



Santa Clara Valley Water District

File No.: 15-0599

Agenda Date: 12/4/2015

Item No.: 2.3.

BOARD AGENDA MEMORANDUM

SUBJECT:

Update on the Expedited Purified Water Program.

RECOMMENDATION:

- A. Receive and discuss the Expedited Purified Water Program updates and provide direction to staff as needed; and
- B. Determine whether to implement a Project Labor Agreement for construction of one or more of the Program components.

SUMMARY:

The Expedited Purified Water Program (Program) is part of the District's strategy to respond to the current drought and is consistent with Board direction to expand the county's water supply. As currently conceived, the Program could provide up to 45,000 acre-feet per year (AFY) of purified water for indirect and/or direct potable reuse to supplement groundwater recharge from other existing sources such as imported and locally-stored water supply.

Staff's updates on Program development address the following:

- Program Schedule
- CEQA Exemption
- Outstanding Permitting Issues
- Program Costs
- Project Labor Agreement Information

A brief summary of each topic is provided in the sub-sections that follow. A PowerPoint presentation to expand the discussion of certain topics is included as Attachment 7.

Program Background

The Expedited Purified Water Program (Program) is part of the District's strategy to respond to the current drought and is consistent with Board direction to develop recycled water (Board Policy E-2.1.4) and with the Board Appointed Officer's (BAO) interpretation that the annual recycled water

production meets at least 10% of the County's water demands by 2025 (Outcome Measure 2.1.4.1). As currently conceived, the Program could provide up to 45,000 acre-feet per year (AFY) of purified water for indirect potable reuse to supplement groundwater recharge from other existing sources such as imported and locally-stored water supply. The Program consists of several key components: (1) Silicon Valley Advanced Water Purification Center (SVAWPC) Expansion; (2) Ford Recharge Ponds Indirect Potable Reuse Facility; (3) Mid-Basin Injection Wells; (4) Los Gatos Recharge Ponds; (5) Westside Injection Wells (or central pipeline direct potable reuse as a future alternative); and (6) Sunnyvale Indirect Potable Reuse.

Due to the ongoing drought, there is increasing urgency for the District to expedite the Program at an acceptable risk and cost to the District. The successful implementation of the Program will mitigate the risk of land subsidence and salt water intrusion, which could significantly impact the infrastructure and economy of Santa Clara County.

The District's approach to implementing the overall recycled and purified water program is currently organized into 12 strategies as shown in Table 1. The primary focus of this agenda item pertains to Strategy 6 - Expedite Purified Water Expansion Program (Public Track).

Table 1: Recycled and Purified Water Program Implementation Strategies
See Attachment 1

Update on Program Schedule

Current analysis of the Program schedule has highlighted five critical path groups of activities:

1. *Development of sound technical information:* Completion of operational studies, assessment of land availability, initial siting studies, reverse osmosis concentrate characterization and other preliminary engineering that will support negotiations with partner agencies and serve to better refine the program.
2. *Negotiation of partnership agreement with the City of San Jose:* It is foundational to the Program that the District and the City of San Jose develop timely agreements governing the use of land, treated wastewater, the outfall and other issues.
3. *Successful conclusion to Dual-Track Procurement Process:* In the interest of exploring different project delivery methods that could expedite the schedule, reduce costs and enable the transfer of risks, the Board authorized a dual-track procurement process whereby implementation of Program components will be procured either through a Progressive Design-Build approach or through a Public-Private Partnership (P3) approach; the latter would encompass design-build-finance-operations-maintenance for parts of or the entire Program.
4. *Development of environmental documentation:* Three actions are on the critical path:
 - a. California Environmental Quality Act/National Environmental Policy Act (CEQA/NEPA) Consultant selection: Initiated
 - b. Determination as to NEPA exemption and schedule impacts of Federal funding.

c. Program description: Defining the specific components of the program is necessary for initiating many of the environmental activities.

5. *Board policy decisions and approvals*: There are several issues that will require Board direction and action, as detailed in an ensuing subsection.

1. Development of Sound Technical Information

A variety of activities have been undertaken/planned to support Program development. Table 2 summarizes the current and anticipated consultant agreements whose studies and deliverables will provide this technical information. Table 2 includes the single-source agreements and amended agreements that, on April 28, 2015, the Board authorized the CEO to negotiate and execute. The work efforts for most of these agreements will be completed by December 2016.

Table 2: Consultant Agreements for the Purified Water Program See Attachment 2

2. Negotiation of Partnership Agreement with the City of San Jose

The construction and operation of the Silicon Valley Advanced Water Purification (SVAWPC) Expansion will require agreement with the City of San Jose on a variety of items including:

- a. Ground lease for expanded water purification facilities
- b. Supply of secondary-treated wastewater
- c. Integration of operations, future applicable studies, pursuit of grants, etc.
- d. Use of outfall for disposal of the reverse osmosis (RO) concentrate

The utilization of the outfall for RO concentrate disposal and the City of San Jose's National Pollution Discharge Elimination System (NPDES) permit are the most critical items requiring resolution for the Program to proceed.

