

THE FUTURE OF WASTEWATER TREATMENT IN CORPUS CHRISTI



Council Briefing
July 25, 2017



WORKSHOP PURPOSE

- Review background on wastewater treatment situation.
- Provide some basic facts about P3
- Get consensus on next steps
- Answer some questions



WORKSHOP OUTLINE

- Progress to Date
- Council Resolution
- 3P's of P3's (Principles, Process & Procurement)
- Next Steps
- Q&A



PROGRESS TO DATE

- **Late 2013** - Staff conceived of WWTP consolidation as a means to address high operating costs, capacity needs and physical obsolescence.
 - **Jan 2014** - Staff briefed council on the concept of transitioning to a single regional WWTP.
 - **May 2015** - Council authorized staff to hire consultant for Wastewater Treatment Program Development.
 - **June 2015** - RFQ published for WWTP Upgrade And Consolidation Program Development.
 - **Nov 2015** - Council awards contract to Stantec team.
 - **Nov 2016** - Final Wastewater Management Plan delivered.
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COUNCIL UPDATE

May 19, 2015

Wastewater Treatment Plant (WWTP) Consolidation



Council Update
May 19, 2015



COUNCIL UPDATE

May 19, 2015



Path Forward

Program Development

- Alternatives Evaluations, Detailed Plan, Activity Sequence, Budget Development, Risk Mitigation
- One Firm or Small Team
- Deliverable: Optimal Plan of Actions and Programmatic Budget
- \$

COUNCIL DECISION ON WASTEWATER TREATMENT PROGRAM DIRECTION

Program Manager

- Establish Program Management Office
- Procure Designers and Contractors
- Simultaneously Manage Many Designers, Contractors and Stakeholders
- Deliverable: Successfully Managed Program
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Implement Program

- Sustain Existing WWTP's
- Build new WWTP, Pipelines, Pump Stations, WWTP Decommissioning
- Deliverable: Successfully Completed Projects
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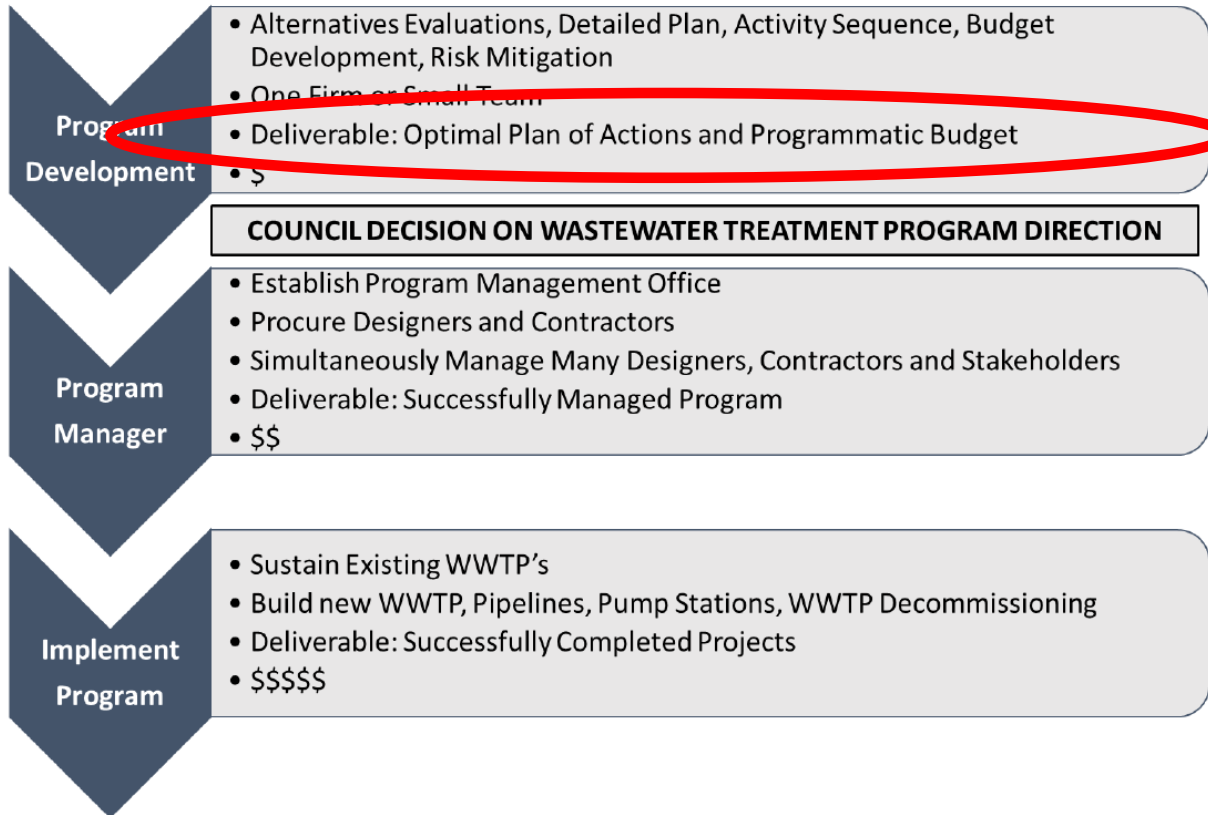


