



REQUEST FOR QUOTE (RFQ)

The Soquel Creek Water District (SqCWD or District) invites the submittal of quotes from professional financial consultants for the preparation of a multi-year Water Rate Study and Water Capacity Charge Study to be initiated in April 2023.

INTRODUCTION AND BACKGROUND

I. PURPOSE OF THE RFQ

The District is seeking a qualified financial consultant to evaluate the District's existing water rates structure and develop legally defensible rates based on the costs of service as identified in the 10-year finance plan. The broad objective of the Water Rate Study is to ensure the financial stability to fund operations, capital investment and debt service while also retaining a focus on conservation. The District is also seeking a qualified consultant to independently assess and evaluate the District's Water Capacity Charges in order to sufficiently capture new development's proportional share of water system costs.

A. ABOUT THE DISTRICT

SqCWD is a special district, organized as a County Water District pursuant to Sections 30000 et. seq. of the California Water Code, that provides water service to a 17-square-mile service area along the California coast in Santa Cruz County. The District serves a population of over 40,000 residents through approximately 14,400 predominantly residential accounts (excluding fire service accounts). The District is entirely dependent on local groundwater for its water supply. The groundwater basin is currently in a state of overdraft. This condition has led to the intrusion of seawater at the coastline. The District's long-term strategic vision for a sustainable water supply includes the following elements:

- Maximizing conservation
- Redistributing pumping inland and away from coastal wells
- Diversifying the water portfolio with new water supply options as they prove feasible
- Recharging the aquifer with water from the Pure Water Soquel advanced water purification project
- Preparing for climate change and future regulatory challenges

The District's rates are established by its elected governing board and are subject to the provisions of California's Proposition 218. The District last adopted a five-year schedule of rates effective March 1, 2019. The District seeks to have a new rate schedule and water capacity charges in place in January or February 2024. Revenue projections from the proposed rate structure must be sufficient to support the District's finance plan which includes debt service on the newly developed Pure Water Soquel project (expected completion in December 2024) as well as major infrastructure upgrades to replace aging wells, treatment plants and distribution mains. Water capacity charges must demonstrate a nexus between new development and the need to replace, expand, or build water system facilities, as well as developing new sources of water supply.

District customers currently pay water rates that include a fixed monthly service charge based on meter size, plus a tiered volumetric charge based on metered water use. Fire service customers pay an additional monthly service charge based on meter size. The fixed monthly service charges currently account for approximately 40 percent and the volumetric charges for about 60 percent of annual water rate revenues, although the District is willing to entertain changes to this allocation to assure financial sustainability.

The volumetric charge for single family residential customers is currently billed according to a two-tiered, inclining rate structure that captures the costs of service and addresses the District's goals for a sustainable water supply. The volumetric charge for multi-family residential customers served by a single meter is billed according to a two-tiered, inclining rate structure based on the number of dwelling units. Non-residential customers (irrigation/outdoor use and commercial accounts) pay a uniform rate per unit for all water use; a rate roughly equal to the weighted average of the two residential rate tiers. The District is also willing to consider changes to the tier structure to best meet an updated cost of service profile.

A Water Rate Advisory Ad Hoc Committee, comprised of District customers, two members of the Board of Directors, and relevant staff is being formed to assist with the evaluation of the rate study.

II. SCOPE OF WORK

The scope of work consists of working directly with representatives from SqCWD and the Water Rate Advisory Committee to develop a 10-year finance plan and establish a 4-year schedule of water rates that will be based on the full cost of service and will be sufficient to meet the short and long-term revenue requirements necessary to maintain the water system and sustain the groundwater basin.