3. Successful Conclusion of Dual-Track Procurement Process

Staff informed the Board at its September 22, 2015 meeting about the planned next steps for Program implementation. These are summarized as follows:

- a. Dual-track solicitations for Statements of Qualification (SOQ) for progressive design-build (PDB) and public-private partnership (P3) options for Program implementation - January 2016
- b. SOQ evaluations and shortlisting of three qualifying entities for each track - March 2016
- c. Solicitations for Proposals (both PDB and P3) - April 2016
- d. Proposal evaluations and staff recommendation for PDB or P3 track - December 2016.

4. Development of Environmental Documentation

On November 12, 2015, the District published a request for proposals for CEQA and permitting support services for the Expedited Purified Water Program. Interested proposers have until mid-January 2016 to submit a proposal that describes their approach, qualifications, and experience to

assist the District with completing the CEQA clearance and acquisition of permits in an expedited manner.

5. Board Policy Decisions and Approvals

In parallel to staff and consultant efforts to develop a Purified Water Program and undertake the dual track solicitations for PDB and P3, staff is planning several Board policy discussions in 2016 related to the Purified Water Program. The Board decisions that result from the policy discussions may significantly shape the final Program components, and will impact both the schedule and cost of Program implementation.

Table 3 presents a preliminary list of policy decisions that staff is preparing for Board discussion. These may change in the coming months as a result of the consultant work currently underway.

**Table 3: Expedited Purified Water Program
Proposed Timing of Board Policy Discussions/Decisions
See Attachment 3**

Board policy discussions and decisions will significantly impact the Program's components and the schedule and costs of their implementation. Two components of the Purified Water Program whose basic function and footprint have been defined more clearly than other proposed components are the Silicon Valley Advanced Water Purification Center (SVAWPC) Expansion and the purified water pipelines that will convey the purified water to groundwater recharge ponds for indirect potable reuse, and, in the future, direct potable reuse. Other components, however, are still in the development phase.

Staff plans to solicit two separate Statements of Qualification for the progressive design-build track-one for the SVAWPC expansion, and the other for the main purified water pipeline. This will enable selection of the most qualified teams for each element in addition to spreading the design and construction work among various interested firms. Given that these work efforts are underway and the PDB and P3 selection process will be underway in January 2016, Table 4 presents the anticipated Board approvals and dates for either the PDB or the P3 track.

**Table 4: Expedited Purified Water Program
Anticipated Board Actions/Decisions
See Attachment 4**

Update on California Environmental Quality Act (CEQA) Exemption

With the enactment of SB 88, Section 21080.08 was added to the California Public Resources Code. Section 21080.08(a) provides a California Environmental Quality Act (CEQA) exemption for projects that consist of the "construction or expansion of recycled water pipeline and directly related infrastructure within existing rights of way, and directly related groundwater replenishment, if the project does not affect wetlands or sensitive habitat, and where the construction impacts are fully

mitigated consistent with applicable law.” The exemption also requires that the project be approved or carried out for the purpose of mitigating drought conditions for which a state of emergency was proclaimed by the Governor on January 17, 2014. The exemption is in effect until the emergency drought conditions expire or on January 1, 2017, whichever occurs first.

At the September 22, 2015 Board meeting, staff informed the Board that, notwithstanding the exemption, staff would commence an environmental review of the Program pursuant to CEQA. There are several reasons for taking this approach:

1. The language of the exemption does not explicitly refer to the construction or expansion of water purification facilities. At the time of the September 22nd Board meeting, staff was pursuing clarification and/or amendments to the exemption at the state level, that would clarify which water recycling facilities are included within the exemption; until now, no such clarification or amendments have been forthcoming. Without clarification, there is a risk that applying the exemption to parts of or to the whole Program could be successfully challenged.
2. Should the District pursue federal funding for the Program, via grants, or have to obtain a permit from a federal agency to implement the Program, compliance with the National Environmental Policy Act (NEPA) would be necessary. Most, if not all, of the information necessary for CEQA compliance could also be applied to a NEPA review of the Program. As such, commencing an environmental review pursuant to CEQA will allow the District to effectively and efficiently complete a NEPA review, should it become necessary.
3. The District takes its responsibility to consider the environmental impacts of its programs and projects very seriously. Consequently, staff had planned to develop the information necessary to demonstrate that the public and the environment would be protected as required by relevant law, whether or not CEQA compliance was necessary. While undergoing a CEQA process is more time-consuming, developing the substantive information necessary for CEQA compliance is something the District had planned to do regardless of the application of the exemption.

