



NOTICE OF SPECIAL BUDGET & FINANCE COMMITTEE MEETING March 31, 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 regular meeting of the Budget & Finance Committee to be held on **Friday, March 31, 2023, at 10:30 a.m.**, at the SLVWD Conference Room, 12788 Highway 9, Boulder Creek, CA and via videoconference and 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.

This meeting is being conducted as an in-person meeting under the Brown Act, Government Code section 54953, and a quorum of the Board must participate from the location(s) within the District that are identified above. Members of the public may attend the meeting at the identified location(s). Teleconferencing/videoconferencing access as set forth below is being provided as a convenience only and is not guaranteed. The meeting may continue in person even if teleconferencing/videoconferencing capability is disrupted or unavailable.

The meeting access information is as follows:

<https://meet.goto.com/665307477>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 877 309 2073

- One-touch: <tel:+18773092073,,665307477#>

United States: +1 (646) 749-3129

- One-touch: <tel:+16467493129,,665307477#>

Access Code: 665-307-477

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. 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 - UPDATE
Committee review of Rate Study proposals received.

4. New Business: None

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.

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 subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on March 29, 2023, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, and at the SLVWD Boardroom, 12788 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 March 29, 2023.

Holly B. Hossack, District Secretary

DATE: March 28, 2023
TO: Board of Directors, San Lorenzo Valley Water District
FROM: Rick Rogers, District Manager
SUBJECT: 2023 Rate Study Proposals

WRITTEN BY: Kendra Reed, Director of Finance
PRESENTED BY: Kendra Reed, Director of Finance

STAFF RECOMMENDATION

It is recommended that the Budget & Finance Committee review this memo and recommend that the Board award the project to Raftelis for a not to exceed contract amount of \$99,035.

RECOMMENDED MOTION

None

BACKGROUND

The District completed a rate study back in 2017 that resulted in a 5 year rate increase. The 2017 Rate Study and corresponding 5 year water rate schedule are included for review in the links below. While revenues and expenditures are monitored on an annual basis, rate studies are usually done every 3 to 5 years. A rate study was budgeted in the FY21-23 Biennial Budget.

A Request for Proposal (RFP) for the 2023 Rate Study was published on February 9, 2023. We solicited bids from seven (7) consulting firms that work within California and received two (2) proposals, tabulated below in ascending cost order:

Consulting Firm	Total Cost
NBS	\$ 84,600
Raftelis	\$ 99,035

The proposals were reviewed and scored based on the weighted scoring as noted in the RFP. Both firms showed an overall understanding of the District's needs for this rate study. NBS has worked with the District in the past and conducted the last rate study in 2017. Raftelis' proposal addressed specific issues and concerns the District is currently facing in a succinct manner.

PRIOR COMMITTEE ACTION

The Budget & Finance Committee discussed this subject at its meetings on 02/08/23 and 01/18/23. At the 02/08/23 meeting, the Committee, chaired by Director Mahood, authorized to recommend to the Board that it publish the 2023 Rate Study Request for Proposals.

FISCAL IMPACT

\$99,035 - A rate study was included in the FY21-23 budget for \$100,000.

ENVIRONMENTAL IMPACT

None

ATTACHMENTS AND RELEVANT LINKS TO DISTRICT WEBSITE

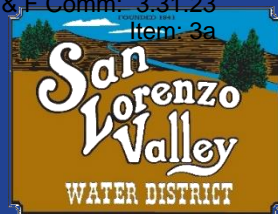
- Evaluation of Proposals For 2023 Rate Study
- NBS Proposal
- Raftelis Proposal
- 2023 Rate Study Request for Proposal
- Link to 02/09/23 Board of Directors Meeting Agenda
 - Item #11a New Business: Rate Study Request for Proposals
https://www.slvwd.com/sites/g/files/vyhlf1176/f/agendas/bod_agenda_2.2.23_with_backup.pdf
- Link to 02/09/23 Board of Directors Meeting Minutes
 - <https://www.slvwd.com/sites/g/files/vyhlf1176/f/minutes/bodminutes.2.2.23.pdf>
- Link to 2017 Rate Study:
https://www.slvwd.com/sites/g/files/vyhlf1176/f/uploads/slvwd_rate_and_connection_fee_study_report_final_with_appendix_0.pdf
- Link to 5 Year Water Rate Schedule from 2017 Rate Study:

https://www.slvwd.com/sites/g/files/vyhlif1176/f/uploads/2017_2022_water_rate_increase_schedule.pdf

**San Lorenzo Valley Water District
Evaluation of Proposals For 2023 Rate Study**

Weight	Consultant Name			Comments
	Executive Summary	NBS	Raftelis	
5%	Summarize the contents of your firm's proposal in a clear and concise manner.	4	5	Raftelis called out specifics of the District's needs
	Total	4	5	
	Factored Score	0.2	0.3	
25%	Project Description	NBS	Raftelis	Comments
	Explain the objective of the project and how you propose to accomplish the recognized goals.	3	5	NBS fully meets but was very lengthy Raftelis Project Description was more concise
	Describe the services and deliverables to be provided.	5	5	
	Include a statement on what makes your firm uniquely qualified.	5	5	
	Total	13	15	
Factored Score	3.3	3.8		
10%	Identification of Prime Consultant Firm and Subconsultants	NBS	Raftelis	Comments
	Info relating to name/address/form/contact info of firm	5	5	
	Total	5	5	
	Factored Score	0.5	0.5	
30%	Project Organization and Experience of Project Team	NBS	Raftelis	Comments
	Describe proposed project organization, including identification and responsibilities of key personnel, including subconsultants. Attach resumes of key personnel	5	5	
	Describe the experience of the Project Manager and the experience that the proposed personnel have working on past projects as a team.	3	5	Raftelis - more concise
	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.	3	5	
	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.	5	3	NBS includes all subtasks Raftelis is generalized
	Describe the firm's capacity to perform the work within the time limitations, considering the firm's current and planned workload and work force.	4	5	
	Total	20	23	
Factored Score	6.0	6.9		
20%	Consultant's Past Experience	NBS	Raftelis	Comments
	Describe the firm's past experience and performance on similar projects.	4	5	Raftelis showed more relevant experience to what the District is seeking
	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.	5	5	
	Total	9	10	
Factored Score	1.8	2.0		
10%	Proposed Total Professional Fee and Fee Schedules	NBS	Raftelis	Comments
	Proposed fee shall be organized with appropriate breakdown into subtasks.	5	3	NBS shows subtasks Raftelis shows general tasks
	Include the hourly rate of all staff that will be charged directly to the project.	5	3	NBS came in lower
	Total	10	6	
Factored Score	1.0	0.6		
100%	TOTAL FACTORED SCORE	12.8	14.0	

- Scoring Scoring Name
- 1 Does Not Meet
 - 2 Slightly Meets
 - 3 Partly Meets
 - 4 Mostly Meets
 - 5 Fully Meets



Aerial view of San Lorenzo Valley Water District via Google Earth

SAN LORENZO VALLEY WATER DISTRICT

Proposal for:

2023 Rate Study

March 13, 2023





870 Market Street, Suite 1223
San Francisco, CA 94102
Toll free: 800.434.8349

nbsgov.com

March 13, 2023

COVER LETTER

Kendra Reed
Director of Finance
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

RE: Proposal for 2023 Rate Study

Dear Ms. Reed,

Thank you for the opportunity to prepare the District's water and wastewater rate study. Since we are familiar with the District and helped design your current rates, we can ensure the completion of a draft study report by July 10, 2023 and implementation of the new rates by October this year.

Our proposal is tailored to your specific needs and offers a truly comprehensive approach to this study. Our project team includes Director Greg Clumpner, with 40 years of rate study experience, and Engineering Consultant Jeremy Tamargo, with nearly a decade of utility engineering experience. We understand the significance of the challenges the District is facing, such as the increasing costs for replacing fire-damaged pipelines, recent storm damages, and historical under-investment in repair and replacement costs documented in the District's water master plan and will fully address these concerns.