A. REQUIREMENTS

1. The recommended 10-year finance plan and rate structure must consider and make provisions for the following factors:
 - a. Projected changes in water demand;
 - b. Cash flow under reduced demand scenarios resulting from conservation, water shortage emergencies, or state mandates on water restrictions;
 - c. Cost of providing water in accordance with standards and regulations both current and projected;
 - d. Funding requirements for current and projected long-term liabilities and debt obligations;
 - e. Age and condition of the water system and the need to fully fund capital improvements, infrastructure replacement, and distribution infrastructure;
 - f. Completion of the Pure Water Soquel project;
 - g. Impact of current and future environmental regulations; and
 - h. Impact of climate change on future supply and demand.
2. The benefits of any proposed rate structure are to be weighed against the financial impacts on ratepayers.
3. A proposed 4-year rate schedule will be developed along with a forecast of rates out 10 years to correspond to the timeframe of the finance plan.
4. The recommended rate structure should be easy for District customers to understand and reasonable to implement and administer.
5. Consideration should be given to the most effective methods for public education and outreach on proposed rate changes.
6. Easy-to-use electronic rate models will be developed and provided to SqCWD staff, along with training to allow staff to fully understand how the models operate and how the results of various future recommendations could impact the District's water rates and water capacity charges.
7. The recommended water capacity charge should make provisions for the following factors:
 - a. Water system value;
 - b. Water system capacity; and
 - c. Projected water demand.
8. A proposed 4-year water capacity charge schedule will be developed which includes a cost escalation factor for years 5 and beyond based on increases in the Consumer Price Index (CPI) from March of every year.

B. ELEMENTS

In developing a finance plan and making rate structure recommendations, the final report is to include the following elements and analysis:

1. **Finance Plan:** Assess the impact of capital improvements, design and construction of a water supply project(s), ongoing water operations, grant awards, debt obligations, and prefunding pension and other post-employment benefits (OPEB) on future rate increases.
2. **Current Rate Structure:** Assess the current rate structure's performance as a baseline for comparing recommended changes in number of tiers or tier widths.
3. **Water Rate Equity:** Assess the equity of recommended water rates for all customer classes.
4. **Conservation Impacts:** Assess the interaction between the water conservation elements of the recommended rates and their impacts on the ability to fund water operations.
5. **Water Shortage Rate Structure:** Assess the impact on any proposed rate structure due to drought, mandatory rationing, or other water shortage factors. Evaluate and recommend a pricing program that mimics the different water stages of the District's emergency water supply shortage plan and continues to fund water operations and capital projects.
6. **Current Capacity Charge:** Assess the current water capacity charge's performance as a baseline for comparing recommended changes.
7. **Capacity Charge Equity:** Assess the equity of recommended water capacity charges for new development and existing customers.
8. **Performance Assessment:** Provide a summary of recommended water capacity charges and an assessment of the performance of the recommended charges against the current capacity charges to ensure the proposed capacity charges sufficiently capture the cost of capacity necessary to serve new development and meet the regulatory requirements found in the State of California's Government Code Section 66013 and 66014 regarding the establishment of capacity charges.

III. SERVICES TO BE PROVIDED BY CONSULTANT

1. Conduct a detailed review of the District's operating and capital improvement budgets and develop a 10-year Finance Plan that promotes financial sustainability and maintains adequate debt coverage and reserve levels.
2. Evaluate the existing water rate structure to determine whether the threshold and number of tiers are appropriate to the District's cost of service.
3. Meet and/or confer with staff as needed and attend up to three daytime meetings/workshops with the Water Rate Advisory Committee and three evening meetings/workshops with the District Board of Directors to present and discuss results of the studies and obtain their input. Attend the public hearing where the water rates are considered for adoption.