In light of the above factors, staff has determined that the most prudent approach is to commence a CEQA environmental review. Importantly, the usefulness of the CEQA exemption is not yet ultimately settled. Amendments or other clarifications to the CEQA exemption, the enactment of a NEPA exemption that could be applied to the Program, and/or changes to the Program could, collectively or individually, lead to a different approach or decision to rely on the exemption. Staff will continue to evaluate and consider opportunities to expedite the environmental review of the Program and inform the Board accordingly.

Outstanding Permitting Issues

There are several permits that will be required prior to construction of the Purified Water Program components, as noted in Table 5. The most critical at this point is not within the District’s control: use of the City of San Jose/Santa Clara Regional Wastewater Facility outfall for RO concentrate disposal, which is governed by their NPDES permit under the Regional Water Quality Control Board’s

jurisdiction. The constraints/limits for discharge of RO concentrate via this outfall will be a major factor in determining Program capacity and costs.

Table 5: Summary of Key Regulatory/Permitting Issues
See Attachment 5

Updated Program Cost Estimates

The initial program cost (Table 6) presented to the Board on April 28, 2015 was based on the individual project budgets developed in the South Bay Recycling Master Plan (2015). At that meeting, the Board authorized further refinement of the program (and costs) through various modeling and engineering efforts.

**Table 6: Estimated Capacities and Costs (2014 dollars) for
Proposed Purified Water Program Components**
See Attachment 6

Program costs will be refined based on three major activities:

1. *Technical information development:* Incorporating the site-specific information developed through studies and engineering analysis into the Program cost model. Based on this more detailed analysis, the District will better assess the feasibility of implementing various Program components, their respective yields and specific engineering requirements. The Program costs will be successively refined over time.
2. *Board policy decisions on:*
 - a. Whether to proceed with a direct potable reuse alternative (blending purified water into the District's raw water sources prior for conventional treatment and groundwater recharge).
 - b. Which components should be included in the overall Program.
3. *Outcome of partnership agreements with other agencies:*
 - a. City of San Jose agreements on various items, most notably utilizing the City's outfall for disposal of reverse osmosis (RO) concentrate.
 - b. Sunnyvale project viability and mutual decisions on participation.
 - c. Exchange, transfer or purchase agreements with other San Francisco Bay Area water agencies based on potable reuse capacity that would be available during normal and wet years.

Project Labor Agreement Information

Staff recommends the Board determine whether to implement a Project Labor Agreement (PLA) for construction of one or more of the Program components.

1. PLA Description and Purpose

A PLA is a pre-hire collective bargaining agreement with one or more labor unions which sets the terms and conditions of employment for the entire construction project. Its stated purpose is to establish an effective tool for labor relations during construction. The terms of the agreement are binding on the owner's construction contractor and all its subcontractors working on the project. The agreement establishes a labor/management problem-solving committee and specifies procedures for quickly settling any labor disputes that might arise during construction. Typically, there are provisions guaranteeing there will be no strikes, lockouts, or similar labor-related job disruptions which could delay completion, thereby increasing project costs.

PLAs usually require that employees hired for the project are referred through union hiring halls; contractors must pay into union benefit plans; nonunion workers must pay union dues for the length of the project; and the contractor must follow union rules on pensions, working conditions, and dispute resolution. Opponents of PLAs caution that restrictions placed on the hiring and working practices of contractors can lead to increased costs for project owners and contend the quality of a worker licensed in a particular craft is not of a lesser skill or ability level if not a union member.

PLAs are not needed to secure "fair" wages to workers on public works projects, since state law requires public agencies to mandate its contractors pay prevailing wages at the rates established by the California Department of Industrial Relations. Proponents of PLAs advocate they are an effective tool designed to manage the uncertainties and complexities of large-scale construction projects, to the mutual benefit of all the contracting parties. Opponents of PLAs advocate that they reduce competition because non-union contractors including many small businesses, are less likely to bid due to PLA-imposed restrictions; the imposition of union work rules; and favoring union over non-union employees.

In summary, there are many published reports and studies focused on analyzing the impacts of PLAs on local, state, and federal public works projects; support can be found for both proponents and opponents of implementing these agreements.

PLAs have been used on various local and regional projects, including the Bay Area Rapid Transit's (BART) Silicon Valley-Berryessa Extension Project, the San Francisco Public Utilities Commission's (SFPUC) Water System Improvement Program, Milpitas Unified School District (Measure E, 2012), East Side Union High School District (Measure G, 2008), and Foothill De Anza Community College District (Measure C, 2008). Additional research regarding these projects would be necessary to determine if using PLAs resulted in increased owner costs; if labor unrest occurred, was it successfully and quickly resolved by enforcement of the PLA; and did the project owners conclude that implementation of these agreements impacted project outcomes positively or negatively.