While NBS follows established industry standards and cost-of-service principles, our focus in this study will be more on tailoring our guidance and advice towards developing the best solutions for the District's unique circumstances. In other words, we feel that the real objective of this study is developing a funding approach that demonstrates efficient use of funds and ensures that customer rates are fair and equitable, beyond merely meeting Prop 218 requirements.

Thank you for the opportunity to provide a proposal to conduct a rate study for the District. Please contact me at 800.434.8349 or via email at smares@nbsgov.com if you have any questions or would like to discuss our professional qualifications further. We would genuinely like to work on this project and help the District successfully complete this important study.

Sincerely,

A handwritten signature in blue ink that reads "Sara Mares".

Sara Mares
Director

A handwritten signature in blue ink that reads "Greg Clumpner".

Greg Clumpner
Director

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1 | EXECUTIVE SUMMARY

Project Understanding – The District is facing significant challenges in the form of new cost estimates for replacing fire-damaged pipelines and other infrastructure, recent storm damages, and historical under-investment in repair and replacement (as documented in the District’s water master plan). These and related challenges require a truly comprehensive review of the District’s approach to funding these escalating costs, including costs recovered from fixed vs. variable rate, evaluating elevation zone charges, incorporating the costs of higher staffing levels, and funding future groundwater management costs.

The unfortunate reality is that the increasing costs of operating small-system water and wastewater utilities places a significant strain on utility budgets. Developing a funding approach that demonstrates efficient use of funds and ensures that customer rates are fair and equitable (beyond merely meeting Prop 218 requirements) is the real task of this study, and we understand the importance of this task.

Project Approach – Our proposal is structured to perform such a comprehensive review, effectively communicating with customers, and providing the administrative record necessary to comply with Prop 218.

While NBS follows established industry standards and cost-of-service principles,¹ we focus more on tailoring our guidance and advice to develop the best solutions for the unique circumstances of each study. We feel this is the best approach to ensuring that rates are fair, well understood, and acceptable (to the extent that is possible when rates are going up), rather than just meeting Prop 218 requirements. Specifically, we will examine the impacts the 2015 San Juan Capistrano court decision² may have on rate design, establish a sound rationale for how costs are allocated to customer classes, and will demonstrate the cost-basis for the proposed rates. Additionally, we will present alternatives that ensure that projected rates over the next five- and 10-year periods provide sufficient revenues to cover District-selected levels of funding.

This process involves working cooperatively with District staff to develop financial plans, rate-design alternatives, and other adjustments that result in practical and implementable rates. NBS will provide the leadership necessary to guide the District through this process and explain the key concerns, available options, and the strengths and weaknesses of various alternatives.

Some of the key benefits of our proposal include:

- **Ensuring Revenue Sufficiency and Stability:** NBS will review all revenue sources and develop a financial plan that will fully fund the District’s operating, maintenance, capital improvements costs, as well as meet other financial obligations, such as debt service requirements and adequate reserve levels.
- **Defensibility of Cost-of -Service Analysis:** NBS has the expertise to meet all Proposition 218 requirements, but specifically how to explore the range of cost-of-service alternatives available.
- **Recommending New Rate Alternatives and Supporting the Adoption Process:** Beyond developing and recommending insightful rate alternatives, NBS will assist District staff in communicating the study recommendations in presentations to the District Board and the public.

The following sections explain our detailed approach to this study.

¹ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, M1 Manual, American Water Works Association, Seventh Edition, 2017, and the *Water Environment Federation’s Financing and Charges for Wastewater Systems* (M27).

² *Capistrano Taxpayer’s Association, Inc. vs. City of San Juan Capistrano*.

2 | PROJECT DESCRIPTION

Methodology

NBS follows established industry standards and the cost-of-service principles embodied in manuals, such as the American Water Works Association’s *Principles of Water Rates, Fees, and Charges*,³ also referred to as Manual M1, and the Water Environment Federation’s *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27). We will provide guidance and advice throughout the rate study to ensure that rates not exceed the proportionate cost of providing the service and that rate alternatives developed in this study comply with Proposition 218 requirements. This methodology is outlined in the figure below.

Figure 1. Components of a Comprehensive Rate Study



Based on the 2015 San Juan Capistrano court decision, municipal agencies are required to demonstrate the cost basis for utility rates, specifically the requirement that tiered rates reflect the actual cost of water, as well as providing sufficient revenues to cover all operational and administrative costs. As a result, this rate study will clearly outline the rationale for how costs have been equitably allocated to customer classes, the equity of the rate designs, and the cost basis for rate alternatives.

NBS will work cooperatively with District staff to develop financial plans and rate recommendations that are well suited to the District’s needs. Based on this input, we expect to make adjustments that result in practical and implementable rates and explain the key concerns as well as the strengths and weaknesses of the various options. The following sections provide additional details.

Scope of Services

TASK 1 – KICK-OFF MEETING AND DATA COLLECTION

NBS will provide the District with a data request and hold a kickoff meeting (by videoconference) to review and discuss the data requirements for the study, scope of work, study timeline, and ensure there is a clear understanding of how the study objectives will be met. The data required to conduct the study includes information, such as:

- Financial data typically reported in financial statements.

³ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, M1 Manual, American Water Works Association, Seventh Edition, 2017.

- Operating and maintenance budget for each utility including water supply costs, wastewater treatment, personnel costs, and infrastructure replacement costs.
- Customer billing information, such as water meter sizes, customer class, property type, and monthly water consumption within each customer class.
- Current cash balances in each reserve fund for each of the utilities.
- Capital Improvement and/or Master Plans.
- Details of total annual rate revenue for residential and commercial customers for the past two years.

TASK 2 – FINANCIAL PLAN AND REVENUE REQUIREMENTS

NBS will prepare financial plans for each utility that summarize revenues, expenditures, reserves, and will identify the net revenue requirements – that is, the revenue that must be collected from customer charges. More specifically, since the District is facing significantly higher capital-related costs, evaluating the available combinations of cash- vs. debt-funding will be a key component of this task.

Task deliverables will include, for each utility:

- A 10-year financial projection model that will serve as a financial “roadmap.”
- Summary of current and projected net revenue requirements.
- Updated reserve fund policies and targets potentially including reserves for operations, rate stabilization, repair and replacement, debt service, and capital projects.
- Projected year-end reserve fund levels.
- Amounts of cash- vs. debt-funding for projected capital costs.
- Calculated debt service coverage ratios.

These financial plans will lay the groundwork for the cost-of-service and rate design analyses addressed in Tasks 2 and 3. The following subtasks are anticipated:

- 1. Projected Revenues and Expenditures** – NBS will prepare a 10-year rate model for each utility that projects revenues, expenses, and increases in rate revenue needed to meet all obligations. The analysis will use a cash-basis approach when addressing the District’s system of accounts. The work will provide the District with a financial tool that is able to model future rate adjustments as operating and maintenance costs and infrastructure costs change over time. The District’s projected customer growth rates from master plan documents and planned cost inflation factors will be incorporated into the analysis.
- 2. Evaluate Reserve Fund Sufficiency** – NBS will evaluate the sufficiency of existing reserve funds, target reserves, reserve fund policies, and related issues, such as meeting debt service coverage ratios. NBS will provide recommendations for reserve fund targets tailored to the District’s projected funding needs. If there is a projected deficit in reserves, we can also consider a phased-in approach to funding reserves that minimizes the impact to ratepayers.
- 3. Review Capital Improvement Program Funding** – NBS will incorporate the District’s plans for new facilities, infrastructure improvements, and asset replacement into the financial plan. We will collaborate with District staff to evaluate funding alternatives that consider the timing, costs, and available reserves needed to fund District-selected funding levels. The solution will include an appropriate balance between rate (pay-as-you-go) and debt funding. NBS will develop up to three scenarios to fund the capital improvement program for modeling and comparison purposes.

