



# NOTICE OF SPECIAL REVISED BUDGET & FINANCE COMMITTEE MEETING February 8, 2023

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

**NOTICE IS HEREBY GIVEN** that the San Lorenzo Valley Water District has called a special meeting of the Budget & Finance Committee to be held on **Wednesday, February 8, 2023, at 1:00 p.m.**, via video/teleconference.

There will not be any physical location for this meeting. Pursuant to AB 361 and San Lorenzo Valley Water District Resolution No. 4 (21-22) this meeting will be conducted by video/teleconference. Any person in need of any reasonable modification or accommodation in order to participate in the meeting may contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting. The meeting access information is as follows:

<https://meet.goto.com/455987493>

You can also dial in using your phone.  
(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 866 899 4679  
- One-touch: <tel:+18773092073,455987493#>

United States: +1 (571) 317-3116  
- One-touch: <tel:+15713173129,455987493#>

Access Code: 455-987-493

## AGENDA

1. Convene Meeting  
Roll Call

2. Oral Communications

*This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies*

*within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.*

3. New Business:

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.*

- a. ELECTION OF THE COMMITTEE CHAIR FOR 2023
- b. SET DAY AND TIME FOR COMMITTEE 2023 REGULARLY SCHEDULED MEETINGS
- c. MULTI-MONTH CALENDAR FOR ADMINISTRATION COMMITTEE  
Discussion by the B & F Committee regarding the preparation of a multi-month calendar to look-ahead at least 3 months including an update on current projects previously discussed in committee.

4. Unfinished Business:

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.*

- a. RATE STUDY - REQUEST FOR PROPOSALS  
Discussion by the Committee and staff regarding the Rate Study RFP with amendments adopted by the Board.
- b. CERTIFICATES OF PARTICIPATION UPDATE  
Discussion by the Committee and staff regarding the COP update.

5. Informational Material

Here is a link to previous B & F Committee meeting minutes:

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](#)

6. Adjournment

*Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at [www.slvwd.com](http://www.slvwd.com) subject to staff's ability to post the documents before the meeting.*

**Certification of Posting**

I hereby certify that on February 7, 2023, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 24 hours in advance of the special meeting of the B & F Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on February 7, 2023.

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Holly B. Hossack, District Secretary



**REQUEST FOR PROPOSALS TO PROVIDE:**

**CONSULTING SERVICES TO THE SAN LORENZO VALLEY WATER DISTRICT**

**PROJECT TITLE:**

**2023 RATE STUDY**

**RESPONSE DUE BEFORE 3:00 P.M. ON**

**MARCH 13, 2023**

**San Lorenzo Valley Water District**

**13060 Highway 9  
Boulder Creek, CA 95006**

**(831) 430-4621  
kreed@slvwd.com**

## **I. INTRODUCTION**

The San Lorenzo Valley Water District is soliciting proposals from qualified firms to conduct a Rate Study to assist in determining how the District funds the administration, operation, maintenance and capital replacement and improvement of its water and sewer systems. The District is seeking a multi-year plan to align revenue with expenses, including on-going maintenance, repairs and upgrades to infrastructure and one-time costs associated with recovery from the 2020 CZU wildfire.

The study will evaluate all current water and sewer rates, system revenue generation and full cost recovery. The study will provide recommendations for revenue structures that will comply with all federal, state and local regulations, and will meet all debt-service requirements.

The District anticipates submission of a draft Rate Study no later than July 10, 2023, to be followed by presentations to the Districts' Budget and Finance Committee, the Board of Directors and the public within one to two months. A final report will be prepared based on input received during these presentations.

## **II. GENERAL INFORMATION**

### **A. Water Supplier**

San Lorenzo Valley Water District (SLVWD or District) is an urban water supplier to approximately 8,200 customers in Santa Cruz County, California. The District's legal boundaries encompass approximately 62 square miles within the San Lorenzo River watershed. Land uses are dominantly state and regional parks and other open space, water-supply watersheds, areas zoned rural residential and low-density urban residential and commercial (including schools), along with minor quarrying, logging and agriculture. Much of the land within the legal boundaries consists of state parks and uninhabited forest, such that the District's actual service area comprises approximately 26 square miles.

The District was established in 1941, and has grown over time by the amalgamation of small mutual water systems. It currently operates and maintains two water systems, the SLVWD system and the SLVWD-Felton system, which have different service areas and water sources. The SLVWD system service area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Quail Hollow, Glen Arbor, Zayante, and Lompico, as well as the following neighborhoods in and adjacent to the city of Scotts Valley: Hidden Glen, Lockwood Lane, Pasatiempo, Whispering Pines, Manana Woods and the Spring Lakes and Vista Del Lago mobile home parks. The SLVWD-Felton system service area includes the unincorporated community of Felton and neighborhoods along Highway 9 south of Felton to Big Trees and on the west outskirts of Felton along Felton - Empire Grade Road. The two systems are connected by interties that allow transfer of water between them on an emergency basis.

