

Seven steps for procuring a water operations partner



Resourcing the world

Faced with growing, multiple and overlapping challenges to operating critical infrastructure, many municipalities are turning to private sector partners to find solutions. Public-private operations partnerships can enable municipal agencies to save money while helping to resolve compliance issues, improve service levels and increase infrastructure sustainability and resiliency. Whether interested in contract operations, concessions, design-build-operate or other partnership types, these best practice tips will be helpful in procuring your operations partner.

1 Recognize your problem.

Finding the right solution requires first identifying what's driving your need to consider outsourcing your operations. For many municipalities, this may be regulatory compliance, often a result of the inability of aging infrastructure to keep pace with increasingly stringent standards. Staffing can be another major concern if, for example, key personnel are nearing retirement age. Budget cuts during recessionary times may also have resulted in positions being eliminated that were never replaced or deferral of facility rehabilitation. The need to save money can also be the primary driver and will certainly be a factor in any case.

2 Evaluate your situation with an open mind.

Be willing to look at all available options. You may be concerned about the reaction of employees or other stakeholders that will need to be addressed, but keep in mind your ultimate goal: doing the right thing for your community. Depending on how an operational partnership is procured, it can provide additional capital, labor, management, and more, which in turn takes pressure off of the community.

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Decide the **best path** for your **community** based off of the **needs** you're facing



Consult with **internal stakeholders** to achieve alignment on options and speak with the community to flush out **concerns** and **gain support**



Form an **evaluation committee** and review all options with **value added components** in mind before choosing a partner



Recognize what **problems** you are facing -- **compliance issues**, **staffing shortages** or **capital needs** -- that are driving your need for a partner



Collect all available **information** on operations partnerships and similar situations to better **understand** your **options**



Hire an **experienced consultant** and develop your request for **qualifications/proposals** that reflect your unique needs



Establish **key performance indicators**. **Measure** and **monitor performance** and **communicate results**

How you structure your procurement can help address concerns that may exist. For example include community development provisions (e.g., STEM programs) and hold partners accountable through KPIs and guarantees.

3 Gather all available information.

You may be able to gain a better understanding from seeing what other communities in similar situations have done. Talk to fellow elected officials from other communities. Consult case studies. If you're already in communication with possible operations partners, take field trips to see similar work they have done.

An experienced, reputable company can provide a high-level operating costs model based on budgetary information and indicate the level of confidence for achieving significant savings. They may also be able to provide you with examples of contractual language and requests for proposals (RFPs). Check on the procurement rules for your state regarding specific contingencies. Some states may allow direct non-competitive contracting if there is an operational component or under certain emergency conditions.

Another valuable source of information is to speak with consultants that are experienced in operational procurements. They can be a valuable resource not only for typical procurements, but also a special advisor to staff on the necessary steps in stakeholder communications.

4 Consult with internal and external stakeholders.

Stakeholders may have concerns when it comes to partnering with the private sector, consider holding an open meeting in the form of a scoping workshop to engage various stakeholders in dialogue to flush out concerns and get buy-in. This should happen in two phases with internal city officials and with the community.

Begin internally; this may include elected officials, senior staff, attorneys and others. Achieve internal alignment within the municipality to prepare information and materials for dissemination to a broader audience. Next, talk with employees or employee representatives to discuss the eventual transition and what they want to see in an eventual Memoranda of Understanding.

What's most important is reaching out to your community. Listening to the views of citizens, employees and other stakeholders will contribute to broader acceptance and a streamlined transition.

5 Conduct the procurement process.

Develop a Request for Qualifications (RFQ)/Request for Proposals (RFP) that responds to your identified need. Sometimes, the two are combined. You can also choose to start with a Request for Information prior to the RFQ/RFP, which allows feedback from the

private sector on your specific situation. Limit the field to realistic competitors by establishing a minimum threshold of experience and capabilities. It is crucial to hire an experienced procurement consultant, experienced in operational procurement, or advisor to help write the RFP.

As issues of sustainability and resilience become increasingly important, consider the what-if needs that you may face. Contract operations can be like insurance; you don't think you need it until the hurricane arrives. Also, consider including a due diligence step to provide each firm with time to walk the plant to maximize the accuracy of their projections.

6 Conduct technical and financial evaluation to select partner
Start with the formation of a committee including financial, technical and legal representation to ensure there is no conflict of interest. With the committee in place, design your scoring matrix. One recommendation is to score the qualifications separately from price. This may get you the best bang for your buck in terms of addressing increasingly important sustainability and resiliency issues.

Hiring a company that will operate your plant at the lowest price may seem attractive in the near term but they may not be able to provide the needed level of service over time and could wind up costing you more in the long run. Be sure to consider the entirety of the offer and value added components that may be included like AMI support, customer service optimization or the long-term financial benefits of robust maintenance programs.

7 Communicate your results.
Measure and communicate the results of your action. This requires establishing good Key Performance Indicators (KPIs) that set tangible expectations and goals, whether daily, weekly, monthly or annually. What kind of customer responsiveness do you expect? What will be the schedule for maintenance? Predictive maintenance? This step actually begins early in the process, beginning with identifying the problem you are trying to solve, then continuing with the gathering of information and developing your RFP. Establishing solid KPIs removes a lot of the guesswork and gives the community a way to monitor performance and measure the ultimate success of the contract.