

Presentation
to
United States Conference of Mayors
Urban Water Council

“Overview of Procurement Process
for

Contract Operation and Design and Construction
of Improvements to the Water, Wastewater and
Stormwater Utilities, Stockton, California”

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Denver, Colorado

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This was not a routine Procurement!

- Timing of Labor Negotiations
- Conformance to Public Records Act
- Corporate Scandals
- Organized Opposition
- Unprecedented Public Participation

Procurement Approach

- City Council Workshop: Establish City Goals
- Two-Step Procurement Process
 - RFQEI, Minimum Qualifications Threshold
 - RFP, Comparative Assessment of Proposals
- Comparison of Private Proposals to Baseline for Continued City Operations

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.

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.
- Draft Service Contract Released with RFP

Proposal Evaluation

- Non-Price Criteria:
 - Technical Qualifications
 - Financial Qualifications
 - Technical Approach
 - Business Approach
 - Proposal Quality
- Proposed Price
 - Present Value Analysis of Cash Flows
- OMI•Thames Water Selected

Schedule

- Retained Consultants June 2000
- City Council Workshop August 2000
- Released RFQEI* December 2000
- Qualified Respondents* June 2001
- Released Draft RFP October 2001
- Released Final RFP* March 2002
- Released Draft Service Contract June 2002
- Proposals Submitted July 2002
- Proposals Released to Public September 2002
- City Baseline Report Completed and Released to Public September 2002

*Activities Required City Council Approval

Schedule (continued)

- Consultants Presented Proposal Evaluation Report to City Council October 8, 2002
- Ad Hoc Community Advisory Committee Report to City Council October 22, 2002
- City Council Public Comment Sessions October/November 2002
- City Council Authorization to Finalize Contract* December 3, 2002
- Draft Service Contract Presented to City Council January 15, 2003
- City Council Study Sessions January/February 2003
- Consideration of Service Contract* February 19, 2003

*Activities Required City Council Approval

Services to be Provided by Company

- Operation and Maintenance of Water, Wastewater, and Stormwater Utilities
- Upon Notice by City, Design and Construction of Initial Capital Improvements
- Contract Value of \$600 Million over 20-year Term; Capital Improvements \$57 Million

City Goals/Findings

1. Proposed Quality of Service
 - Equal or Enhanced
2. Compliance with Environmental Requirements and Applicable Law
 - Guaranteed to meet, including May 1, 2002 NPDES Permit and Cease and Desist Order

City Goals/Findings (continued)

3. Potential for Cost Savings and Rate Stabilization

- Life-Cycle Cost Savings – Total Capital and Operations

	Cost Savings OMI • Thames Water (Base Case) vs. Baseline	
	Status Quo	Improved Efficiency
All Utilities	\$175 Million (22%)	\$154 Million (20%)
All Utilities Less Water	\$161 Million (23%)	\$140 Million (21%)

- Rate Stabilization
 - Fixed Price for ICIs
 - Fixed O&M Fee Increases Pegged to CPI Adjustment Only

Projected Rate Increases as Percentage of Average Annual Residential Rate All Utilities (\$532)

	<u>Increase</u>
OMI•Thames Water	7%
Baseline: Improved Efficiencies	32%
Baseline: Status Quo	35%

City Goals/Findings (continued)

4. Reduced Risk for Utility Performance
 - Performance Guarantees
 - Corrections at Company's Expense
5. Reduced Risk for Environmental Compliance and Business Conditions