The District relies on both surface water and groundwater resources, which are ultimately derived solely from rainfall within the San Lorenzo River watershed. Surface water is obtained from nine stream diversions (six of which are currently inactive due to damage sustained in the 2020 CZU wildfire). Groundwater is obtained from one spring and eight active wells. The District has limited above-ground storage capacity equal to only a few days' average use; hence, the District relies on groundwater for seasonal and year-to-year storage. The District produces and treats water based on short-term water demand. The water treatment plant for the SLVWD system is located above the community of Boulder Creek; the plant for the SLVWD-Felton system is located on Kirby Street in downtown Felton.

The scale and complexity of SLVWD's water distribution system reflect the San Lorenzo Valley's rugged topography, its low-density pattern of development, and widely distributed raw water sources. The resulting highly dispersed system results in the District maintaining 37 pressure zones. All but one zone include a booster station to pump potable water up to the tank(s) associated with a particular zone. The cost to run each booster station pump is mostly a function of the elevation gain between pump station and tank(s); age and design efficiency play a smaller part in determining energy expenditure. The District's dispersed layout requires that many zones are "pass-through" zones, meaning that potable water must be pumped from a treatment plant up to a zone, then pumped again up to a second, third, or even fourth zone. As a result, pumping costs differ from zone to zone.

#### B. Wastewater

The District operates the Bear Creek Estates Wastewater System, which collects and treats domestic wastewater flow from 56 homes in and around the neighborhoods along Deerwood Drive, Harmon Gulch and Timberwood Road north of the community of Boulder Creek.

The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer line, 2,600 linear feet of force mains, 2 sewer pump stations and 56 laterals. Initially constructed in 1985, the treatment plant consisted of two (2) cast-in-place, underground concrete tanks, an influent pump station and an effluent pump station discharging treated effluent to a subsurface 2.3-acre leach field. From 2005 through 2013, the District completed several upgrades aimed at achieving regulatory compliance and improved efficiency of nitrogen removal. This involved modifying the existing treatment septic system to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high-capacity disc diffusers in the clarifier tanks. There are still significant improvements to the wastewater system needed to meet modern State regulatory requirements.

There are no dedicated wastewater system employees. The system is operated on a routine or as-needed basis with District staff from the Water Fund Operations & Distribution or Supply & Treatment Departments. The District is in negotiations with the County to take over operation of the wastewater system as part of a larger project in the community of Boulder Creek; however, the anticipated timeline for this transition is beyond the 5-year horizon of the rate study.

#### C. Impacts of the CZU Lightning Complex Wildfire of 2020

The District watershed and water system, as well as some of its ratepayers, were severely impacted by the CZU Lightning Complex Wildfire in 2020. The damage to District facilities was extensive, most significantly to raw water supply lines, storage tanks, and cross-country water transmission pipelines, but also water treatment systems, pumps, and water-quality monitoring equipment.

The District anticipates receiving partial financial assistance through the Federal Emergency Management Agency (FEMA) to help cover the costs of emergency response, recovery, and permanent repairs. The District will be responsible for paying up front all of these costs (and other CZU Wildfire costs that are not reimbursable by FEMA). Once projects are complete, the District will submit eligible project costs for FEMA reimbursement.

The District implemented a Fire Recovery Surcharge through the Proposition 218 process in August 2021 to help recover an estimated \$5M in CZU Wildfire costs not covered by FEMA. The surcharge added a monthly charge of about \$10 per ratepayer. The surcharge will last about 5 years and will automatically terminate once \$5 million is collected by the District. The \$5M surcharge amount was based on the assumptions that FEMA would reimburse 75% of an estimated \$20M cost for fire recovery and repair of damaged infrastructure.

Since the adoption of the Fire Recovery Surcharge, key assumptions on which the surcharge was based have changed. The FEMA cost-share percentage increased from 75% to 90%. The initial cost estimate of approximately \$20M in total damages has proven to be far too low, especially in light of current estimates for the cost of replacing 7 miles of above-ground, raw-water pipeline destroyed in the CZU Wildfire. A constructability study completed by the engineering firm Freyer & Laureta in 2022 evaluated various replacement options, including replacing the pipelines at grade, and recommended that the destroyed pipelines be replaced with buried HDPE pipe to protect from future wildfires at an estimated cost of about \$50M. A subsequent peer review of the Freyer & Laureta engineering report completed by Haro Kasunich & Associates in November 2022 concluded that Freyer & Laureta had underestimated the environmental impact and difficulty of constructing a 12'-wide bench to accommodate burial of the pipeline given the steep slopes and difficult access. The District is currently acquiring additional cost information on various options. FEMA will reimburse 90% of eligible costs associated with constructing the pipelines above ground as they were prior to the CZU wildfire, but it is not yet known what proportion of an additional cost to bury the pipelines would be covered.

