

MUNICIPAL NEWS

New York City in search of efficiencies

The Big Apple is looking for a services contract for advice on running its water plants better

New York City may soon have a private consulting partner to help the city squeeze efficiencies from its publicly operated water and wastewater operations.

The help may be coming just in time, with New York's 290-MGD Croton Water Treatment Plant scheduled to come on-line in 2011 and its Catskill-Delaware UV Plant following in 2013.

The city asked those making proposals to look for potential cost savings in labor, inventory management, chemicals, sludge, and energy. The proposed contract would be a one-year renewable contract in its first phase, followed by a two-year contract with two additional one-year extensions.

In order to qualify for the bid, the consultant must have a minimum of five years' operations experience in running water and wastewater facilities, as well as three years of consulting experience. This requirement further ensures that the consultant will be able to provide relevant efficiencies, according to Rich D'Amato, CH2MHill's global director of business development.

"We were really excited to see a city the size of New York looking at how the private industry can help, and putting an importance factor on a company that operates as well to help them," said D'Amato.

The announcement follows the failed 2009 efforts to put the city's Croton Water Treatment Plant and Catskill-Delaware UV plant up for bid for an operations and management (O&M) contract. While the city was believed to have prequalified Veolia Water, United Water, Severn Trent Services and CH2M Hill OMI for this contract, in mid-2010 it decided that it could run the plants in-house more efficiently than an outside contractor.

In its request for proposals, the New York City Water Board has a "strong preference for an hourly billing structure, combined with a performance-based incentive," but leaves the specific structure of pay proposal to the bidder. It further states that "the hourly compensation should be at a minimum level, with further performance-based compensation to be received based on a percentage of O&M savings recognized as savings are realized during the first full fiscal year following implementation."

Farrell Sklerov, spokesman for New York City's Department of Environmental Protection, wrote in an e-mail that the city has already taken several steps to increase efficiencies, but is looking for further savings.

"The current RFP we released seeks to capitalize on the significant expertise in the water and wastewater industry to see how we can operate more efficiently throughout all of our opera-

tional areas, with an eye towards reducing costs in the process," Sklerov said.

The proposal request is for the three primary operating bureaus — the Bureau of Water Supply, the Bureau of Water and Sewer Operations, and the Bureau of Wastewater Treatment, which represent 4,100 employees.

The city closed proposals for the operations and management consultant on May 31 and commencement of work is expected to begin Aug. 1.

MUNICIPAL NEWS

O&Ms rebound in areas tight on water and money

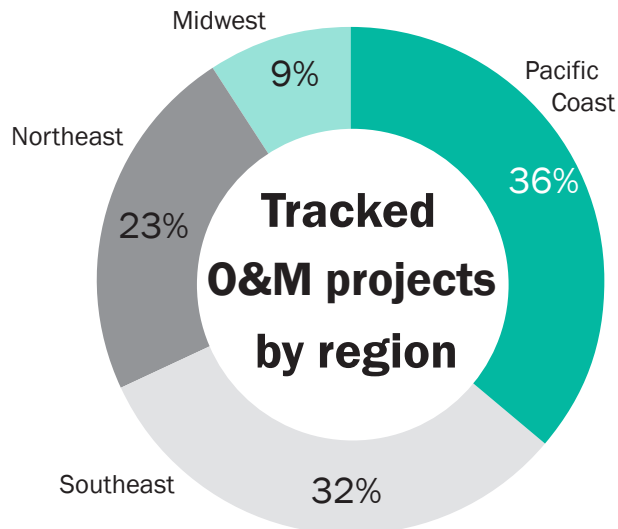
Smaller municipal budgets mean cities look to the private sector's deeper pockets

Although the recession has slashed the number of municipal water and wastewater projects, some in the industry believe that public-private partnership (PPP) opportunities are ripe for the picking.

Steve Owen, PERC Water's vice-president of infrastructure development, noted that California in particular has been fertile territory for PPPs.

"Up and down the California coast, we're seeing many more communities that are interested in the opportunity. And one of the drivers of that has been the economy," because cities are less able to issue bonds and win state grants and loans, Owen told AWI. "Maybe by default, in some ways, that's helped the PPPs move forward."