4. Conduct a detailed review of the existing water capacity charges and status of the District's water system and system capacity, and development a general familiarity with the District's Community Water Plan and 2020 Urban Water Management Plan.
5. Obtain all necessary records, data, and statistics from SqCWD and conduct analyses as required to address the scope of work.
6. Provide outreach to District customers in support of rate study recommendations and in accordance with Proposition 218 notification requirements.
7. Preliminary Reports
 - a. Prepare preliminary finance plan.
 - b. Prepare a comprehensive administrative record that shows the calculations for cost of service and allocation of costs to respective customer classes;
 - c. Prepare preliminary reports of assumptions for both tiered and uniform rate structures and provide tentative rate structure recommendations; and
 - d. Present preliminary reports and tentative rates to the Water Rate Advisory Committee and the District's Board of Directors.
 - e. Prepare a preliminary report of findings and tentative water capacity charge recommendations.
 - f. Present preliminary water capacity charges report to the District's Board of Directors.
8. Draft Final Reports
 - a. Incorporate changes pursuant to comments received from the District's Board; and
 - b. Present revised reports and rate and water capacity charge recommendations to the District Board of Directors at a regularly scheduled Board meeting.
9. Final Reports
 - a. Incorporate changes pursuant to comments received at the Board meeting presentation;
 - b. Provide an electronic copy of both the Water Rate Study report and the Water Capacity Charge Study report, with spreadsheets in Excel format; and
 - c. Present the final reports and recommended rates and charges to the Board of Directors and members of the public at a formal public hearing.
10. Supply a schedule for deliverables for both water rates and water capacity charges.
11. Provide an easy-to-use rate model of the final rate structure for the District to use in rate forecasting.

IV. GUIDELINES FOR QUOTE PREPARATION

A. ADMINISTRATIVE CONTACT

Leslie Strohm, Finance and Business Services Manager
5180 Soquel Drive, Soquel, CA 95073
(831) 475-8501 ext 132
leslies@soquelcreekwater.org

B. SCHEDULE

Action	Approximate Date
1. RFQ Posting/Distribution	March 14, 2023
2. RFQ Submission Due Date	April 5, 2023
3. Board Approval	April 18, 2023
4. Notify Respondents & Sign Contract	April 18-21, 2023
5. Commence Work	April 24, 2023

C. QUOTE SUBMISSION

In order to submit a quote, please read and comply with Quote Requirements (Section D). Respondents are encouraged to consider the environment and use electronic means for delivering quotes. Electronic quotes should be delivered in a format fully compatible with either Adobe Acrobat (pdf) or Microsoft Word. Please send via email to leslies@soquelcreekwater.org with the subject line "Request for Quote for Soquel Creek Water District – Finance Plan and Water Rate Study"

OR, an original quote must be received in the District office at:

Soquel Creek Water District
Finance and Business Services Department
Attn: Leslie Strohm
5180 Soquel Drive
Soquel, CA 95073

DEADLINE: 5:00 PM ON APRIL 5, 2023

Quotes will not be accepted after the date and time designated above. It is the sole responsibility of the respondent to see that their quote is delivered and received by the deadline. Any quote received at the designated location after the required time and date specified for receipt shall be considered late and non-responsive. Any late quotes will not be evaluated for award.

Quotes will not be opened publicly, and the District will endeavor to keep such confidential until a preferred service provider is recommended to the Board of Directors. Quotes shall be prepared and submitted at the respondent's sole expense. All quotes will become the property of SqCWD and will not be returned. Quotes shall be binding for a period of ninety (90) days after submission.

Any information contained in the respondent's submission that is proprietary must be clearly designated. Marking the entire submission as proprietary will be neither accepted nor honored. If a request is made to view a submission, the District will comply according to the California Public Records Act, Government Code Section 6250 *et seq.*; Title 17, California Code of Regulations, Section 91000 *et seq.*; Article I, Section 3 of the California State Constitution; and the District's own guidelines for access to public records.

D. RFQ FORMAT

The signature of an authorized representative must appear on the cover sheet of the quote. The signature shall be interpreted to indicate the firm's/consultant's willingness to comply with all the terms and conditions set forth in this solicitation, unless specific written exceptions are noted. All questions should be in writing and directed to Leslie Strohm, Finance and Business Services Manager, leslies@soquelcreekwater.org.

Submissions should be concise while providing sufficient detail to allow a thorough evaluation of the plan of work and its correlated costs. The quote must include:

1. A description of the organization's professional qualifications.
2. A statement indicating the number of employees, by level, which will perform the studies.
3. A listing of current and prior finance plan/water rate structure clients and capacity charge clients, including the types of services performed and client contact information so they may serve as references.
4. Indicate availability to proceed with work on or about April 24, 2023, and include a tentative schedule for completing the studies with the expectation that a draft report on water rates and capacity charges will be presented to the Board at the November 7, 2023, board meeting and a public hearing on rate adoption scheduled in early to mid-January 2024.