2. Process for Developing a PLA

Prior to advertisement for bids, public entity owners negotiate a PLA with the local union or a group of unions, and include requirements in the bid documents that the contractor awarded the contract must agree to be bound by the PLA; a copy of the executed PLA is included in the bid/solicitation documents.

3. Timing for Considering a PLA

If a PLA will be entered into and implemented in a construction contract, this fact should be disclosed in any RFQ or pre-qualification process, so all firms will be well aware of the requirement, as it may impact their decision to participate.

FINANCIAL IMPACT:

All work efforts for the Purified Water Program development are funded by the FY 2015-16 Board-adopted Budget for the Indirect Potable Reuse-Planning Project.

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 change in the physical environment.

ATTACHMENTS:

Attachment 1: Table 1
Attachment 2: Table 2
Attachment 3: Table 3
Attachment 4: Table 4
Attachment 5: Table 5
Attachment 6: Table 6
Attachment 7: PowerPoint Presentation

UNCLASSIFIED MANAGER:

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Attachment 1

Table 1: Recycled and Purified Water Program Implementation Strategies

Strategic Planning	Operations & Capital Program	Board Support & Outreach	Administrative & Financial Management
1. Complete & Implement Master Plans	5. Deliver projects in CIP	8. Support Board engagement in policy & governance	11. Develop and implement financing plan
2. Promote & conduct research to support potable reuse	6. Expedite purified water expansion program (Public Track)	9. Build community & stakeholder support for potable reuse	12. Develop District workforce to support expanded program
3. Integrate with groundwater management	7. Develop public-private-partnership for the Program (P3 Track)	10. Promote legislation and regulations to advance potable reuse	
4. Develop partnership strategy for countywide system			

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Attachment 2

Table 2: Consultant Agreements for the Purified Water Program

Agreement Purpose	Consultant	Date of Execution	Not-to Exceed Fee
<u>Single-Source Agreements/Amendments Executed to Date by the CEO</u> <u>(As authorized by Board on April 28, 2015)</u>			
Operations Study	Maine Technology Group	May 19, 2015	\$162,750
Groundwater Studies	Todd Groundwater	June 2, 2015	\$3,204,594
Grant Program Strategy	Carollo Engineers	July 6, 2015	\$435,213
Amendment to Agreement for South County Master Plan Update	MWH Global	July 6, 2015	\$152,762
Amendment to Agreement for Public Outreach	Katz & Associates	July 8, 2015	\$599,140
Preliminary Program Assessment	RMC Water & Environment	Aug. 11, 2015	\$1,298,900
		TOTAL	\$5,853,359
<u>Other Professional Services Agreements (current and anticipated)</u>			
Project Management Services	HDR Engineers	Sept. 22, 2015	\$2,311,515
Preliminary Engineering Services	To be determined	Est: Jan. 2016	
Environmental and Permitting Support Services	To be determined	Est: May 2016	
RO Concentrate Alternatives	To be determined	Est: April 2016	

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Attachment 3
Table 3: Expedited Purified Water Program
Proposed Timing of Board Policy Discussions/Decisions

	Policy Issue	Policy Question(s)	Timing	Significance
1	Public-Private-Partnership (P3) Procurement Threshold	<p>Is the District open to working with a private entity/entities on the implementation of the expedited purified water program if the District's financial and operational interests can be met with such an arrangement?</p> <p>Is the District open to a private entity/entities providing operations and maintenance (O&M) for the new purified water facilities and associated infrastructure if the District's financial and operational interests can be met with such an arrangement?</p> <p>Is the District open to contracting with one P3 entity vs. spreading design-build or design-bid-build work among multiple firms and contractors?</p>	January 2016	Decision necessary prior to release of P3 Request for Qualifications.
2	Direct Potable Reuse	Will the District proceed with design and construction of pipelines for direct potable reuse (DPR) purposes in advance of Department of Drinking Water (DDW) regulations?	March 2016	Decision impacts Program cost and schedule
3	P3 vs. PDB	Will the District continue with the parallel track and issue Requests for Proposals for both tracks?	April 2016	Decision impacts Program cost and schedule
4	Program Components	<p>Which specific projects should be included in the Program?</p> <p>Is the District interested in pursuing partnerships with other Bay area water agencies in regional purified water projects?</p>	May 2016	Decisions impact water allocation and Program cost
5	Staging of Purified Water Expansion	Will the District implement the Program in phases?	June 2016	Decisions impact Program cost and schedule
6	P3 vs. PDB	Which delivery mode will the District select?	December 2016	Decision impacts Program cost and schedule.

