



Santa Clara Valley Water District

File No.: 18-0072

Agenda Date: 2/13/2018

Item No.: *4.3.

BOARD AGENDA MEMORANDUM

SUBJECT:

Consider Recycled Water Committee's Recommendation on Public-Private Partnership (P3) Procurement Options and Select an Option for the Expedited Purified Water Program, Project No. 91304001.

RECOMMENDATION:

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

SUMMARY:

The Recycled Water Committee held a Public-Private Partnership (P3) Workshop on January 23, 2018. P3 entities interested in the District's Expedited Purified Water Program were invited to attend and present their P3 experience and philosophies and perspectives on the P3 delivery method.

The Recycled Water Committee met again on February 8, 2018 to consider three P3 procurement options developed by staff and its P3 advisory team. The three procurement options are briefly described herein and in greater detail in Attachment 1.

Staff is recommending the Board consider the P3 procurement options and provide direction to staff as to which procurement path to follow. The Board's direction will inform the content of the Request for Qualifications (RFQ) that staff plans to publish shortly to expand the P3 shortlist.

P3 Procurement Options

At the December 12, 2017 Board meeting, the Board agreed with staff's recommendation to proceed with a Phase 1 Project for the Expedited Purified Water Program that would involve the construction and operation of an up to 24,000 acre-foot per year (AFY) purification facility and a conveyance pipeline to the Los Gatos Recharge Ponds for indirect potable reuse (IPR). The Board directed staff to issue another Request for Qualifications (RFQ) to expand the existing P3 shortlist, and to issue a Request for Proposals (RFP) to the expanded shortlist and select the highest-ranked P3 respondent. The Board also expressed an interest in bringing a P3 partner onboard promptly.

Recognizing that selection of the best P3 procurement approach depends on the Board's objectives, and that multiple trade-offs must be weighed, staff is recommending the Board consider and provide direction on a P3 procurement path. The P3 procurement options are described briefly as follows.

Option A - Traditional P3

In Option A, the District would follow a traditional P3 procurement approach in that the RFP is released to the shortlisted firms only after the Phase 1 Project and all associated entitlements (source wastewater, land, Reverse Osmosis (RO) concentrate management) are fully defined, and necessary agreements between partner agencies for key entitlements have been executed. The District would not refine the current 10% design of project components that has been prepared as part of the preliminary engineering studies. The RFP for this approach would require the P3 respondents to develop the project's design and associated characteristics to an extent that would yield a firm price (dollars per acre-foot) based on the life-cycle cost of purified water for the Phase 1 Project. This approach maximizes market competition in pricing of life-cycle costs and risk premiums associated with the entire operating period.

Per the Option A schedule presented in Attachment 1, the RFP for a traditional procurement would be initiated in 2019 and would be a 9- to 12-month process. A Water Services Agreement would be negotiated with the selected P3 entity while the District completes securing the necessary project permits. After the financial close is completed, the Water Services Agreement would be executed.

Option B - Progressive P3

In Option B, the District would initiate an RFP immediately after establishing the expanded shortlist from the RFQ process. Since the Phase 1 Project and its entitlements are still in development, the Option B RFP could not request a life-cycle cost for the Phase 1 Project. The P3 entity would have to identify its full team (designer/builder/operator/financier), and would be selected based on qualifications, project concepts, fixed prices on final price development and markups, and a proposed Water Services Agreement unit price ceiling that it would prepare based on the P3 entity's capital and operating and maintenance cost estimates for the Phase 1 Project. The RFP process for Option B is estimated to take 6 to 9 months to complete.

For Option B, upon selecting the highest-ranked P3 entity, the District would negotiate and execute a Development Period Agreement during which time the P3 entity would support the District, as defined in such an Agreement, with the necessary tasks to complete project definition and associated entitlements, and could potentially include the environmental documentation and permitting.

Option C - Development-Oriented P3

In Option C, the District would also initiate an RFP immediately after establishing the expanded shortlist from the RFQ process. However, to bring a P3 partner onboard as soon as possible, the RFP process for Option C would be fairly short (3 to 4 months). In Option C, the District would select a P3 entity based on more limited information, which would include development milestones, schedule and budget, and some financial metrics. A proposed Water Services Agreement unit price ceiling would be required as in Option B based on the District's Phase 1 Project estimated capital and operating and maintenance costs. The P3 respondents would not necessarily have to form their

team of designer/builder/operator/financier as part of the RFP. Those team members would be hired by the P3 entity during the Development Period. As in Option B, the P3 entity could support the District's efforts, as defined in the Development Period Agreement, to complete project development, project agreements, environmental documentation and permit acquisition.

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: PowerPoint

UNCLASSIFIED MANAGER:

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