



REQUEST FOR PROPOSAL (RFP)

The Soquel Creek Water District (SqCWD or District) invites the submittal of proposals from professional financial consultants for the preparation of a multi-year Finance Plan and Water Rate Study to be initiated in April 2018.

INTRODUCTION AND BACKGROUND

I. PURPOSE OF THE RFP

The District is seeking a qualified financial consultant to evaluate the District's existing water rates structure, in addition to a newly proposed CustomerSelect rate 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 study is to ensure the financial stability to fund operations, capital investment and debt service while enabling the District to implement robust conservation measures designed to reduce pumping.

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 that will augment existing groundwater resources and/or recharge the aquifer
- 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 three-year schedule of rates effective March 1, 2016. The District seeks to have a new rate schedule in place on either January 1st or March 1st 2019. Revenue projections from the proposed rate structure must be

sufficient to support the District’s finance plan that includes developing a new water supply project(s) as well as major infrastructure upgrades to replace aging wells, treatment plants and distribution mains.

District customers currently pay 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 33 percent and the volumetric charges for about 67 percent of annual water rate revenues, although the District is willing to entertain changes to this allocation.

The current volumetric charge for single family residential customers is billed according to a four-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 four-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 four residential rate tiers.

A Water Rates Advisory Committee, comprised of ten District customers, two members of the Board of Directors, and relevant staff was formed in 2017 to assist with the development and subsequent evaluation of rate structure alternatives in preparation for this rate study. The intent was to determine whether a rate structure existed, or could be developed, that could meet the following objectives better than the District’s existing tiered rate structure:

- Financial sustainability
- Fairness and equity
- Legal defensibility
- Strong conservation
- Simplicity and administrative ease
- Affordability for essential use

At the September 5, 2017, board meeting, the Water Rates Advisory Committee presented their work on a conceptual rate structure based, with modifications, on the CustomerSelect model studied in the Water Research Foundation’s report “Defining a Resilient Business Model for Water Utilities”. The next step in evaluating the CustomerSelect rate model was to hire Raftelis Financial Consultants to evaluate the legality of the rate structure under Proposition 218. A workshop was held with the Board of Directors on December 5, 2017 to discuss pricing objectives and further refine the proposed rate structure. The following recommendations were included in Raftelis’ final CustomerSelect Rate Model Evaluation report presented to the Board on January 16, 2018. These are recommendations only and may be altered or refined as the rate study develops based on the advice of the selected rate consultant:

1. **Customer Classes:** for the purposes of this rate study, focus on evaluating the CustomerSelect model for residential customers only.
2. **Number of Plans and Plan Size (Widths):** to achieve a structure that is fair and equitable it was recommended the District should offer many plan options to customers with a plan width of two units, which correlates to 50 gallons per person/per day.
3. **Plan Switching:** the recommendation for plan switching may include an “open enrollment” style model where customers will have a window of time to make plan changes for the following six to twelve months. The period for open enrollment and the length of time before plan changes can be made is still under consideration and it is expected that the rate consultant will provide guidance in this area.
4. **Plan Overages:** in place of a monetary charge for exceeding the plan, it is recommended that customers who use greater than their plan allotment are automatically switched, on their next bill, to the plan in which their usage occurred for the remainder of the year, with the option to choose a new plan at the open enrollment period. The consequences to the customer for exceeding their plan threshold are still under consideration and it is expected that the rate consultant will provide guidance in this area.
5. **Conservation Credit:** the Board desires a conservation credit to customers who meet specific criteria. The amount of the credit could be tied to the variable costs of the District and applied to a customers’ bill at the end of the calendar year. The specific details of the basis and method of delivery for a conservation credit are still under consideration and it is expected that the rate consultant will provide guidance in this area.

The decision of the Board was to model the CustomerSelect rate structure alongside the existing inclining tiered rate structure in this rate study and compare rates between the two plans before deciding which rate structure to adopt in 2019. The parameters of both the proposed CustomerSelect rate structure and the inclining tier rate structure may need modification as the rate study progresses. It is recommended that reports and recommendations on the CustomerSelect model be reviewed prior to submission of the proposal. Reports are available in the referenced board packets at <http://www.soquelcreekwater.org/who-we-are/board-meetings-standing-committees>.

II. SCOPE OF WORK

The scope of work consists of working directly with representatives from SqCWD and the Water Rates Advisory Committee to develop a 10-year finance plan and establish a 3-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. Design and construction of one or more of the supplemental supply components identified in the Community Water Plan;
 - 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 3-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. Consideration should be given to the upcoming billing system conversion from Accela Springbrook to Tyler Incode, as well as the most effective methods for public education and outreach.
5. An easy to use electronic rate model will be developed and provided to SqCWD staff, along with training to allow staff to fully understand how the model operates and how the results of various future recommendations could impact the District's water rates.

