

Beth Redmond
Capital Program Planning and Analysis Unit Manager
Santa Clara Valley Water District
Water Utility Division
5750 Almaden Expressway
San Jose, California, 95118

Re: Expedited Purified Water Program – Request for Comments

Dear Mrs. Redmond:

This letter is being presented to both staff and the Recycled Water Committee regarding the request for comments as it pertains to the Expedited Purified Water Program and the options relative to P3 project delivery. To be certain, PCL Construction Inc. (PCL) has been very much engaged in this program and opportunity with the District. Having been shortlisted as one of the preferred proponents for the Design-Build of the advanced water treatment plant component (CDM-PCL, A Joint Venture), we certainly have a vested interest in the progression of your project.

Having attended many of the recent committee sessions, as well as other outreach events, we are happy to see the program coming closer to fruition. We believe there have been some great discussions, options and even delivery method alternative concepts presented. Like other firms interested in this opportunity with you, we too have some comments on the two options which are being considered; Option B: Progressive P3 and Option C: Development-Oriented P3.

PCL believes the best interest of all stakeholders, from the Committee and Board, to the SCVWD staff, to the constituents and rate payers, would be that of Option B – however a hybrid of that which we will further define below. During the last regular Recycled Water Committee meeting held on the 8th, the term 'hybrid' was mentioned on multiple occasions. Although our representation of hybrid is not in exact alignment with what was suggested, we do believe some alterations to the proposed Option B would provide the best solution.

Alternative Option B: Progressive P3

- PCL without question, concurs with the necessity of identifying the complete team and that project specific roles are established in the RFQ process. With greater than 15-years of completing Alternative Delivery Projects in the US water and wastewater market, we can attest to the benefit of developing a truly collaborative team. This begins at the onset where each team member is valued in their expertise and are considered a key part of the integrated team. These strategic partnerships need to be defined and agreed upon based upon past history together, shared corporate philosophies, common approach to client satisfaction, financial strength and agreed upon terms and conditions. A team of professionals that have the skill and resources to support the District with a shared vision of success. This simply can't be forced, nor

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should the relationship be forced. The collective group of financial proponents, design-builder, as well as operations and maintenance personnel must be a single team presented to the District for the successful delivery of your program.

- PCL would strongly recommend the District eliminate the non-binding capital and operating cost estimates as currently proposed as part of Option B.
 - o Although non-binding, an exhaustive level of detail would be required to complete such capital and operating cost estimates including significant design scope. As a leader in the water and wastewater infrastructure construction business we take pride in development of accurate costing information. But this is not done lightly and significant efforts are required by each of the team partners: designer, constructor and operator. Based upon the magnitude of your project, this proposal development cost could approach \$2-3 million in upfront cost.
 - o As a benefit to the District, elimination of these costs estimates would encourage competent teams to continue with the submittal process. A risk with this potential upfront investment would certainly be limited participation during the RFQ process.
 - o Likewise, an additional benefit to the District with the elimination of cost estimates would result in the elimination of the stipend requested to be paid by the District.
- PCL would recommend the elimination of the Water Services Agreement (WSA).
 - o PCL believes with the quantity of variables and unknowns at this stage, a WSA with a capped ceiling will lead to inflated prices and unnecessary expense to the District. We would recommend the District select the (complete) team they want to partner with, then collaborate to define the scope of work. In turn, a defined and collectively agreed upon WSA can be achieved. All the while still providing off-ramps for the District at any given milestone.
 - o Perhaps an alternate could be that of using the directive in Option C utilizing the Districts Phase 1 estimated capital, operating and maintenance costs for the unit price ceiling; but again, this is with caution as unknowns equate to risk, which equates to inflated costs to mitigate risk.
- PCL would recommend the RFQ allows for fixed prices for mark-up and home office overhead; as well as potentially Phase 1 development costs.

PCL believes an alternative Option B will provide the District the best avenue to move forward with the RFQ and allow the selection process to be based upon qualifications, project concepts and the fixed prices. The District is selecting a partner; thus, it is important to develop trust and confidence in your decision and we strongly believe this would be the best means to hire your selected team. We look forward to the recommendation and decision by the Board this week.



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As always, please advise if there is anything further we can be of assistance with or any other questions you may have. Thank you again for the opportunity to present our thoughts on this exciting opportunity with the District. Best of luck and we'll look forward to hearing back from you.

Best Regards,

A handwritten signature in blue ink, appearing to read "J. McVey".

Jeremy D. McVey, DBIA
Manager, Business Development

PCL Construction, Inc.
Water Infrastructure Group