COUNCIL UPDATE

May 19, 2015



Path Forward





STANTEC REPORT

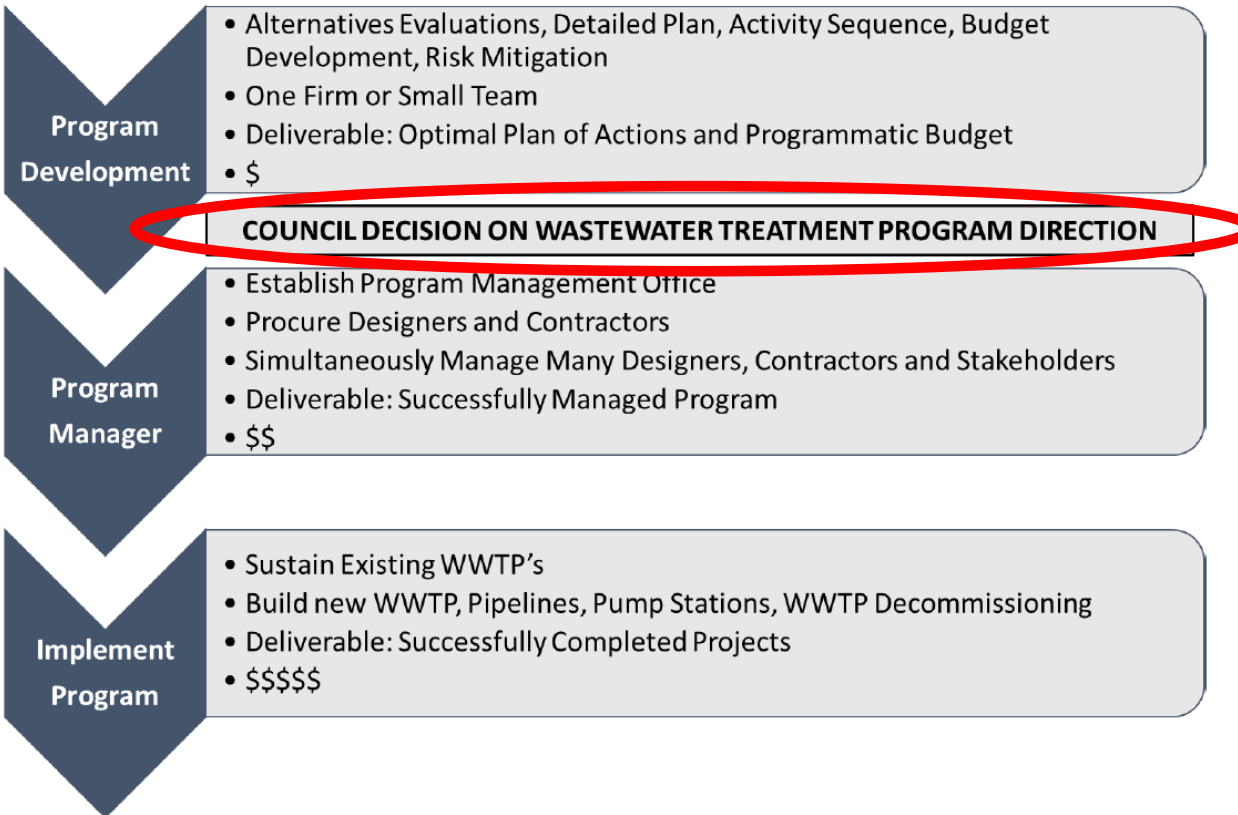
- Engaged with the citizens and other stakeholders to hear issues and concerns.
 - Developed a set of criteria for alternative evaluation.
 - Constructed cash flow models for 10 alternative scenarios.
 - Confirmed the potential benefits of consolidating flows from the six existing wastewater treatment facilities into a lesser number of newer, larger treatment plants.
 - Concluded that single plant scenario was not economically feasible.
 - Determined the optimal WWTP configuration (Option 4D).
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CURRENT STATUS