The financial plans will be presented in a format similar to that shown in **Figure 2** and **Figure 3** and will be tailored to the District’s chart of accounts. Reserve fund policies will also be evaluated and presented in a format like that shown in **Figure 4** and **Figure 5**.

Figure 2. Example of a Financial Plan Summary

Summary of Sources and Uses of Funds and Net Revenue Requirements	5-Year Rate Projected Period					
	Projected FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 38,263,685	\$ 38,671,900	\$ 39,080,115	\$ 39,488,331	\$ 39,896,546	\$ 40,304,761
Power Sales	23,184	23,184	23,184	23,184	23,184	23,184
Reclamation Water Sales	1,195,619	1,097,717	1,109,304	1,120,892	1,132,479	1,144,066
Other Revenue	4,109,946	4,218,364	4,278,335	4,305,358	4,336,144	4,359,874
Total Sources of Funds	\$ 43,592,434	\$ 44,011,165	\$ 44,490,939	\$ 44,937,765	\$ 45,388,353	\$ 45,831,886
Uses of Water Funds						
Operating Expenses	\$ 29,445,560	\$ 30,475,431	\$ 32,146,093	\$ 33,864,016	\$ 35,640,013	\$ 37,516,800
Debt Service	1,338,950	1,344,150	1,344,650	1,342,650	1,344,450	1,339,850
Rate-Funded Capital Expenses	10,745,230	15,709,880	15,466,303	15,737,019	14,905,625	16,517,431
Total Use of Funds	\$ 41,529,740	\$ 47,529,461	\$ 48,957,046	\$ 50,943,685	\$ 51,890,089	\$ 55,374,082
Surplus (Deficiency) before Rate Increase	\$ 2,062,694	\$ (3,518,296)	\$ (4,466,107)	\$ (6,005,920)	\$ (6,501,735)	\$ (9,542,195)
Additional Revenue from Rate Increases	2,514,013	5,567,550	6,619,143	7,713,543	8,851,923	10,035,491
Surplus (Deficiency) after Rate Increase	\$ 4,576,707	\$ 2,049,254	\$ 2,153,037	\$ 1,707,623	\$ 2,350,188	\$ 493,295
Projected Annual Rate Increase	13.00%	2.20%	2.20%	2.20%	2.20%	2.20%
Cumulative Rate Increases	0.00%	2.20%	4.45%	6.75%	9.09%	11.49%
Net Revenue Requirement²	\$ 35,670,871	\$ 41,493,247	\$ 42,789,286	\$ 44,674,583	\$ 45,513,033	\$ 48,893,172
Debt Coverage Ratio (After rate increases)	14.75	16.56	16.51	16.46	16.36	16.29

Figure 3. Example of a Financial Plan Summary

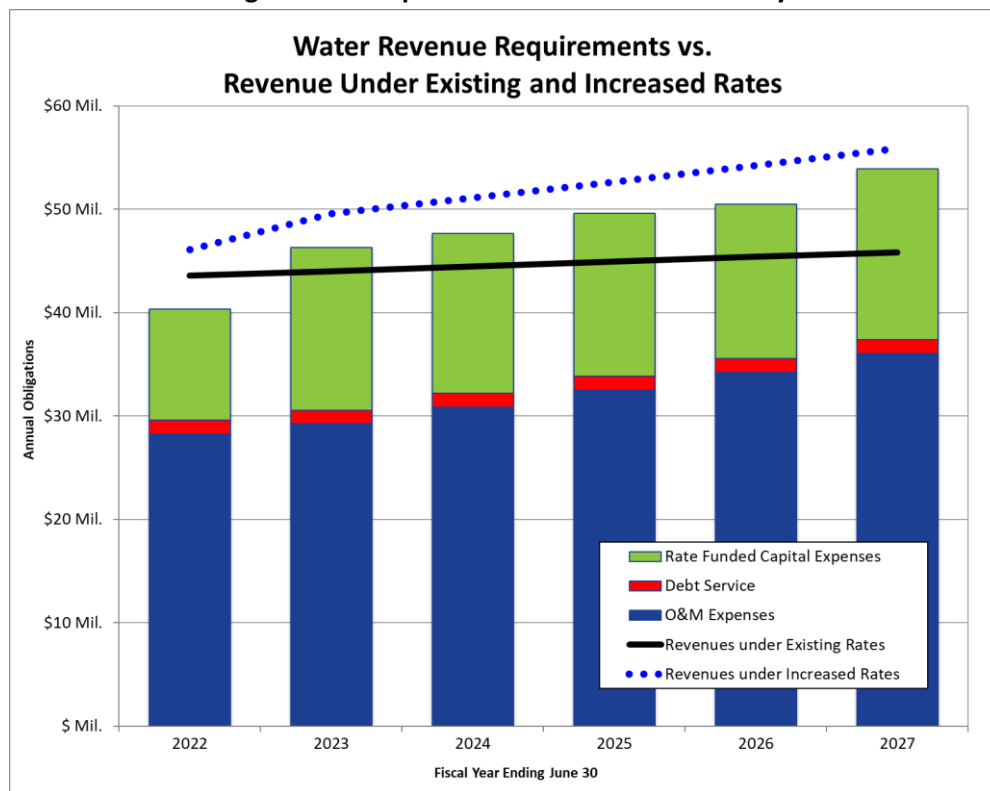
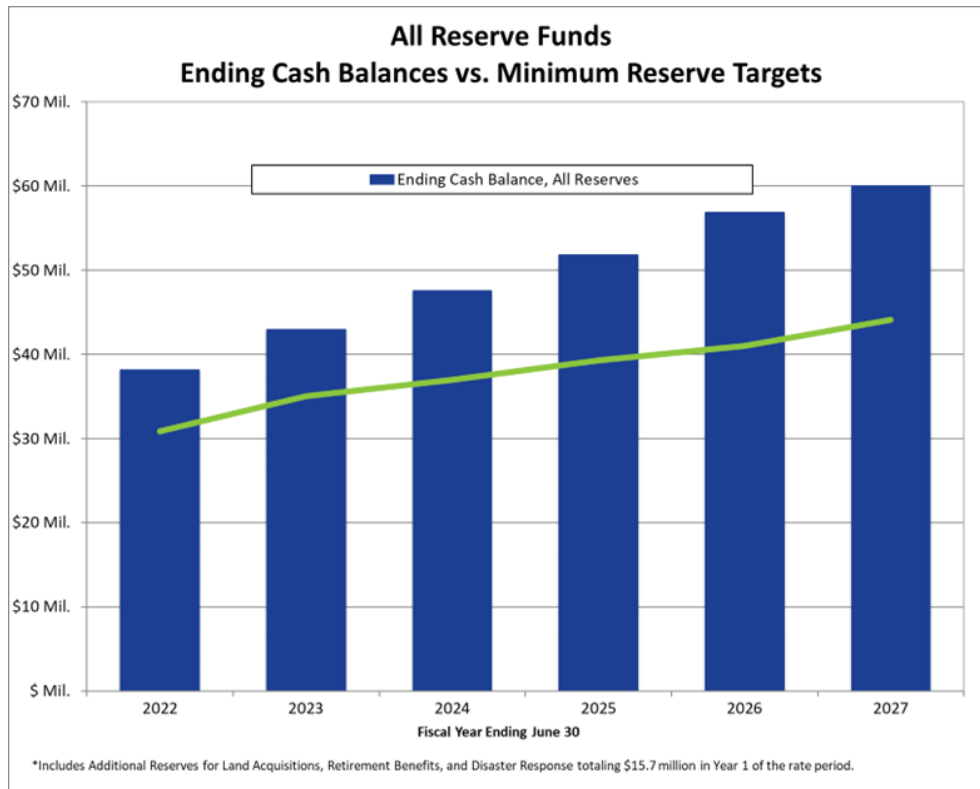


