

February 12, 2018  
SCVWD Board of Directors  
5750 Almaden Expressway  
San Jose, CA 95118

Dear Board:

The NEWater Partners team led by Table Rock writes to recognize and resoundingly support the openness, sophistication, and objectivity evidenced across the staff presentation, the Committee members' discussion, and in the ensuing public-private dialogue at the February 8<sup>th</sup>, 2018 Recycled Water Committee meeting.

We write to support the recommendation of "Option B: Progressive P3 Procurement" with the following points:

**1. OPTION B PROGRESSIVE APPROACH IS PROVEN IN THE INDUSTRIAL & PUBLIC SECTORS, SUITS EXPEDITED PROJECT**

70-80% of water and wastewater owners in the industrial sector are delivering major projects in a Progressive format because they can one, expedite project completion by 30-40%, and two, oversee and negotiate scope and pricing on an open book, line item basis. With the Progressive P3, the District can benefit from the acceleration of earlier partnering in this approach over Option A and the chance to adjust, innovate, and value engineer the design solution in real time with the P3 team, rather than receiving a fully resolved, static design in a hard bid RFP. Additionally, there is ample room for the District to stay involved, including defining objectives and requirements around such key community attributes as PLAs, increasing gender parity, and local business inclusion. As noted by a speaker at the meeting, this proven approach echoes Pre-Development Agreement or PDA deliveries, used extensively in other public-private partnerships such as the Texas hot lanes projects, the JFK Airport expansion, and Denver's Airport project.

**2. OPTION C DEVELOPER-LED APPROACH, HAS LIMITED VALUE, THOUGH MAY INFORM A "HYBRID" RFP**

The idea of partnering with the developer ahead of finalizing the DBFOM team has some merit, in that the developer team can competitively bid out appropriate aspects of the DBFOM scope for optimal market pricing. Some flexibility to do so should be included in the RFP. The value of early expertise in resolving development and early-stage design should not be underestimated, so at a minimum, the "D" and the "F" or the designer and developer should be in place for Task 1 of the Progressive approach, in close partnership with District staff. The aspect of Option C that does not make sense to us is asking developers to bid a rate of return ahead of any knowledge of project risk allocation, final contractual terms, or where the capital markets will be at the time of pricing. This

seems to assure an inflated bid.

**3. OPTION A: “TRADITIONAL P3 PROCUREMENT” NOT ESTABLISHED FOR WATER, YET**

While there are some U.S. standards of delivery getting established in the realm of transportation and social infrastructure P3s, the water and wastewater sector is still too bespoke to predict what approaches will become “traditional.” Both of the leading California water P3s have been delivered under a progressive approach. That is because in complex, large-scale water projects, a traditional, hard bid approach provides less opportunity for the P3 team and public partner to collaboratively innovate and accelerate delivery and because it leaves the public partner with less control in defining key community objectives.

NEWater Partners is delighted to begin working collaboratively on the EPWP together with the District, if awarded the opportunity.

Warm regards,

A handwritten signature in dark ink, appearing to be 'M' followed by a stylized flourish.

Megan Matson, Partner, Table Rock Infrastructure Partners

CC: Clerk, Beth Redmond