Path Forward





RESOLUTION

June 13, 2017 Council Amended Resolution:

- ***“Section 2. That the City Council adopts the Final Report’s Option 1 (the “base case option”) with modifications as directed by the City Council on May 23, 2017, with Option 1 modified to eliminate construction of new 10 MGD facility at Greenwood WWTP and provide for more extensive Greenwood WWTP repairs (over 20 years) with flood proofing and odor control, and with the following key infrastructure components:***
 - ✓ *“(8) Staff is directed to pursue future improvements to be delivered through the most cost effective financing and delivery plan to minimize the overall impact to ratepayers while meeting the needs of the City, **including, but not limited to, a public private partnership (P3) approach.**” (emphasis added)*



3P's for P3's

PRINCIPLES, PROCESS & PROCUREMENT for “PUBLIC-PRIVATE PARTNERSHIPS”



P3 PRINCIPLES

WHAT IS A “PUBLIC-PRIVATE PARTNERSHIP”?

- *“A P3 is a project in which there is cooperation between the public and private sectors in one or more areas of the design, development, construction, operation, ownership or financing of infrastructure assets, or in the provision of services.”*

*“Issue Brief Privatization vs. Public-Private Partnerships: A Comparative Analysis”
California Debt & Investment Advisory Commission*



TYPES OF P3 CONTRACTS

➤ Types of “Public-Private Partnerships” include:

TYPE	APPLICATION	AVERAGE CONTRACT TERM
Operation and Maintenance (O&M)	New or Existing Systems	1-5 years
Design-Build-Operate (DBO) or Design Build Operate Maintain (DBOM)	New or Existing Systems	15-25 years
Design-Build-Finance-Operate (DBFO) or Design-Build-Finance-Operate-Maintain (DBFOM)	New Systems	20 years
Concession/Lease	Existing Systems	10-20 years
Build-Operate-Transfer (BOT)	New Systems	25 years



P3 PRINCIPLES

- **WHAT ARE SOME POTENTIAL BENEFITS?**
 - ✓ Better efficiency
 - ✓ Improved innovation
 - ✓ Lower costs
 - ✓ Higher quality services
 - ✓ Access to private capital
 - ✓ Faster Implementation



P3 PRINCIPLES

➤ WHAT ARE SOME POTENTIAL RISKS?

- ✓ Loss of public control
- ✓ Creates a private monopoly
- ✓ Faulty risk transfer
- ✓ Cost escalation, change orders and renegotiation
- ✓ Higher cost of capital
- ✓ Asset depreciation
- ✓ Compliance costs
- ✓ Difficult to reverse course on privatization



P3 PRINCIPLES



P3 CHARACTERISTICS:

- ✓ Contracts bundling services – Planning, financing, design, construction, operations and maintenance
- ✓ Replaces management by Governing Board with management by contract
- ✓ Detailed contract and contract oversight is required to ensure P3 contractor acts in the public interest
- ✓ Items not covered in contract may result in change orders and/or renegotiation



P3 PROCESS



CRITICAL SUCCESS FACTORS:

- ✓ Project technical feasibility
- ✓ Careful planning and research
- ✓ Clear responsibility definition
- ✓ Align incentives with the public interest
- ✓ Appropriate risk allocation and risk sharing
- ✓ Competitive & transparent procurement process
- ✓ Good governance
- ✓ Process to measure results
- ✓ Accountability for performance