Figure 4. Example of a Financial Reserve Fund Summary

Beginning Reserve Fund Balances and Recommended Reserve Targets	Projected	5-Year Rate Projected Period				
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Operating Reserve						
Ending Balance	\$ 19,558,698	\$ 22,670,190	\$ 23,346,113	\$ 24,300,191	\$ 24,732,727	\$ 26,432,580
<i>Recommended Minimum Target</i>	<i>19,706,874</i>	<i>22,670,190</i>	<i>23,346,113</i>	<i>24,300,191</i>	<i>24,732,727</i>	<i>26,432,580</i>
Capital Rehabilitation & Replacement Reserve						
Ending Balance	\$ 3,135,000	\$ 4,636,845	\$ 8,378,777	\$ 11,475,624	\$ 15,817,910	\$ 17,120,274
<i>Recommended Minimum Target</i>	<i>11,128,000</i>	<i>12,382,000</i>	<i>13,637,700</i>	<i>14,946,700</i>	<i>16,246,700</i>	<i>17,679,400</i>
Total Ending Balance	\$ 22,693,698	\$ 27,307,034	\$ 31,724,890	\$ 35,775,815	\$ 40,550,637	\$ 43,552,854
<i>Total Recommended Minimum Target</i>	<i>\$ 30,834,874</i>	<i>\$ 35,052,190</i>	<i>\$ 36,983,813</i>	<i>\$ 39,246,891</i>	<i>\$ 40,979,427</i>	<i>\$ 44,111,980</i>
Additional Reserves						
Ending Balance	\$ 15,453,827	\$ 15,662,887	\$ 15,874,774	\$ 16,089,528	\$ 16,307,187	\$ 16,527,791
Ending Balance - All Reserves	\$ 38,147,526	\$ 42,969,921	\$ 47,599,665	\$ 51,865,343	\$ 56,857,825	\$ 60,080,645

Figure 5. Example of a Financial Reserve Fund Summary



TASK 3 – COST-OF-SERVICE ANALYSIS

Using the net revenue requirements developed in Task 2, we will equitably allocate costs to each customer class based on cost-of-service principles that comply with Prop 218. NBS will review the District’s existing customer classifications for each utility and analyze the historical usage characteristics to determine the changes needed to ensure equity among user classes or comply with industry standards.

Based on the District’s budgets, NBS will evaluate how costs should be allocated to various cost components and types of customers, for each utility. The following subtasks explain the differences for each utility.

3.1 Water Cost-of-Service Analysis

NBS will prepare a cost-of-service analysis to equitably allocate the revenue requirements to the individual customer classes based on industry standards. We will review existing customer classes and analyze the historical characteristics by customer class. The main components of this analysis are as follows:

- 1. Functionalization/Classification of Expenses** – Functionalizing the expenses means arranging costs into basic categories, such as source of supply, treatment, transmission, and distribution, as well as administrative and overhead costs. Once the costs have been functionalized, they are then classified into their various cost components (i.e., capacity, commodity, or customer-related costs).
- 2. Allocation of Costs to Customer Classes** – These costs are then allocated to individual customer classes based on allocation factors specific to each cost classification, producing fixed and variable revenue requirements for each customer class. These allocations will be used for the actual rate calculations.

Figure 6 provides examples of how water revenue requirements are classified and then allocated to customer classes to establish the amount of rate revenue collected from each customer class. **Figure 7** and **Figure 8** provide examples of how commodity- and capacity-related costs are allocated to customer classes. **Figure 9** is an example of how allocated costs are summarized for each customer class.

Figure 6. Classification of Water Revenue Requirements

Customer Classes	Classification Components					Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	Commodity-Related Costs (Variable Portion)	Capacity-Related Costs (Variable Portion)	Commodity-Related Costs (Fixed Portion)	Capacity-Related Costs (Fixed Portion)	Customer-Related Costs		
Single Family Residential	\$ 2,581,016	\$ 2,030,191	\$ -	\$ 1,482,569	\$ 606,609	\$ 6,700,385	71.4%
Multi-Family Residential	577,882	412,354	-	301,126	43,817	1,335,180	14.2%
Commercial	192,008	142,028	-	103,718	17,168	454,922	4.8%
Private Mutuals	48,902	51,869	-	37,878	512	139,161	1.5%
Institutional/Governmental	201,762	225,275	-	164,509	4,527	596,072	6.4%
Landscape	38,745	59,564	-	43,497	1,196	143,002	1.5%
Fire Service accounts	-	-	-	-	-	-	0.0%
Vacant	2,143	3,148	-	2,299	4,954	12,544	0.1%
Total Net Revenue Requirement	\$ 3,642,457	\$ 2,924,429	\$ -	\$ 2,135,597	\$ 678,783	\$ 9,381,267	100%
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE</i> \$6,566,887		<i>FIXED</i> \$2,814,380			\$9,381,267	
<i>Percent by Component</i>	39%	31%	0%	23%	7%	100%	

Figure 7. Example of Commodity Allocation Factor

Customer Class	Volume (ccf)	Conservation for Test Year	Adjusted Volume with Conservation	Percent of Total Volume
Single Family Residential	459,680	0.4%	457,673	70.9%
Multi-Family Residential	102,921	0.4%	102,472	15.9%
Commercial	34,197	0.4%	34,047	5.3%
Private Mutuals	8,710	0.4%	8,671	1.3%
Institutional/Governmental	35,934	0.4%	35,777	5.5%
Landscape	6,901	0.4%	6,870	1.1%
Fire Service accounts	-	0.4%	-	0.0%
Vacant	382	0.4%	380	0.1%
Total	648,724	--	645,891	100%
Surplus Water accounts (2)	4,109	0.0%	4,109	0.6%
Grand Total	652,832	0.4%	650,000	101%

Figure 8. Example of Capacity Allocation Factor

Customer Class	Average Monthly Use (ccf)	Peak Monthly Use (ccf)	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	38,307	53,529	1.40	69.4%
Multi-Family Residential	8,577	10,872	1.27	14.1%
Commercial	2,850	3,745	1.31	4.9%
Private Mutuals	726	1,368	1.88	1.8%
Institutional/Governmental	2,994	5,940	1.98	7.7%
Landscape	575	1,571	2.73	2.0%
Fire Service accounts	0	0	0.00	0.0%
Vacant	32	83	2.61	0.1%
Total	54,060	77,107	1.43	100%
Surplus Water accounts (2)	342	972	2.84	1.2%
Grand Total	54,403	78,079	1.44	101%

Figure 9. Example of Allocation of Water Revenue Requirements to Customer Classes

Customer Class	Number of Meters	Percent of Total
Single Family Residential	7,102	89.4%
Multi-Family Residential	513	6.5%
Commercial	201	2.5%
Private Mutuals	6	0.1%
Institutional/Governmental	53	0.7%
Landscape	14	0.2%
Fire Service accounts	-	0.0%
Vacant	58	0.7%
Total	7,947	100.0%

3.2 Sewer Cost-of-Service Analysis

NBS will follow a similar cost allocation process used in the water for the sewer cost-of-service analysis. We will rely on the District’s sewer budget to classify all expenses into their various cost components, such as flow (volume), strength (BOD, or COD, and TSS), and customer-related costs. With the District’s customer billing data, we will develop the customer usage statistics, or allocation factors, that will be used to assign costs to each customer class. The allocations will consider water consumption data, sewer treatment plant flow and loading data, and industry standard customer classification data. The cost allocation factors that will be developed include:

- Volume Allocation Factor – Estimates of the total annual volume of wastewater treated for each customer class.
- Strength Allocation Factors – Estimates of the annual pounds of Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) collected for each customer class.
- Customer Allocation Factors – Calculate the number of customers by customer class in the District’s sewer service area.

