



Santa Clara Valley Water District

File No.: 17-0174

Agenda Date: 3/27/2017

Item No.: *2.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Work Study Session on Expedited Purified Water Program - Dual Track Procurement.

RECOMMENDATION:

- A. Receive information from other public agencies on their experiences with various project delivery methods;
- B. Consider staff analysis regarding choice of either Progressive Design-Build or a Public Private Partnership delivery method; and
- C. Provide staff direction on next steps for the procurement process.

SUMMARY:

A Board Work Study Session was held on September 20, 2016 on the Purified Water Program (Program) Dual Track Procurement. Staff presented both qualitative and quantitative analysis of the Progressive Design-Build (PDB) and Public-Private Partnership (P3) delivery methods and recommended the District's Program use the Progressive Design-Build delivery method. The Board made no decision at this meeting, but requested that another Work Study Session be scheduled in which representatives from other water agencies who have used or considered alternative delivery methods would share their agency's experience with such methods for their capital projects.

At this Work Study Session, representatives from the Orange County Water District and the cities of Rialto, San Jose, and Stockton will present their project or program experience with their chosen delivery methods. The Work Study presentation is provided in Attachment 1.

Background

On March 12, 2015, the Board directed staff to proceed with expediting the expansion of purified water production for the purposes of recharging the groundwater basin to reduce the danger of subsidence from a multi-year drought. As the drought continued through calendar year 2016, staff pursued various engineering studies to develop a Purified Water Program (Program) and investigated alternative project delivery methods that could reduce the cost and schedule of constructing expanded water purification facilities.

At the July 28, 2015 Board meeting, the Board directed staff to proceed with a Request for

Qualifications (RFQ) process for Program delivery, and to pursue a dual track procurement for both a Progressive Design-Build (PDB) and a Public-Private Partnership (P3) delivery method.

At the January 12, 2016 Board meeting, the Board received staff's Report on Preliminary Evaluation of Program Delivery Methods for the Program and affirmed proceeding with dual track solicitation for Statements of Qualification for both a Progressive Design-Build project delivery and a Public-Private Partnership project delivery.

Staff released a dual track Request for Qualifications (RFQ) on January 15, 2016. Statements of Qualification (SOQs) were due in mid-April 2016. The District received five (5) SOQs for the P3 approach, five (5) SOQs for a PDB of the Silicon Valley Advanced Water Purification Center (SVAWPC) expansion, and four (4) SOQs for a PDB of a pipeline to convey purified water to the Los Gatos Recharge Ponds (Los Gatos Pipeline).

The SOQs were evaluated and shortlists for each group of SOQs were published in June 2016.

Prior to the release of the RFQs in mid-January, staff released a questionnaire to interested proposers regarding the RFQ/RFP process. A key response from several interested parties was a recommendation that the District choose one delivery method prior to proceeding with the Request for Proposal (RFP) stage of the Program.

Board Recycled Water Committee Activities

Staff has presented updates on various aspects of Program development to the Board's Recycled Water Committee (Committee) at their March 1, May 12, July 6, July 19, September 7, and November 9, 2016 meetings. At the July 6, 2016 Committee meeting, the Committee directed staff to proceed with facilitating a Board decision on a project delivery method for the Program prior to issuing an RFP.

On July 19, 2016, the Committee members traveled to Carlsbad, California to meet with staff and Board Chair of the San Diego County Water Authority (SDCWA) to learn about SDCWA's contracting and project development experience. Most of their projects have been delivered design-bid-build, similar to the District. For their surface water treatment facility, they employed a design-build-operate-maintain procurement due to schedule pressures and their limited water treatment operations and maintenance experience. For the Carlsbad Desalination Facility, they entered into exclusive negotiations with a P3 entity to design, construct, finance, operate and maintain the 50,000 acre-feet/year Facility. A tour of the facility was also provided.

September 20, 2016 Board Work Study Session

At the September 20, 2016 Board Work Study Session on the dual track procurement process, the Board received details about the two delivery methods, and considered staff's recommendation to pursue a Progressive Design-Build (PDB) delivery method for the Purified Water Program. Staff's qualitative and quantitative analyses indicated that PDB appeared to best align with the District's organizational and operational framework, in the following ways:

- PDB provides simplified contract negotiations with nearly equivalent incentive structure (Guaranteed Maximum Price limits cost overruns, incentivizes performance to accelerate delivery, etc.) as a public-private partnership (P3) method.
- District remains a “doer” rather than taking on a role as a “regulator” under a P3.
- Given real-time and seasonal operational uncertainties, there is value in retaining control of system integration.
- District leverages and deepens core competencies.
- There is full flexibility in managing the county’s water supply.
- Key cost risks (construction, financing, O&M) can be managed.

The Board determined that, prior to deciding between the two alternative delivery methods, it wanted to hear directly from other agencies who had considered and/or used various procurement methods.

Today’s Work Study Session

Staff has invited representatives from four California agencies-Orange County Water District and the cities of Rialto, San Jose, and Stockton - that have undertaken capital projects using various project delivery methods.

Today’s presentation (Attachment 1) follows a structured a program that will consist of presentations by each agency that:

- Provide context on the issues, strengths, and constraints that have led each agency to select certain project delivery methods.
- Include reflections on lessons learned and future directions.
- Allow for Board deliberation on choosing a delivery method for the Purified Water Program.

Table 1 lists the agency representatives and the delivery methods their agencies have utilized to date. Brief biographies of each presenter are provided in Attachment 2.

**Table 1. Summary of Public Agency Representatives
Presenting at Work Study Session**

Name	Affiliation	Position	Delivery Methods Utilized
Michael Markus	Orange County Water District	General Manager	• Design-Bid-Build
	City of Rialto		• Design-Bid-Build • Design-Build-Finance-Operate-Maintain
Ashwini Kantak	City of San Jose	Assistant Director - Environmental Services	• Design-Bid-Build • Progressive Design-Build • Fixed Price Design-Build

Robert Granberg	City of Stockton	Assistant Director - Utilities	• Design-Bid-Build • Progressive Design-Build • Private Operations and Maintenance
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A representative from the San Diego County Water Authority was invited, but could not attend this Work Study Session. A copy of the presentation made to the Recycled Water Committee at its visit with the San Diego County Water Authority on July 19, 2016, is provided in Attachment 3.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Biographies

Attachment 2: Presentation

*Supplemental Agenda Memo

*Supplemental Attachment 1: PowerPoint

*Supplemental Attachment 2: Additional Biographies

UNCLASSIFIED MANAGER:

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