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Attachment 4
Table 4: Expedited Purified Water Program
Anticipated Board Actions/Decisions

Anticipated Board Actions and/or Decisions			
Progressive Design-Build Track	Timing¹	Public-Private Partnership Track	Timing¹
Agreements with Cities of San Jose, Sunnyvale	June 2016	Agreements with Cities of San Jose, Sunnyvale	June 2016
Final Program Plan	Dec. 2016	Final Program Plan	Dec. 2016
Decision: PDB vs. P3	Dec. 2016	Decision: PDB vs. P3	Dec. 2016
Approve Stage 1 Progressive Design-Build (PDB) Agreements	Jan. 2017	1) Approve P3 Off-Ramp Terms 2) Approve entering into negotiations for P3 Agreement	Jan. 2017
Approve Stage 2 PDB Agreements	Feb. 2018	Approve P3 Agreement	Feb. 2018
PDB for other Program Components	Varies		
Final EIR and Engineer's Report	Fall 2018	Final EIR and Engineer's Report	TBD
Notice of Contract Completion – SVAWPC Expansion, Purified Water Pipeline	2021	Acceptance and Commencement of Payments	TBD

¹Current estimate of timing; many factors beyond staff's control (e.g., partner response, negotiation issues, etc.) may impact overall schedule.

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Attachment 5

Table 5: Summary of Key Regulatory/Permitting Issues

Regulatory Issue	Responsible Party	Agency	Timing
NPDES Permit for discharge of RO Concentrate¹	San Jose ²	Regional Water Quality Control Board	May 2016
Direct Potable Reuse Decision	SCVWD	Division of Drinking Water ³	May 2016
Requirement for joint EIR/EIS⁴	SCVWD	Various Federal Agencies	May 2016
Construction and Environmental Permits	SCVWD and Constructor	Various Local, State and Federal Agencies	Final EIR and Construction Bid

¹How much RO concentrate can be discharged via San Jose's outfall under the City's existing NPDES permit without presenting risks of non-compliance?

² Requires an agreement between San Jose and SCVWD.

³ Not issued until construction is complete.

⁴ A joint Environmental Impact Report/Environmental Impact Statement would be necessary if Federal funding other than revolving funds is requested/obtained.

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Attachment 6

Table 6: Estimated Capacities and Costs (2014 dollars) for Proposed Purified Water Program Components

Description	Capacity (AFY)	Est. Capital Costs (\$M) ⁶	Est. Total O&M Costs (\$M/year)
Ford Recharge Ponds IPR ¹	4,200	\$70	\$4.0
Mid-Basin Injection Wells IPR ²	5,600	\$140	\$3.5
Los Gatos Recharge Ponds IPR ³	20,200	\$260	\$10.0
Westside Injection Wells IPR ⁴ (or Central Pipeline DPR)	5,000 (5,000)	\$120 (\$65)	\$4.0 (\$4.5)
Sunnyvale IPR ⁵	10,000	\$210	\$2.0
Total	45,000	\$800⁷	\$23.5

^{1,2,3,4} South Bay Water Recycling Master Plan (2014);

⁵ IPR Treatment Study, Carollo Engineers (2015);

⁶ As presented in the March 12, 2015, agenda memo, these costs are at a planning level of development and should be considered within a range of -20% to +100%.

⁷ Assuming Program construction begins in 2019, inflating costs to mid-point of construction (2020) yields estimated Program cost of \$950M.

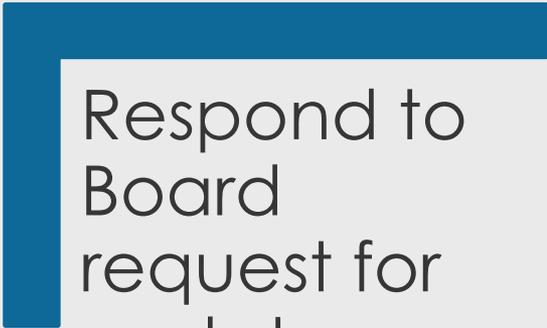
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Update: Expedited Purified Water Program

Special Board Meeting
December 4, 2015



Presentation Objectives



Respond to
Board
request for
update



Highlight
policy issues
requiring
Board
direction



Project
Labor
Agreement
direction

Board Request for Program Update

- ▶ Program Schedule
- ▶ CEQA Exemption
- ▶ Outstanding Permitting Issues
- ▶ Program Costs
- ▶ Project Labor Agreement Information