NBS will then apportion the costs to individual customer classes based on the allocation factors specific to each cost classification, producing fixed and variable revenue requirements for each customer class. These allocations will be used in the actual rate calculations for each customer class.

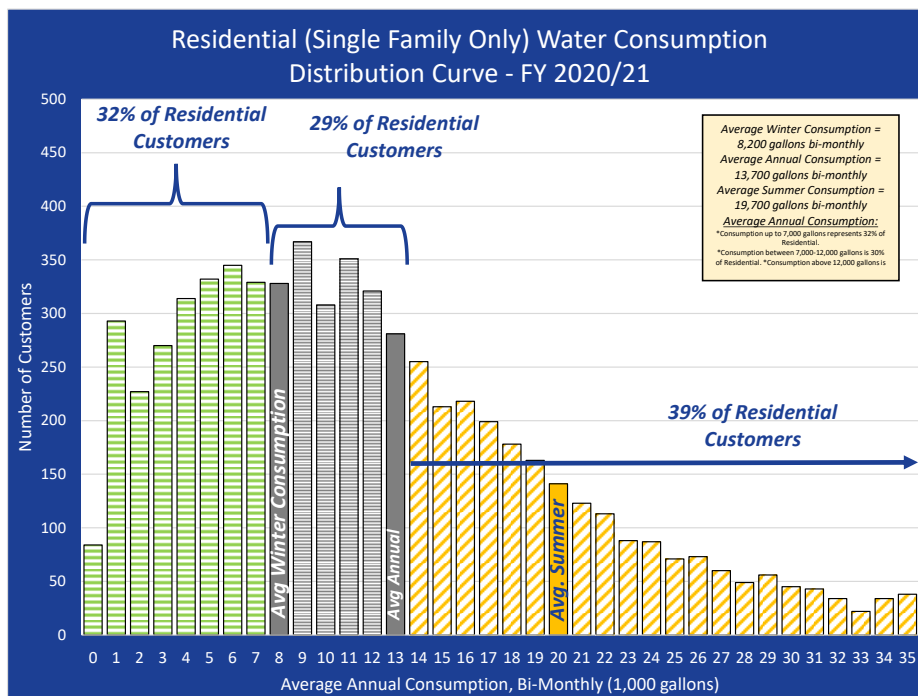
TASK 4 – RATE DESIGN ANALYSIS

The District has identified several key components that will need to be addressed in the rate-design task. These include (1) tiered rates, (2) bulk water user rates, (3) drought surcharges, (4) capital improvement surcharges, (5) elevation zone charges, and (6) low-income rate assistance. NBS will work with District staff to review the current utility rate structures and alternatives that address each of these categories. The following subtasks are anticipated:

4.1 Analysis of Consumption Patterns

NBS will evaluate the number of customers at various levels of consumption (see **Figure 10**) and the total water use that occurs within each tier. This analysis can be used to quantify the consumption changes in the last few years, for example those related to Covid-19 and drought restrictions. This will help better project future demands.

Figure 10. Consumption Distribution Analysis



The District’s most recent water consumption data will be used for this analysis to ensure an accurate projection of the both the consumption occurring in each tier and the revenue that will be collected within each tier. This also allows for testing various rate structure alternatives (e.g., changing the fixed/variable percentages and/or tier breakpoints) and can improve the accuracy in designing water rate tiers and ensure that sufficient rate revenue is recovered.

Consumption data will also be used to evaluate the impact of various conservation levels on drought rate alternatives designed to offset revenue losses.

4.2 Develop Rate Design Recommendations

Recommended utility rates will be developed based on the consumption data and the cost-of-service analysis, and we will include a discussion of the relative merits (i.e., pros and cons) of the current rate structures compared to each of these six rate design components mentioned above. This process includes discussions with the District regarding the trade-offs of rate structure complexity vs. benefits. For example,

the District identified 37 elevation zones; while separate rates for each zone may be possible, we could look for natural groupings of zones that basically accomplish this objective with far fewer zones.

Bulk water user rates, drought rates, and low-income customer assistance rates are fairly straight forward; we have developed similar rates for many utilities. Other components, such as capital improvement surcharges, can be developed and we would suggest coordinating these types of rates with reserve levels (i.e., what the conditions for charging the surcharge are, how it corresponds to capital reserve levels, etc.).

Tiered rates need to reflect the costs of groundwater pumping vs. surface supplies, and evaluated within the ratio of fixed vs. variable costs embedded in the rate design alternatives (e.g., a 70/30 fixed/variable vs. an 80/20 fixed variable option). In light of the District's limited storage capacities, another rate design option may be seasonal rates that addresses the higher costs during summer when limited rainfall makes it more difficult to provide both supply and storage (i.e., vs. winter time when surface supplies are more abundant).

General Rate Design Criteria – NBS' general approach is to ensure that there are no significant under-collections of rate revenue, which represents a "worse case" scenario. This reduces the chance of under-funding reserves. Other criteria that NBS will discuss with District staff include:

- The allocation of costs between fixed and volumetric rates and how this affects revenue stability.
- How water conservation is reflected in the water rates.
- How annual consumption patterns have been affected by drought and conservation efforts and how those changes should be considered in the rates on a going-forward basis (many utilities are also realizing that there are Covid-related impacts that need to be considered).
- How much water is allocated to each tier, how much revenue should be collected within each tier, and whether there are sufficient differences between tiered rates to encourage conservation.
- Impacts on customer bills by level of consumption. (low-, medium-, and high-levels of water use).

The rate structure alternatives selected will ultimately provide the basis for comparing customer bills under both the current and new rate structures. However, alternative rate structures will be "revenue neutral" because they will all collect the same amount of revenue, both in total and within each customer class.

4.3 Calculate Fixed and Volumetric Charges

In true cost-of-service methodologies, fixed charges ideally cover all fixed costs. However, since pricing signals are often used to encourage water conservation, many water utilities struggle with revenue stability during times of uncertain demands, particularly State-mandated conservation implemented during the drought.

In contrast, volumetric rates should cover variable costs and be allocated in proportion to consumption. However, the emphasis on conservation typically results in collecting some fixed costs through volumetric rates. While this exposes water utilities to revenue instability (e.g., when consumption drops and the utility fails to cover all the fixed costs), the use of rate stabilization reserves and drought rates can offset these challenges.

Determining the best combination of fixed and variable charges is also influenced by other factors, such as ease of understanding and ease of administration. NBS will work with District staff to develop an appropriate balance between fixed and variable charges in the new utility rates.

4.4 Calculate Drought Rates

Corresponding to the specific levels of conservation, NBS will prepare drought rates that account for the revenue losses and the variable costs that decrease when the District sells less water. These drought rates

are calculated in a revenue-neutral manner that mitigates a net loss in rate revenue and are intended to go into effect whenever the District declares it is in a specific stage of its adopted drought mitigation plan.

4.5 Other Rates and Surcharges

NBS will prepare other water rates including elevation zone based rates, bulk water rates, low-income assistance rates, and capital improvement surcharges. Of these options, elevation zone rates will likely be the most complicated and require the District to identify costs for each zone (e.g., pumping costs, capital and O&M costs related to the number of pumps used for each zone, and the monthly quantities of water provided to each zone). As noted above, we would suggest considering grouping similar zones together to simplify the rate structure.

Bulk water rates are fairly straight-forward and should reflect direct costs vs. costs not directly serving these customers. For example, bulk water customers should not be allocated peaking related costs, assuming they receive their deliveries during non-peak periods.

