

# City of Stockton Procurement Process for Water, Wastewater, Stormwater and Utility Billing Services

Presentation  
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# Procurement Approach

- Two Step Procurement Process
  - RFQEI
  - RFP
- Comparison of Private Proposals to Baseline for Continued City Operations

# Procurement Schedule

■ Retained Consultants	June 2000
■ City Council Workshop	August 2000
■ Release RFQEI*	December 2000
■ Qualify Respondents*	June 2001
■ Release Draft RFP*	October 2001
■ Release Final RFP*	March 2002
■ Proposals Due	July 2002

\*Activities Required City Council Approval

# Procurement Schedule (continued)

- Proposal Evaluation
  - Consultant Review By October 2002
  - Public Review By November 2002
- Contract Negotiations\* By February 2003
- Contract Execution\* February 2003
- Commencement of Service\* April 2003

\*Activities Require City Council Approval

Note: City meet and confer with Labor initiated August 2001 and is ongoing.

# RFQEI Objectives

- Test Market Interest in Project
- Pre-Qualify Companies to Receive RFP
- Obtain Market Information Regarding Anticipated Services, Business Arrangements and Contract Principles
  - To provide indication of potential advantages of Public-Private Partnership (e.g., cost savings, risk reduction)
  - To help structure RFP and transaction

# RFQEI Approach

- Scope of Service: could seek qualification for one or all utility systems – water, wastewater, stormwater, billing. Included operations and maintenance and design and construction of capital improvements.
- No Limit to Number of Respondents who could qualify to receive RFP; i.e., incorporated use of Minimum Qualifications Criteria.

# Minimum Qualifications Criteria Experience (U.S. & Abroad)

WWTP:	2 Years O&M for 2 plants, 20MGD, Similar Complexity
WW & Stormwater: Collection:	5 Years, 2 Systems, Similar Size and Complexity; BMP Experience 1 System, 2 Years
Water:	5 Years, 2 Systems, Similar Size and Complexity
Utility Billing:	3 Years, Similar Size and Complexity
Asset Management:	2 Years of Operating Experience, Contract Term 10 Years or Longer
Capital Improvements	
WWTP	Design & Construction, 2 Plants, 10MGD or Larger
WW & Stormwater Collection:	Design & Construction, 2 Collection Systems of Similar Size and Complexity
Water:	Design & Construction, 2 Water Systems of Similar Size and Complexity

# Minimum Qualifications Criteria Performance

- Satisfactory Contract Performance Record
- Satisfactory Environmental Compliance Record
- Satisfactory Safety Record
- Satisfactory Labor Relations Record

# Minimum Qualifications Criteria

## Financial Capability

### ■ Bonding Capacity for Operations

- WWTP & Collection (WW & Stormwater) \$16,500,000
- WWTP Only \$12,500,000
- Water \$ 4,500,000
- Billing \$ 1,000,000

### ■ Bonding Capacity for Construction

- WWTP & Collection \$100,000,000
- WWTP Only \$100,000,000
- Water \$ 10,000,000

# Minimum Qualifications Criteria

## Financial Capability (continued)

### ■ Letter of Credit

All Utility Services	\$ 7,500,000
WWTP & Collection	\$ 4,000,000
WWTP Only	\$ 3,000,000
Water	\$ 2,000,000
Billing	\$ 500,000

### ■ Liability Limits of Guarantor

All Utility Services	\$ 25,000,000
WWTP & Collection	\$ 18,000,000
WWTP Only	\$ 15,000,000
Water	\$ 5,000,000
Billing	\$ 1,000,000

### ■ Bankruptcy – Not in any Proceeding

# Minimum Qualifications Criteria

## Other

- Meet Specified Insurance Requirements
- Comply with City's Contract Requirements and Equal Opportunity Requirements

# Purpose of RFP

Solicit Technical and Business Proposals from Qualified Respondents:

- OMI • Thames Water
- Stockton Water Service Company, L.L.C.  
(United Water Resources, California Water Service Company)
- U.S. Filter Operating Services, Inc.