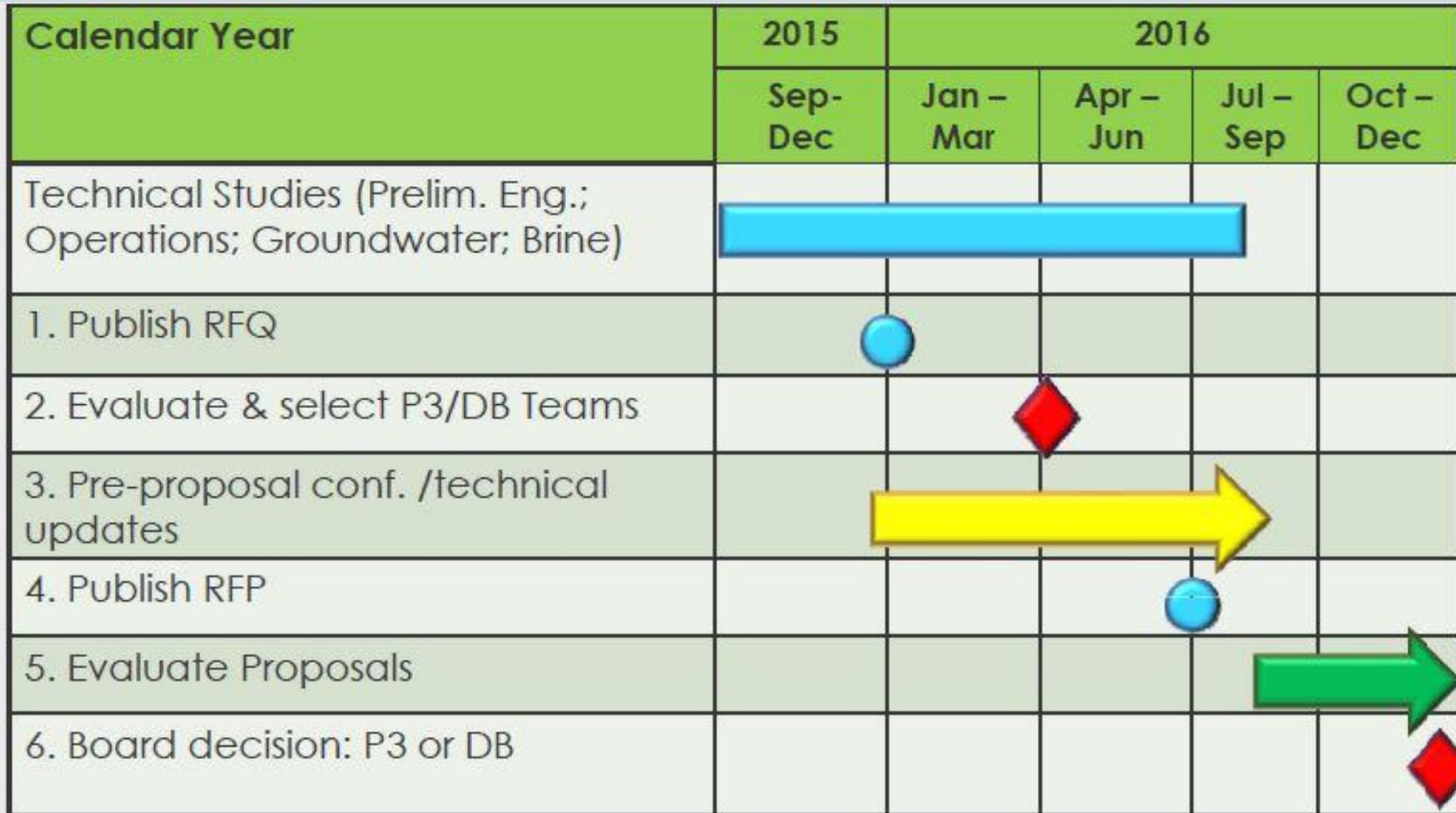
Board Policy Decisions

- ▶ See Table 3 of Board Agenda memo.
- ▶ Six planned decision points in 2016.

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	Issue	Question(s)	Timing
1	Public-Private-Partnership (P3) Procurement Threshold	<p>Is the District open to working with a private entity/entities on the implementation of the expedited purified water program if the District's financial and operational interests can be met with such an arrangement?</p> <p>Is the District open to a private entity/entities providing operations and maintenance (O&M) for the new purified water facilities and associated infrastructure if the District's financial and operational interests can be met with such an arrangement?</p> <p>Is the District open to contracting with one P3 entity vs. spreading design-build or design-bid-build work among multiple firms and contractors?</p>	January 2016
3	P3 vs. PDB	Will the District continue with the parallel track and issue Requests for Proposals for both tracks?	April 2016
6	P3 vs. PDB	Which delivery mode will the District select?	December 2016

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?



Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	PDB	DBFOM (P3)
Timing	<ul style="list-style-type: none"> - Merging of design & build activities may provide time savings versus design-bid-build (DBB) - Minor additional contracting complexity may partially offset potential time savings 	<ul style="list-style-type: none"> - Outsourcing of design & build activities, as well as pre-construction activities (i.e. permitting, siting, ROW), to a private-sector party may save significant time - Significant time required to document and close a P3 may offset potential time savings - Time savings opportunity constrained by procedural requirements of the permitting agencies
Cost	<ul style="list-style-type: none"> -Integration of design & build likely to lower cost vs DBB -Competitive bidding -Low financing cost -Government performance of pre-construction activities and O&M may not be least-cost solution 	<ul style="list-style-type: none"> -Savings opportunities in pre-construction, design, build, and O&M -Higher cost-of-funds may offset cost savings -Potential reduction in grant availability <u>-Potential higher cost of electricity (pending evaluation of PWRPA)</u>
Risk	<ul style="list-style-type: none"> -Government trades minor reduction in control for potential time & cost savings -Government shifts design risks to private sector -Risk transfer of cost overrun and timing delay less robust than in P3 delivery methods 	<ul style="list-style-type: none"> -Government trades major reduction in control for larger potential time & cost savings -Cost overrun and timing delay risks shifted to private sector -Loss of control over project -Counterparty risks <u>-Potential for legal and/or financial fatal flaws</u>
Entities	<ul style="list-style-type: none"> <u>-District contracts with multiple design-build entities due to number of construction packages</u> <u>-District contracts with multiple design-build entities due to number of construction packages</u> 	<ul style="list-style-type: none"> <u>-District contracts with single entity for entire program delivery</u> <u>-District contracts with single entity for entire program delivery</u>

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	PDB	DBFOM (P3)
Timing	<ul style="list-style-type: none"> - Merging of design & build activities may provide time savings versus design-bid-build (DBB) - Minor additional contracting complexity may partially offset potential time savings 	<ul style="list-style-type: none"> - Outsourcing of design & build activities, as well as pre-construction activities (i.e. permitting, siting, ROW), to a private-sector party may save significant time - Significant time required to document and close a P3 may offset potential time savings - Time savings opportunity constrained by procedural requirements of the permitting agencies

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	PDB	DBFOM (P3)
Cost	<ul style="list-style-type: none"> -Integration of design & build likely to lower cost vs DBB -Competitive bidding -Low financing cost -Government performance of pre-construction activities and O&M may not be least-cost solution 	<ul style="list-style-type: none"> -Savings opportunities in pre-construction, design, build, and O&M -Higher cost-of-funds may offset cost savings -Potential reduction in grant availability -<u>Potential higher cost of electricity (pending evaluation of PWRPA)</u>

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	PDB	DBFOM (P3)
Risk	<ul style="list-style-type: none"> -Government trades minor reduction in control for potential time & cost savings -Government shifts design risks to private sector -Risk transfer of cost overrun and timing delay less robust than in P3 delivery methods 	<ul style="list-style-type: none"> -Government trades major reduction in control for larger potential time & cost savings -Cost overrun and timing delay risks shifted to private sector -Loss of control over project -Counterparty risks -Potential for legal and/or financial fatal flaws

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

	PDB	DBFOM (P3)
<i>Entities</i>	<p><u>-District contracts with multiple design-build entities due to number of construction packages</u></p> <p><u>-District contracts with multiple design-build entities due to number of construction packages</u></p>	<p><u>-District contracts with single entity for entire program delivery</u></p> <p><u>-District contracts with single entity for entire program delivery</u></p>

Board Policy Decision – Progressive Design-Build or Public-Private Partnership?

Location	Description	Delivery Method
West Basin Water District (El Segundo)	Recycled water constitutes 9,000 AFY (~ 10% of supply) and will double in next 5 years	Design-build contracts Separate private O&M
Orange County Water & Orange County Sanitation Districts (Fountain Valley)	100,000 AFY of purified water is produced annually and used to recharge the groundwater basin	Design-bid-build Public O&M
San Diego County Water Authority (San Diego)	Seawater desalination produces ~ 50,000 AFY (<8% of supply)	Entirely private design, construction, O&M and financing

Board Policy Decision – Direct Potable Reuse Now?

	Issue	Question	Timing
2	Direct Potable Reuse	Will the District proceed with design and construction of pipelines for direct potable reuse (DPR) purposes in advance of Department of Drinking Water (DDW) regulations?	March 2016

Board Policy Decision – Direct Potable Reuse (DPR) Now?

How would DPR work?