AWI'S TRACKED PPP PROJECTS



DESIGN-BUILD NEWS

Cities utilizing time-saving procurement alternatives

Progressive design-builds help cities beat deadlines while maintaining control of project designs

Forced to comply with expensive regulations, several municipalities are exploring design-build-operate-finance models and contract operations to benefit from the private sector's deeper pockets and focus on efficiency.

The latest addition to the California field appears to be the city of Redding, which may commission a private operator to run its WTPs and WWTPs if the savings are substantial enough.

Of course, California is hardly the only happy hunting ground: a broad variety of cities and water districts are currently in the market for a PPP in some form, from tiny hamlets to large cities.

AWI data shows that the regions most pressured by overpopulation and water scarcity are the most likely to consider a PPP. In particular, the dry southeast and cash-strapped New England are increasingly in the market for private operators.

What's more, once cities experience the savings that PPPs can bring, they tend to stick around.

Reidsville, NC, recently renewed United Water's 5-year contract to operate and maintain (O&M) the city's 9 MGD WTP and 7.5 MGD WWTP. The contract will take effect in July 2011.

Public Works director Kevin Eason said it was a good deal for the city because private operators are better equipped to handle complex technical issues. "It saves you direct costs," he said. "It's stuff we couldn't do internally without hiring a third party consultant."

The message is gradually filtering through to other cities. Bow, NH, is on the cusp of awarding a contract to either Whitewater, Inc., or Pennichuck Corp. to build and maintain an entirely new water system and upgrade and maintain its sewer system.

"We're starting from scratch, which not a lot of municipalities have done. So what we're looking for is assistance with setting up the system, setting up the rates," commented David Stack, the town manager. "What seemed to make sense to the town is just hire an operator to maintain the new water system that we have."

However, not all PPPs proceed so smoothly. United Water's bid to run Poughkeepsie, NY's WWTP met with rancor in both citizens and in some city officials.

"They don't have the best track record. There's a federal indictment against them for fudging results [in Gary, IN]," said city councilmember Pat Myers, who voted against the proposal. "How safe is that when we're putting water back into the Hudson River?"

An award is expected to be made in July.

While PPPs can spark political turmoil, firms in the sector believe more and more cities are turning towards the private sector to take infrastructure headaches off their hands.

"All the trends in this industry are pointing towards more and more public-private partnership opportunities, whether it's DBOOT or DBOF or contract operations management," Owen commented. "Growth in those sectors is going to outpace DBB and even DB to some extent."

When the Metro Wastewater Reclamation District (Metro District) in Denver, Colorado considered its options for building a new 24 MGD Northern Treatment Plant, it wanted both the chance to proactively participate in making design decisions and some ability to control the final price.

The answer turned out to be a progressive design-build procurement. Like the more commonly-known 'lump-sum' (e.g. performance or prescriptive) design-build method, a progressive design-build still offers a single contract with a design-build team, selected by the owner on the basis of qualifications. However, a progressive design-build offers even more flexibility for the owners, allowing them to participate in a greater portion of the design and delay the timing of when a firm price will be decided until later in the design process.

It's an option that makes it an attractive choice for owners like the Metro District, who wanted to be involved in the design development beyond what would be expected in a lump-sum design-build, but did not want to have to specify that portion of the design prior to selecting the design-build team.

"We also wanted the involvement of the contractor up-front during the design decision-making process," said Brennan, program manager for the Metro Wastewater Reclamation District.

Under the Metro District's progressive design-build approach, preliminary teams are short-listed on the basis of qualifications. From this initial group, a final team is selected on the basis of qualifications, and a conceptual or target price may be included in the evaluation, but a firm price is not yet established. The owner and the team then work together on the initial design, and a price is established at some point during the design, based on the owner's preference. This price may be evaluated by an independent third party.

In a progressive design-build, the level of preliminary design that a municipality needs to prepare in order to receive bids or make a selection is also lower, which further assisted the Metro District in making its decision.

"We had reduced the design definition that we would need to get out to the design-build teams to 10-15 percent design," said Brennan. "We didn't have to do quite as much upfront work to develop a preliminary design."

As a result of participating so early in the design phase, owners such as the Metro District have a chance to have a much bigger say on essential design decisions, giving them the additional control that municipalities sometimes worry they might lose under a lump-sum design-build. "The owner gets to actively participate in the ultimate finished project," said Mark Alpert, senior vice president of CH2M Hill's water business group. "With that, the owner understands that its decisions will be reflected in price."