# City Goals and Objectives

- Provide an enhanced quality service, meeting current and future needs
- Improve, operate and maintain facilities in conformance with all environmental requirements and Applicable Law
- Reduce existing and future costs to allow for continued rate stabilization
- Reduce risk for utility performance
- Reduce risks relating to environmental and business issues for provision of utility services

# Company Scope of Service

- Operate and Maintain (O&M) Water, Wastewater and Stormwater Utilities, including residuals reuse/disposal
- Provide Billing Service (City option to include/sever)
- Design and Construct Initial Capital Improvements (ICIs)

# Scope of Service Options

- IPP (Company or City)
- Alternative Design Approach for ICIs
- Residuals Management Facility
- Prepare Class A Residuals
- Wastewater Effluent Reuse

# Responsibilities Retained by the City

- Ownership of all Facilities
- Securing Water Rights, Water Supply, Water Purchase
- Policy and Planning
- Permitting (existing and new facilities)
- Regulatory Enforcement (IPP, Water Conservation, Stormwater Management)

# Responsibilities Retained by the City (continued)

- Planning for & Approving Capital Improvements
- Design & Construction of Capital Improvements  
Where Responsibility Retained By City
- Option for Procuring & Implementing other  
Capital Improvements (not defined in RFP; i.e.,  
Capital Modifications)
- Financing all Capital Improvements

# Responsibilities Retained by the City (continued)

- Terminating Utility Service to Customers
- Setting Billing Rates
- Public Education
- Administrative & Financial Management of Utility Enterprise Funds

# Company Performance Guarantees

- Water Quality Guarantee
- Water Quantity Guarantee
- Water Pressure Guarantee
- Effluent Guarantee
- Odor Guarantee
- Trucked-in-Material Guarantee; e.g. Septage
- Residuals Disposal Guarantee
- Stormwater Collection Guarantee
- Air Emissions Guarantee
- General Environmental Guarantee

# Company Contractual Requirements

- Fixed Design-Build Price and Service Fee
- Scheduled Acceptance Date
- Billings Collection (99.5%)

# Other Company Responsibilities

- Pay fines for Non-Compliance Environmental Permits
- Assume “As-Is” Risk for Managed Assets and Billing System Condition
- Take “Asset Management” responsibility, including capital repair and replacement, “95% Requirement”
- Offer unconditional employment to Designated Employees at equal or better pay and benefits

# Service Fee

$$\text{Service Fee (SF)} = \text{BF} + \text{RC} + \text{EI}$$

Where,

BF = Base Fee

RC = Reimbursable Costs

EI = Extraordinary Items

## 1) Base Fee Components

$$\text{Base Fee} = \text{FC} + \text{VC}$$

Where:

FC = Fixed Component (O&M, Electricity and Natural Gas)

VC = Variable Component (Payment or Credit)

# Service Fee (continued)

## 2) Reimbursable Costs

(Property Tax, Accrued Labor Benefits)

## 3) Extraordinary Items (Payment or Credit)

(e.g., Uncontrollable Circumstances, Capital Modifications, Liquidated Damages)

# Contract Principles Summary (Expanded in Draft Service Contract)

- Operating Risks Transferred
- Construction Risks Transferred
- Risks Not Transferred
- Security for Performance

# Operating Risks Transferred

- Operating Cost Overruns
- Labor Cost
- Utility and Chemical Usage and Cost
- Sludge Market Risk
- Regulatory Compliance (fines for violations)
- Capital Risk (no deferred maintenance)
- Internal Disputes Among Designer, Builder, Operator, Equipment Supplier, Sludge Disposer

# Construction Risks Transferred

- Construction Cost Overruns
- Design Risk (negligence defense unavailable)
- Permitting Risk (Technology Risk)
- Completion Risk (facilities will work)

# Risks Not Transferred

- Change in Law (on-site and off-site)
- Inflation (indexed)
- Interest Rates (construction)
- Securing Water Rights (water distribution system)
- Permitting Schedule Risk for Completion of Initial Capital Improvements

# Security for Performance

- Parent Company Guaranty (\$100,000,000)
- Letter of Credit (\$10,000,000)
- Construction Performance Bond; Labor and Materials Payment Bond (100% Fixed Design/Build Price)
- Operations Bond (100% Fixed Component of Base Fee)
- City Convenience Termination Rights

# Proposal Evaluation Criteria

## Non-Price Criteria:

- Technical Qualifications
- Financial Qualifications
- Technical Approach
- Business Approach
- Proposal Quality

## Proposed Price

- Present Value Analysis of Cash Flows