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. **CustomerSelect Rate Structure:** Assess the impact of the proposed rate structure on conservation, revenue stability, customer acceptance, and administrative resources. In addition, it is expected that the selected consultant will provide recommendations on certain policy elements of the rate plan as defined in Section A, Items 1 through 5.
4. **Equity:** Assess the equity of recommended water rates for all customer classes.
5. **Conservation Impacts:** Assess the interaction between the water conservation elements of the recommended rates and their impacts on the ability to fund water operations.
6. **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.

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 and the proposed CustomerSelect rate structure and model both rate structures for comparison. One of the two rate structures will ultimately be selected for implementation.
3. Meet and/or confer with staff as needed and attend up to five daytime meetings/workshops with the Water Rates 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. Obtain all necessary records, data, and statistics from SqCWD and conduct analyses as required to address the scope of work.
5. 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 the tiered and CustomerSelect rate structures and provide tentative rate structure recommendations; and
 - d. Present preliminary reports and tentative rates to the Water Rates Advisory Committee and the District's Board of Directors.
6. Draft Final Reports
 - a. Incorporate changes pursuant to comments received from the District's Board; and

- b. Present revised reports and rate recommendations to the District Board of Directors at a regularly scheduled Board meeting.
- 7. Final Reports
 - a. Incorporate changes pursuant to comments received at the Board meeting presentation;
 - b. Provide an electronic copy of the report, with spreadsheets in Excel format; and
 - c. Present the final reports and recommended rates to the Board of Directors and members of the public at a formal public hearing.
- 8. Supply a schedule for deliverables.
- 9. Provide an easy-to-use rate model of the final rate structure for the District to use in rate forecasting.

IV. GUIDELINES FOR PROPOSAL 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. RFP Posting/Distribution	March 7, 2018
2. RFP Submission Due Date	March 23, 2018
3. Board Approval	April 3, 2018
4. Notify Respondents & Sign Contract	April 4 - 13, 2018
5. Commence Work	April 23, 2018

C. PROPOSAL SUBMISSION

In order to submit a proposal, please read and comply with Proposal Requirements (Section D). Respondents are encouraged to consider the environment and use electronic means for delivering proposals. Electronic submissions 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 Proposal for Soquel Creek Water District – Finance Plan and Water Rate Study”

OR, an original proposal 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: 4:00 PM ON MARCH 23, 2018

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

Proposals 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. Proposals shall be prepared and submitted at the respondent's sole expense. All submissions will become the property of SqCWD and will not be returned. Proposals 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. REQUEST FOR PROPOSAL FORMAT

The signature of an authorized representative must appear on the cover sheet of the proposal. 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 proposal must be separated into two separate documents. The first document, the technical proposal, 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 study and resumes for each employee who will be assigned to the District's rate study, including but not limited to educational/professional credentials and previous rate study and Proposition 218 experience
3. A listing of current and prior finance plan and water rate structure 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 23, 2018, and include a tentative schedule for completing the studies.
5. A written work plan outlining how the consultant proposes to perform the study and any information pertaining to any area of a finance plan or water rate study which is customarily reviewed during such a study which has not been mentioned in the "Scope of Work" section of this solicitation.

The second document, the cost proposal, must include a not-to-exceed cost estimate adequate to cover the scope of the project. The cost proposal 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 RFP. All costs must be identified. A requested payment schedule should accompany the work schedule.

E. EVALUATION CRITERIA

The District will review all submittals and make a recommendation based upon the established evaluation criteria. All firms submitting a proposal 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 with the requirements of Proposition 218 and capability of analyzing the legal defensibility of proposed rate structures and subsequent rate recommendations; and
- Price proposal (including expenses) that assumes up to five in-person meetings with the Water Rates Advisory Committee and three meetings

with the Board (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 proposal, 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 proposals or to request and obtain from one or more of the firms submitting proposals 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 proposal. The firm, by submitting a response to this RFP, waives all rights to protest or seek any legal remedies whatsoever regarding any aspect of this RFP.

All proposals 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 RFP:

- 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 RFP with or without change or modification, at any time prior to the District's execution of a contract pursuant to this RFP;
- To reject any or all offers and discontinue this RFP process without obligation or liability to any potential respondent;
- To supplement, amend, substitute or otherwise modify this RFP at any time prior to the District's execution of a contract pursuant to this RFP;
- To waive informality, defect, non-responsiveness and/or deviation from this RFP 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 proposal and note any proposed exceptions to the agreement in your submission. The Consultant Contract for Services is attached.