The District will have many other fire recovery expenses in addition to the cross-country pipelines. Given the escalation in the estimated costs of recovery since the implementation of the surcharge, even with the increase in FEMA reimbursement to 90%, it is clear that the \$5M surcharge will not cover the District's non-reimbursed fire recovery expenses. Although difficult to estimate due to escalating costs of construction and uncertainties about FEMA reimbursement, the current estimate for total cost of recovery from the CZU Fire is about \$75M. Because not all expenses are reimbursable by FEMA and some projects will be reimbursed for less than the nominal 90%, it is estimated that on average about 75% of the costs will be reimbursed. This leaves \$20M, after the \$5M from the CZU Fire surcharge, that the District will need to fund in recovery-related capital expenditures over the next few years.

The District is in the process of consolidating with two small water systems that were destroyed in the CZU Fire. Bracken Brae and Forest Springs are located along Big Basin Way, outside the District's current service areas but within the District's legal boundaries. The majority of the funding for infrastructure to add the approximately 150 connections to the SLVWD will be provided by grants from the California Department of Water Resources.

#### D. Repair of damage from Winter 2022-23 storms

Central and northern California experienced the wettest 3-week period in the last 161 years during a series of "atmospheric river" events December 27, 2022, through January 16, 2023. Surface water intakes on creeks were damaged by high, debris-laden flows. Saturated ground combined with high winds led to many landslides and fallen trees that damaged District access roads and caused earth movements that broke water mains. Current cost estimates for damage exceed \$4M. California has secured a Presidential Major Disaster Declaration, which will make FEMA funds available for assistance in making repairs. It is anticipated that 75% of eligible expenses will be reimbursed by FEMA.

The addition of storm-related repairs to recovery from the CZU Fire will create cash-flow concerns that need to be considered in the rate study, given that reimbursement by FEMA for allowed expenses is a complicated, slow process. This disaster-related work is further stretching the capacity of our relatively small staff to undertake and coordinate repairs, and may require an examination of staffing levels.

E. Ongoing Investments in Infrastructure

The District has a backlog of capital improvement projects as a consequence of decades of underinvestment in infrastructure. In 2019 the District contracted with Akel Engineering to create a Water Master Plan (WMP) and Capital Improvement Plan (CIP). This work was completed in 2021. The CIP included recommendations for rehabilitation and/or upgrade of the majority of the District's infrastructure, as well as a preliminary prioritization of projects. The District is currently analyzing the CIP in order to establish priorities in light of the estimated costs of the recommended actions. Given the level of construction activity on capital projects anticipated annually, the District is considering creation of a construction crew of 4-5 individuals dedicated to pipeline installation as a way to speed implementation of capital projects and capitalize employee costs.

F. Membership in the Santa Margarita Groundwater Agency

The District is one of three founding members of the Santa Margarita Groundwater Agency (SMGWA); the other two are Scotts Valley Water District and the County of Santa Cruz. SMGWA was formed in response to California's 2014 Sustainable Groundwater Management Act, and is charged with managing groundwater resources in the over-drafted Santa Margarita groundwater basin within the San Lorenzo Valley watershed. SMGWA submitted its mandated Groundwater Sustainability Plan in January 2022. The District is committed to annual expenditures for administrative and monitoring tasks, and will pursue capital projects described in the Plan as grant funding becomes available.

**III. PROJECT SCOPE OF SERVICES**

The scope of required services for this project includes:

**TASK 100 – PROJECT MANAGEMENT**

Consultant shall propose a project schedule that meets or improves upon the timeline provided in this Request for Proposals.

Consultant shall provide overall project management, including contract administration and budget and schedule tracking.

Consultant shall provide internal quality control and quality assurance procedures.

Consultant shall assume about five meetings with staff, two public meetings (one each with the District Board and Budget & Finance Committee), and one public outreach workshop under the auspices of the District to gather community input.