Low-income assistance rates are only limited by the source of funds: as long as they are funded by unrestricted revenues (interest earnings, revenue from penalties, surplus sale of equipment, etc.) they should pass Prop 218 requirements.

Unlike drought rates, capital improvement surcharges are directly related to infrastructure costs, which are generally considered fixed cost and should be recovered through fixed vs. volumetric surcharges. Peaking factors are one means of measuring the amount of demand each customer class places on the District's infrastructure.

4.6 Comparison of Customer Bills

NBS will prepare rate tables and monthly bill comparisons for each utility that compare the impact of each rate alternative (up to three rate alternatives). Each customer class will have a separate bill comparison as shown in **Figure 11**. We can also provide results in tabular form as shown in **Figure 12**. These tables and figures will be used as needed in the report and in presentations with the Board and the public.

Figure 11. Example of Residential Water Bill Comparison

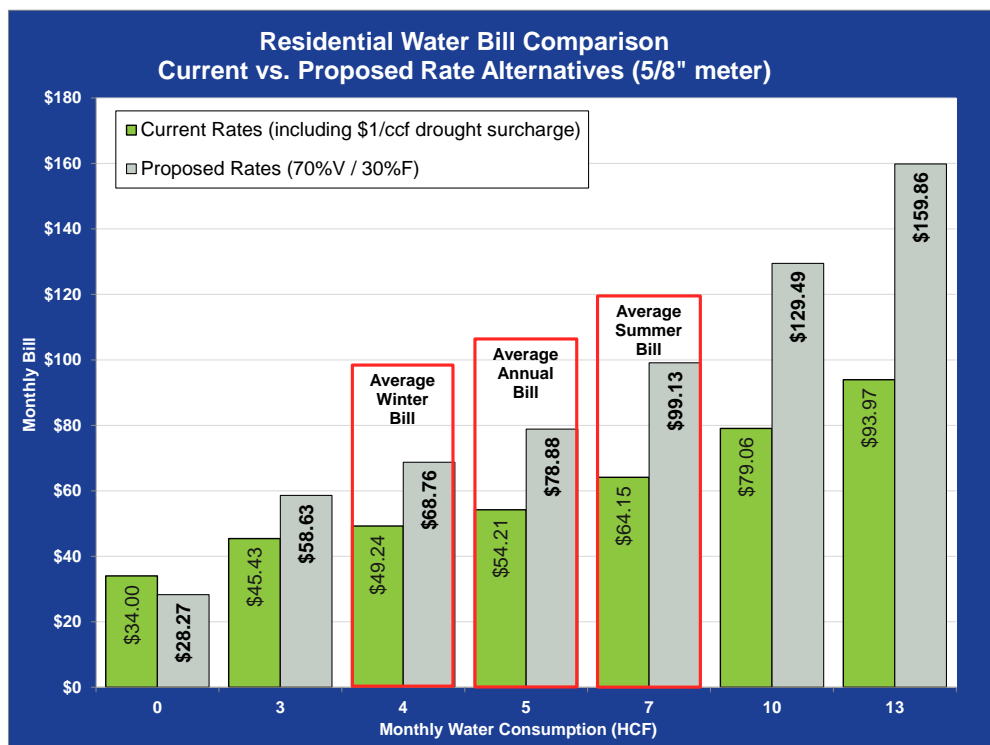


Figure 12. Example of Residential Water Bill Comparison (Table Format)

CCF per Month	Current Rates			Rate Alt #1 - Revenue Reqts (Allocation - 70% Fixed / 30% Variable)			Rate Alt #2 - Revenue Reqts (Revenue Allocation - 50% Fixed / 50% Variable)		
	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
0	\$34.00	\$0.00	\$34.00	\$65.43	\$ -	\$ 65.43	\$46.85	\$ -	\$ 46.85
1	\$34.00	\$3.81	\$37.81	\$65.43	\$ 4.34	\$ 69.76	\$46.85	\$ 7.23	\$ 54.08
2	\$34.00	\$7.62	\$41.62	\$65.43	\$ 8.68	\$ 74.10	\$46.85	\$ 14.46	\$ 61.31
3	\$34.00	\$11.43	\$45.43	\$65.43	\$ 13.02	\$ 78.44	\$46.85	\$ 21.69	\$ 68.54
4	\$34.00	\$15.24	\$49.24	\$65.43	\$ 17.35	\$ 82.78	\$46.85	\$ 28.92	\$ 75.77
5	\$34.00	\$20.21	\$54.21	\$65.43	\$ 21.69	\$ 87.12	\$46.85	\$ 36.15	\$ 83.00
6	\$34.00	\$25.18	\$59.18	\$65.43	\$ 26.03	\$ 91.46	\$46.85	\$ 43.38	\$ 90.23
7	\$34.00	\$30.15	\$64.15	\$65.43	\$ 30.37	\$ 95.79	\$46.85	\$ 50.61	\$ 97.46
8	\$34.00	\$35.12	\$69.12	\$65.43	\$ 34.71	\$100.13	\$46.85	\$ 57.84	\$104.69
9	\$34.00	\$40.09	\$74.09	\$65.43	\$ 39.05	\$104.47	\$46.85	\$ 65.08	\$111.92
10	\$34.00	\$45.06	\$79.06	\$65.43	\$ 43.38	\$108.81	\$46.85	\$ 72.31	\$119.15
11	\$34.00	\$50.03	\$84.03	\$65.43	\$ 47.72	\$113.15	\$46.85	\$ 79.54	\$126.38
12	\$34.00	\$55.00	\$89.00	\$65.43	\$ 52.06	\$117.49	\$46.85	\$ 86.77	\$133.61
13	\$34.00	\$59.97	\$93.97	\$65.43	\$ 56.40	\$121.82	\$46.85	\$ 94.00	\$140.84
14	\$34.00	\$64.94	\$98.94	\$65.43	\$ 60.74	\$126.16	\$46.85	\$101.23	\$148.07
15	\$34.00	\$69.91	\$103.91	\$65.43	\$ 65.08	\$130.50	\$46.85	\$108.46	\$155.30
16	\$34.00	\$75.87	\$109.87	\$65.43	\$ 69.41	\$134.84	\$46.85	\$115.69	\$162.53
17	\$34.00	\$81.83	\$115.83	\$65.43	\$ 73.75	\$139.18	\$46.85	\$122.92	\$169.76
18	\$34.00	\$87.79	\$121.79	\$65.43	\$ 78.09	\$143.52	\$46.85	\$130.15	\$177.00
19	\$34.00	\$93.75	\$127.75	\$65.43	\$ 82.43	\$147.85	\$46.85	\$137.38	\$184.23
20	\$34.00	\$99.71	\$133.71	\$65.43	\$ 86.77	\$152.19	\$46.85	\$144.61	\$191.46

TASK 5. PREPARE WRITTEN STUDY REPORT

NBS will prepare draft and final study reports for each utility and work with District staff to review drafts of these reports prior to public release. Our emphasis will be to present a clear and concise report with an executive summary of no more than two pages. Key assumptions, methodologies, and factors affecting the development of the proposed rates will be highlighted with charts and graphs when helpful. In addition, more technical aspects of the study, particularly the tables documenting the calculations and sources of data, will be separately provided in the technical appendix.

TASK 6 – MEETINGS AND PRESENTATIONS

NBS will provide about five (5) meetings with District staff regarding data collection, analysis, initial results, and to answer questions staff may have. We assume that progress meetings with staff will be remote/virtual. We have also budgeted for three (3) public meetings which include one (1) District Budget & Finance Committee Meeting, one (1) District Board Meeting, and one (1) public hearing workshop. Our cost proposal has provided the additional costs for in-person meetings and offers the District the option to select the format of the meetings.