P3 PROCESS

➤ **PROCESS DESCRIPTION:**

- ✓ Complex transaction that requires more preparation, planning and oversight than traditional procurements
- ✓ Requires outside help and skill sets not available in-house to develop scope and contract
- ✓ Requires a multi-disciplinary team
- ✓ Many decisions must be made in advance of the procurement
- ✓ Requires multiple workshops and meetings
- ✓ Procurement can take a year or more



P3 PROCUREMENT

➤ **PROCUREMENT STEPS:**

- | | |
|--|----------|
| 1. Obtain Experienced Program Manager | 120 days |
| 2. Determine Scope To Be Procured | 90 days |
| 3. Develop Request For Proposal (RFP) | 90 days |
| 4. Advertise & Evaluate Proposals | 120 days |
| 5. Negotiate Contract | 60 days |
| 6. Transition Process | 120 days |
| 7. City's Contract Management Process | Ongoing |

Note: Some steps will overlap. Implementation can take 12-18 months.



P3 PROCUREMENT

Step 1

120 Days

1. OBTAIN EXPERIENCED PROGRAM MANAGER:

- a. Owner's (City's) Representative
- b. Must be experienced with P3's
- c. Facilitates processes and decisions for a P3 procurement
- d. Provides technical expertise and relevant experience not available in-house



P3 PROCUREMENT

Step 2

90 Days

2. DETERMINE SCOPE TO BE PROCURED:

- a. What activities will be outsourced?
- b. Will internal teams be allowed to compete?
- c. What activities will be retained?
- d. What supporting procurements are required to support P3?
- e. What monitoring activities will be created by outsourcing?
- f. What will basic contract framework be?



P3 PROCUREMENT

Step 3

90 Days

3. DEVELOP REQUEST FOR PROPOSAL:

- a. Data Requirements Determination
- b. Compilation & Sharing
- c. Sequence & Timeline
- d. Submittal Requirements
- e. Evaluation Criteria & Process
- f. Publication



P3 PROCUREMENT

Step 4

120 Days

4. ADVERTISE & EVALUATE PROPOSALS:

- a. Determine Committee Composition
- b. Engage/Schedule Members
- c. Shortlist Proponents
- d. Interviews
- e. Economic Proposal Evaluation



P3 PROCUREMENT

Step 5

5. NEGOTIATE CONTRACT:

60 Days

- a. Determine Contracting Timeline
 - b. Develop Performance Criteria
 - c. Bonding & Insurance Requirements
 - d. Basis of Payment and Adjustment Schedule
 - e. Risk Allocation
 - f. Terms & Conditions
 - g. Cost Escalation
 - h. Contractual Responsibilities & Remedies
 - i. Transition Plan
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P3 PROCUREMENT

Step 6

Begins once contractor acquired

6. TRANSITION PROCESS:

- a. Staging of Responsibility Turnover
- b. Ramp Down Plan for Transitioned Activities
- c. Ramp Up Plan for Monitoring Activities



P3 PROCUREMENT

Step 7

Ongoing after initiation

7. CITY'S CONTRACT MANAGEMENT PROCESS:

- a. Determine Monitoring and Reporting Plan
- b. Allocate Resources
- c. Conduct Monitoring Activities
- d. Process Pay Requisitions
- e. Address Issues and Deficiencies



P3 PROCUREMENT

➤ PROCUREMENT STEPS:	Duration
1. Obtain Experienced Program Manager	120 days
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7. City's Contract Management Process	Ongoing

Note: Some steps will overlap. Implementation can take 12-18 months.



KEY POINTS

- P3's are high risk, complex transactions.
- Good contracts are essential to good outcomes.
- Requirements not identified in the contract can result in change orders and/or renegotiation.
- Relevant expertise and the dedicated staff time for a successful P3 procurement are not available in-house.
- Not dedicating sufficient time and resources can increase the risk of an unsuccessful P3 procurement.



NEXT STEPS

- Obtain a “Program Manager”
 - ✓ Owner’s Engineer/Representative
 - ✓ Required regardless of procurement strategy
 - Helps guide Staff and City Council through decisions
 - Develops documents for procurement
 - Help structure contract and performance requirements
 - Assist with proposal evaluation
 - Helps expedite the procurement process
- Council can refine their direction on path forward while Program Manager procurement is underway.



QUESTIONS