5. A written work plan outlining how the consultant proposes to perform the studies and any information pertaining to any area of a finance plan, water rate study or capacity charge study which is customarily reviewed during such a study which has not been mentioned in the "Scope of Work" section of this solicitation.
6. A not-to-exceed cost estimate adequate to cover the scope of the project. The quote should be itemized by task and include a list of charge out rates related to the names of key personnel to be used by the firm during this project. Include time, materials, travel, and other expenses, which may be associated with the duties and obligations under this RFQ. All costs must be identified. A requested payment schedule should accompany the work schedule, with the costs for the water rate study and capacity charge study listed separately.
7. A written outreach plan outlining how the consultant proposes to educate and inform customers on water rate changes and Proposition 218 requirements. The outreach plan and cost estimate should be presented and considered as a separate component with its own scope of work and as a separate addendum to the consultant rate study agreement. If the consultant does not provide in-house outreach support it should be noted in the proposal. No out reach support will be required for the capacity charge study.

E. EVALUATION CRITERIA

The District will review all submittals and make a recommendation based upon the established evaluation criteria. All firms submitting a quote will be notified as to their status in the selection process. Please provide a name and email address for responses.

The criteria for selection will be based on, but not limited to, the following:

- The firm's experience, stability and capability to complete all aspects of the work;
- Experience and qualifications of personnel assigned to this project and their availability;
- References from clients with similar projects;
- The availability of the firm/consultant during the project period;
- The firm's experience and capability of analyzing the legal defensibility of proposed rate structures/capacity charges and subsequent rate recommendations; and

- Price quote (including expenses) that assumes up to three remote meetings with the Water Rates Advisory Committee and three in-person meetings with the Board (one or two during conceptual development and one with final recommendation) and participation in a public hearing.

Selection is contingent upon final negotiation of a mutually agreed upon Consultant Contract for Services approved by the Board of Directors of the Soquel Creek Water District.

F. GENERAL REQUIREMENTS

The General Requirements are terms and conditions included in the Consultant Contract for Services that the District expects the chosen consultant to meet. By submitting a quote, the consultant agrees to be bound by these requirements unless otherwise noted in the submission. The consultant may suggest alternative language to any section.

G. DISCRETION AND LIABILITY WAIVER

The District reserves the right to reject all quotes or to request and obtain from one or more of the firms submitting quotes any supplementary information as may be necessary for District staff to analyze the submissions pursuant to the consultant selection criteria. The District is not liable for costs incurred by the firm for the cost of the quote. The firm, by submitting a response to this RFQ, waives all rights to protest or seek any legal remedies whatsoever regarding any aspect of this RFQ.

All quotes shall be binding for a period of 90 days after the submission due date. The District also reserves the following rights and options with respect to this RFQ:

- Negotiate mutually acceptable project-related conditions, including cost;
- Accept other than the lowest priced offer; and
- Award contract based on initial offers received, without discussions or requests for best and final offers.
- To re-issue this RFQ with or without change or modification, at any time prior to the District's execution of a contract pursuant to this RFQ;
- To reject any or all offers and discontinue this RFQ process without obligation or liability to any potential respondent;

- To supplement, amend, substitute or otherwise modify this RFQ at any time prior to the District's execution of a contract pursuant to this RFQ;
- To waive informality, defect, non-responsiveness and/or deviation from this RFQ that is not, in the District's sole judgment, material to the submission;
- To request modification of some or all of the submissions following evaluation by the District;
- To request clarification of any content included in the submission;
- To negotiate simultaneously, or otherwise, with one or more respondents; and
- To discontinue and resume negotiations with one or more respondents.

H. INSURANCE REQUIREMENTS

The chosen firm/consultant will be required to maintain insurance coverage throughout the course of the contract and shall provide SqCWD with evidence of said coverage as set forth in the Consultant Contract for Services. Please review contract language and insurance requirements prior to submitting quote and note any proposed exceptions to the agreement in your submission. The Consultant Contract for Services is attached.