TASK 7 – PROPOSITION 218 ASSISTANCE

NBS will work with District staff to answer questions that come up and guide you through the adoption process. NBS tasks include providing the necessary tables, as well as general guidance as needed to comply with the Proposition 218 process for adopting and implementing new water and sewer rates and the preparation of the draft notices. *(Note: our assistance is limited to the hours allocated in the study budget.)*

If desired, NBS can assist with preparation of the Proposition 218 Notices and associated mailing databases. A fee and estimated expenses can be provided upon request.

Optional Service | Public Education / Outreach

INITIAL RESEARCH - KICK-OFF MEETING & PROJECT SCHEDULE

NBS will communicate with the District throughout the project's duration to clarify the District's goals, identify any particular circumstances, and develop a realistic project schedule. NBS will meet with District staff, legal counsel, and other interested parties to:

- Establish lines of communication.
- Clarify the specific project goals and criteria that will meet the District's preference.
- Identify and resolve any special circumstances regarding the engagement process.
- Develop an outreach plan to provide clear education to ratepayers.

OUTREACH MEETINGS

- Host and facilitate up to two virtual or in-person meetings to help educate the community on rates and allow community members to discuss items of importance.
- One or more postcards will be created to announce the community meetings.
- Lead meetings with a core focus on the water and sewer rate structures' foundational principles.
- Develop action items based on feedback received at community meetings.
- Record virtual community meetings to be shared on CivicMic.com, the District webpage, and social media sites.

DEVELOP ONLINE RATE CALCULATORS

NBS will develop online rates calculators so customers can find new rates based on current usage information. A link to the calculators will be provided for the District to place directly on the District webpage in addition to the CivicMic webpage.

WEBPAGE CREATION - DEVELOP AND DEPLOY CONTENT TO A DEDICATED WEBPAGE AND SOCIAL MEDIA

This task includes but is not limited to the items below. A link will be provided for the District website to send community members directly to **CivicMic.com**.

- Rate calculators or bill estimator – one for sewer and one for water
- Background on the need for increased rates
- History of use of current funds available to the District
- Timeline of anticipated events
- Legislative updates
- Meeting announcements and minutes
- Recorded meetings
- Copies of 218 notices

EDUCATIONAL FLYER

NBS will create a **multilingual** flyer that answers frequently asked questions, explains items such as rate tiers and fixed rates, and supports the 218 process.

EMAIL CAMPAIGN - ESTABLISHMENT OF A LISTSERV

Using the CivicMic platform, we will establish an email contact list for participants in this engagement. Content post to the CivicMic website will be sent directly to all listserv participants. Ways to sign up for CivicMic.com will be shared on meeting announcement postcards and at community meetings.

COMMUNITY SUPPORT - PROVIDE PHONE AND EMAIL SUPPORT THROUGHOUT THE PROCESS

A toll-free phone number will be provided for use by the District, community members, and any other interested parties. Bilingual staff will be available for Spanish-speaking community members. In addition, community members can submit questions directly to CivicMic.com.

Statement of Qualifications for NBS' Utility Rate Group

NBS' Utility Rate Group focuses on utility rates in California, including rates for water, sewer, stormwater, and solid waste agencies. We also prepare system development charges, various management consulting studies, and provide expert witness assistance on Prop 218-related challenges. This Group is comprised of recognized leaders in the field of utility rates who often teach continuing education courses, present technical topics at industry conferences, and participate in Prop 218 public workshops to help adopt new utility rates.

Demonstrated Expertise – NBS' expertise in water and sewer rates is demonstrated by several unique and recent engagements this group has performed:


- **Expert Witness and Legal Assistance** – NBS has provided legal assistance in defending several recent and ongoing lawsuits against water districts in the form of extensive testimony rebuttal and analysis of industry standards in rate-making for some of California's top Prop 218 attorneys.
- **Improving Rate Practice Methodologies** – To support the interim rate review for the Los Angeles Department of Water and Power, NBS evaluated demand forecasting methodologies to improve financial planning and rate-setting practices and the impacts of changes in temperature zones on customer water budgets.
- **Published Articles** – NBS staff have published numerous articles over the years, including several in recent years in the Journal of the American Water Works Association (JAWWA). (*See Greg Clumpner's resume for details.*)

Proposition 218 Adoption – In addition to our high-level of participation in Prop 218 hearings, we also have working relationships with some of the State's top attorneys specializing in Prop 218 law and have ongoing work for several clients involving cutting-edge Prop 218 rate analyses. In short, we are confident that we can successfully guide the District through the challenges that Prop 218 presents for its water rates.

Senior Project Management Team – NBS' principal-in-charge, Greg Clumpner, represents one of the most experienced rate consultants in the industry today. He has completed more than 450 similar studies for public utility clients as well as a wide-range of water and sewer-related financial, operational, and planning studies.

The Ultimate Proof of NBS' Qualifications – We believe that the best proof of our qualifications and our success is what our clients say about our consulting services. We have included our references in Section 5 to demonstrate this point, and we encourage you to contact these references.

3 | FIRM OVERVIEW



AT-A-GLANCE: HELPING COMMUNITIES FUND TOMORROW

27 In Business **100% ESOP** NBS is a 100% employee-owned S-Corporation
YEARS

NBS HEADQUARTERS
32605 Temecula Pkwy | Suite 100
Temecula, CA 92592

SAN FRANCISCO REGIONAL OFFICE
870 Market Street | Suite 1223
San Francisco, CA 94102

CONTACT
Sara Mares | 800.434.8349
smares@nbsgov.com

LEGAL NAME DBA **57**
NBS Government Finance Group NBS **EMPLOYEES**

INDIVIDUAL AUTHORIZED TO NEGOTIATE AGREEMENT
Michael Rentner, President

Since 1996, NBS has supported California municipalities with the implementation and ongoing administration of local funding tools.

While the firm originally focused on Special Financing Districts (SFDs), specifically the formation and administration of special assessments and taxes, we have evolved with our clients' needs and now provide a full range of revenue consulting services. We focus on sustainable water and wastewater utility rate programs, cost allocation plans, cost recovery, and legally justified fee design. Across all practice areas, we have worked with more than **500 public agencies** to date, including cities, counties, school districts, utilities, and special districts.

Utility Rate Group

The NBS Utility Rate Group ensures your utility rates, system capacity fees, and financial plans provide an appropriate level of funding and are also justifiable in a fluid legal and regulatory environment.

500 STUDIES PERFORMED

We act as strong advocates for our many utility clients to ensure that rates and fees address the multitude of challenges facing each community. Just ask the municipalities where we have performed more than 500 studies!