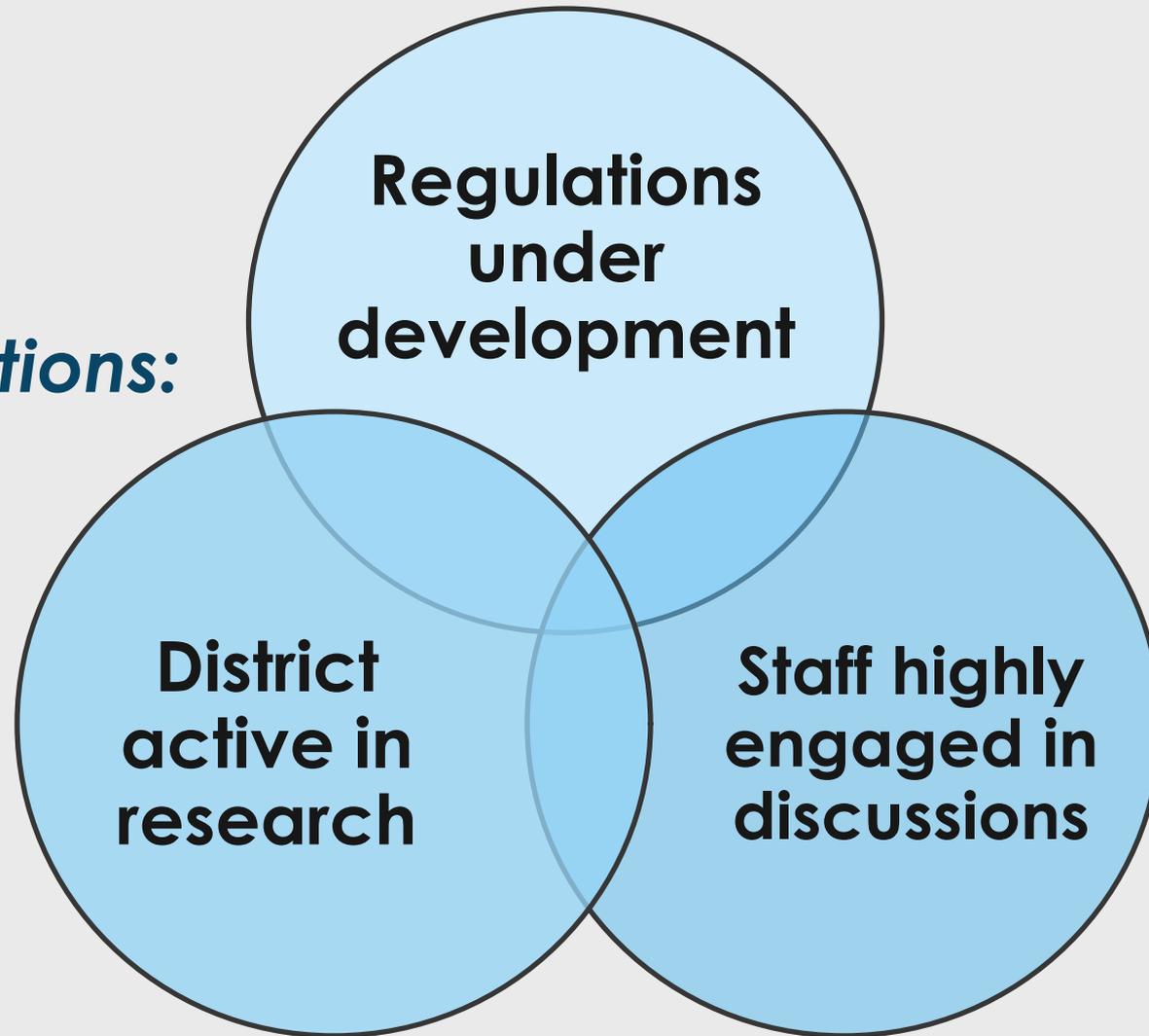
- Purified water pumped into raw water line.
- Treated at surface water plants or added to recharge basins.
- Operations continue as normal.

Program Benefits

- Less infrastructure required:
 - Pipelines shorter
 - No injection wells
 - Capitalizes on treatment plant ozonation
- Simpler operations

Board Policy Decision – Direct Potable Reuse Now?

Some considerations:



Board Policy Decision – Program Components and Staging

	Issue	Question(s)	Timing
4	Program Components	Which specific projects should be included in the Program?	May 2016
5	Staging of Purified Water Expansion	Will the District implement the Program in phases?	June 2016

Board Policy Direction – Program Components and Staging

Components?

SVAWPC
Expansion

Los Gatos
Recharge

Injection
Wells

Ford
Ponds
Facility

Sunnyvale
IPR

Stages?

1

2

3

4

Board Policy Decision – Public Partnerships?

	Issue	Question(s)	Timing
4	Program Components	Is the District interested in pursuing partnerships with other Bay area water agencies in regional purified water projects?	May 2016

Board Policy Decision – Public Partnerships?

Other Bay Area water agencies with supply shortfalls

Considering other options

Potential match?

Purified Water Program

Unused capacity under current modeling projections



Project Labor Agreement (PLA)

- ▶ PLA description and purpose
- ▶ Process for development
- ▶ Pros and cons

Summary

- ▶ Board policy decisions required over next 12 months.
- ▶ Staff to develop key information to facilitate Board's policy deliberations.