**TASK 200 – REVENUE REQUIREMENTS AND RATE SCHEDULE**

Consultant will conduct a detailed review of the District's operating and capital improvement budgets and one-time costs associated with recovery from the CZU wildfire to determine revenue needs over 5-year and 10-year time horizons. Consultant will develop recommended alternatives for a 5-year rate schedule beginning with the fiscal year starting January 1, 2024 that promotes financial sustainability and maintains adequate debt coverage and reserve levels. In order to do so, the Consultant shall develop an understanding of the 2021 Water Master Plan and Capital Improvement Plan, the existing rate structure and the assumptions underlying cost distribution to the various cost

centers, the District's reserve policies and other financial policies, and the District's existing debt-service requirements. In addition to studying relevant District reports and plans (links provided under **XIII**), the Consultant will familiarize themselves with the demographics of the District's ratepayers, and undertake field investigations sufficient to provide the appropriate background for making recommendations.

The rate study shall include the following:

- A detailed cost-of-service analysis.
- A determination of current and future revenue needed to provide water and wastewater services in conformance with current and anticipated changes to standards and regulations, and to undertake ongoing repair, maintenance, and upgrades of infrastructure.
- The development of a parameter-driven budgeting spreadsheet that incorporates the District's existing budgeting constructs and allows modeling for a period of up to 10 years, including but not limited to the following parameters:
  - Revenues under existing and modeled volumetric and connection rates
  - Growth in staffing expenses including regular, overtime and incentive pay, benefits and pension obligations
  - Non-discretionary spending (e.g., utilities, chemicals, vehicles, software)
  - Discretionary spending (e.g., consultants, outreach programs, travel),and includes a template for showing total operating margin, debt payments (interest and principal), and capital projects.
- An assessment of the existing customer service fee structure, identifying potential areas for new service and system charges, and recommendations regarding potential future charges.
- An exploration of various options for changes from the existing rate structure, including possible options in the list below, which may be altered or refined as the rate study develops based on discussions between District staff and the selected Consultant:
  - Tiered volumetric rates, including one model in which the lowest tier is tied to California's standard for per capita indoor water usage
  - Different rates for bulk water users (e.g., schools, mobile home parks)
  - Redistribution of revenue between service charges and volumetric charges to reflect the fixed nature of the majority of the District's operational costs, and to make annual revenue more predictable and less tied to consumption, which can be restricted in times of drought
  - Implementing a drought surcharge to replace the current system of revenue stabilization rates, in which the surcharge is placed into a restricted account that the District can access if consumption drops due to State mandates in response to drought conditions
  - Implementing a capital improvement surcharge the proceeds of which are placed into a restricted account the District can use only to pay for capital improvement projects
  - Establish cost-of-service for the District's 37 pressure zones that accounts for differences in pumping/utility costs for different pressure zones, and make a recommendation on whether it is practicable and/or equitable to set different rates for zones
- A demonstration that any recommendations on rate structure meet cash-flow objectives.
- Modeling how alternative rate structures would affect residential households as a function of use pattern (e.g., low-use, median use, high use) and economic status. Determine how the District can fund its low-income rate assistance program, given current state regulations, and provide recommendations on how it might be implemented under various rate structures.
- Recommendations for methods of communicating utility costs to ratepayers, assessing the ease of communication associated with each alternative rate structure, including how the layout of the utility bill might be used to identify actual costs of providing water and sewer services under different rate structures.

## **TASK 300 – FINAL RATE STUDY REPORT**

Consultant shall prepare a draft report that provides a detailed analysis of work performed and assumptions made. The report shall provide a clear written analysis of the basis upon which revenue needs were calculated.

Consultant shall incorporate changes pursuant to comments received on the draft report on presentation to the District's Budget & Finance Committee and the Board of Directors. Consultant will present the final report and recommended rates to the Board of Directors and members of the public at a formal public hearing.

Final report shall include a budget model spreadsheet and an easy-to-use rate model, preferably in Excel format for use on a Microsoft Windows-based system. Consultant shall provide adequate training for said models.

Consultant shall provide seven (7) hard copies (one wet signature and six copies) and a digital copies of the final report in both Adobe Acrobat (pdf) and Microsoft Word formats.

### **IV. PROPOSAL REQUIREMENTS**

The proposal shall not exceed 13 pages excluding resumes, cover letter, dividers, and front and back covers. Responses to this RFP shall be in the following order and shall include:

1. Executive Summary (1 page maximum)

Summarize the contents of your firm's proposal in a clear and concise manner.

2. Project Description (2 pages maximum)

- i. Explain the objective of the project and how you propose to accomplish the recognized goals.
- ii. Describe the services and deliverables to be provided.
- iii. Include a statement on what makes your firm uniquely qualified.

3. Identification of Prime Consultant Firm and Subconsultants (2 pages maximum)

- i. Legal name and address of the firm.
- ii. Legal form of firm (e.g., partnership, corporation).
- iii. If firm is wholly owned subsidiary of a "parent company," identify the "parent company."
- iv. Name, title, address, email, and telephone number of person to contact concerning the Proposal.
- v. Number of staff and the discipline/job title of each.
- vi. If any Subconsultants will be used, provide information for items i.-v. above for each.

4. Project Organization and Experience of the Project Team (3 pages maximum, not including resumes)

- i. Describe proposed project organization, including identification and responsibilities of key personnel, including subconsultants. Attach resumes of key personnel (maximum one page each).
- ii. Describe the experience of the Project Manager and the experience that the proposed personnel have working on past projects as a team.
- iii. Describe project management approach to the work effort, locations where work will be done, responsibilities for coordination with the District, and lines of communication necessary to maintain schedule.
- iv. Describe a proposed schedule showing all facets of work that will meet the District's objectives and goals in a timely manner. Provide a proposed timeline (Gantt chart) for completion of tasks and subtasks.
- v. Describe the firm's capacity to perform the work within the time limitations, considering the firm's current and planned workload and work force.

5. Consultant’s Past Experience (2 pages maximum)

- i. Describe the firm’s past experience and performance on similar projects.
- ii. Describe the firm’s experience with water systems in the greater Bay Area and Mid-Coast regions of California and/or water systems that resemble the District’s highly dispersed facilities and service area.

6. Proposed Total Professional Fee and Fee Schedules

- i. Proposed fee shall be organized with appropriate breakdown into subtasks.
- ii. Include the hourly rate of all staff that will be charged directly to the project.
- iii. Proposed fee shall not be the sole basis of award, but will be used to evaluate the Consultant’s understanding of the Scope of Work.

7. Exceptions to this RFP

The Consultant shall certify that it has fully read the RFP and takes no exceptions to this RFP including, but not limited to, the Consultant Services Agreement (attached). If the Consultant does take exception to any portion of the RFP, the specific portion(s) of the RFP to which exception is taken shall be identified and explained.

**V. EVALUATION CRITERIA**

The evaluation criteria and the respective weights that will be given to each criterion are as follows:

1. Executive Summary .....	5%
2. Project Description .....	25%
3. Identification of Prime Consultant Firm and Subconsultants .....	10%
4. Project Organization and Experience of the Project Team .....	30%
5. Consultant’s Past Experience .....	20%
6. Proposed Total Professional Fee and Fee Schedules .....	10%

**VI. SELECTION PROCESS**

The District intends to interview the two top-ranked firms.

The District will enter into negotiations with the selected firm. At this time, the District contemplates the use of a Time and Material Not to Exceed contract for the services requested. Negotiations will cover: scope of work, contract terms and conditions, office arrangements, meeting requirements, proposed schedule, and appropriateness of the proposed fee.

The District will require a professional liability insurance verification for coverage of not less than \$1,000,000.00.

After negotiating a proposed agreement that is fair and reasonable, the District Manager will execute the contract with authorization from the District’s Board.

## VII. SELECTION SCHEDULE

The District anticipates that the process for selection of firm and awarding of the contract will be according to the following tentative schedule:

<b>Proposal Due Date</b>	<b>March 13, 2023</b>
Interviews and Negotiation with Selected Firm	TBD in March
Board of Directors Approval	April 6, 2023
Final Selection and Notification	April 7, 2023

## VIII. LINKS TO BACKGROUND INFORMATION

Links to documents providing background for preparation of Proposal:

- Maps of District Service Area
- M. Cubed Water & Sewer Service Affordability Assessment (SLVWD information begins on page 34)
- 2016 Cost-of-Service Study
- 2017 Rate & Connection Fee Study Report
- 2021 Water Master Plan
- 2021 Capital Improvement Plan
- 2022 Groundwater Sustainability Plan of the Santa Margarita Groundwater Agency

## IX. SUBMITTAL REQUIREMENTS

1. Questions regarding this RFP shall be submitted in writing to Kendra Reed ([kreed@slvwd.com](mailto:kreed@slvwd.com)).
2. The response Proposal must be received no later than **3:00 p.m.** local time, on or before **March 13, 2023**.
3. Please send Proposal via email to [kreed@slvwd.com](mailto:kreed@slvwd.com) with the subject line "Request for Proposals for San Lorenzo Valley Water District – 2023 Rate Study".
4. The Proposal should be delivered in a format fully compatible with either Adobe Acrobat (pdf) or Microsoft Word.

Failure to comply with the requirements of this RFP may result in disqualification.