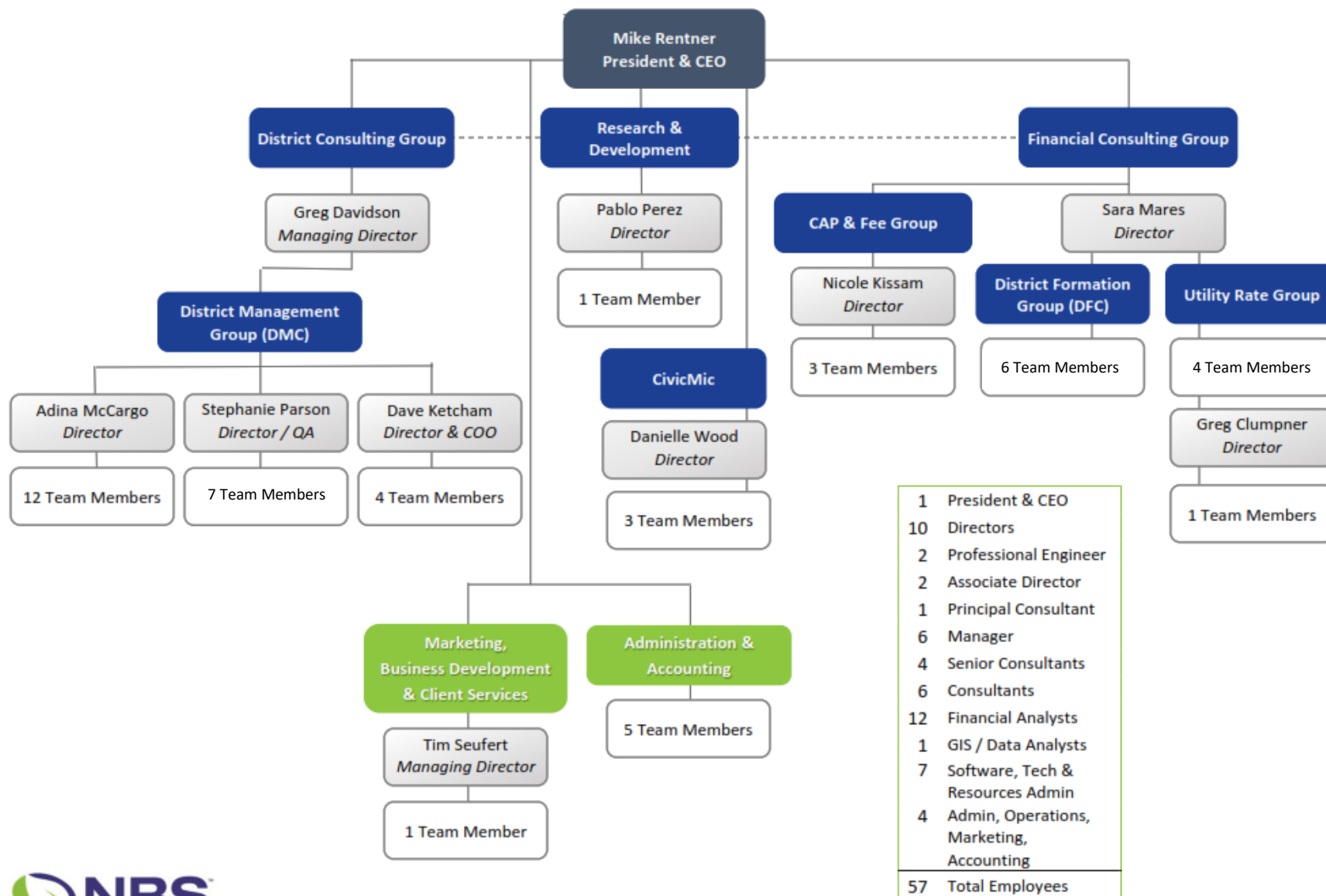
PROP 218 COMPLIANT

Once study results are in, we support you through the Proposition 218 approval process. Working within legal and industry standards, we partner with you to implement solutions for the most challenging financial issues.



Throughout the process, we strive to educate the public, manage community expectations, and work within the often-confusing legal framework to develop the best solutions for your utility. Our analytical support and expert consultants help agency staff and legal counsel navigate the practical and legal challenges.

COMPANY ORG CHART



4 | PROJECT ORGANIZATION, PROJECT TEAM

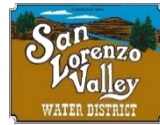
Key Personnel

NBS’ staff include 57 professionals with extensive experience in the fields of finance, management, engineering, and local governance. The staff selected for San Lorenzo Valley Water District’s 2023 Rate Study are those most qualified based on their experience and backgrounds. We work with our clients as partners by developing an intricate knowledge of their needs and responding with strategic and timely solutions.

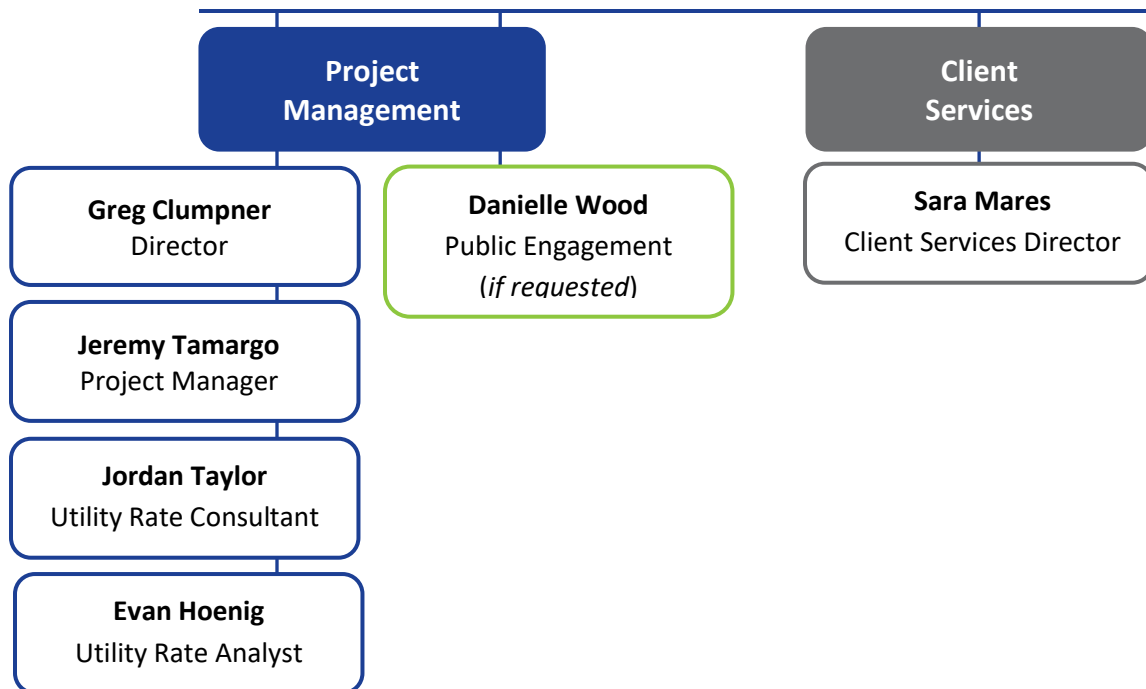
While our team members are engaged in a variety of ongoing projects, we are able to provide the services requested within the required timeline. In order to preserve our on-going commitment to excellent client service, we do not propose or contract for more work than we can reasonably accomplish or complete.

The following is a brief overview of NBS’ proposed consulting team.

Project Organizational Chart



District Stakeholders, Management and Staff



All work will be performed in-house by the above employee-owners of NBS; we will not require subconsultants for this effort. Full resumes are included in the Appendix.

GREG CLUMPNER, DIRECTOR (DAVIS)

Role and Responsibilities: Greg Clumpner will provide technical review, including the evaluation of study alternatives and results, as needed throughout the project. He will oversee the project team in developing the best solutions that will fit the District's unique characteristics and issues.

Work Experience: As a director in NBS' Utility Rate Study Practice, Greg Clumpner's 40-year professional career has focused on cost-of-service rate studies for municipal water, sewer, recycled water and solid waste agencies. He regularly makes technical presentations at client workshops, presented many technical papers at industry conferences, and published numerous articles in the Journal of the American Water Works Association (JAWWA). Greg's practice includes management-consulting assignments related to utility operations, system valuations, and feasibility studies. He also created and managed Foresight Consulting where, for six years, his practice focused on water and sewer rate analyses. He has completed 400+ similar studies during his career.

Additionally, since Greg works with Prop 218 legal counsel on an on-going basis, he knows the general legal constraints as well as when to solicit critical legal input to ensure alternatives will meet specific legal requirements.

JEREMY TAMARGO, PROJECT MANAGER (TEMECULA)

Role and Responsibilities: Jeremy Tamargo will be responsible for providing project management and engineering resources for this rate study. He will be available throughout the study in hands-on management of the project team with the technical analysis and help solve issues. Jeremy will work closely with Greg Clumpner and the District to review the overall approach, develop rate alternatives, and implement creative solutions.

Work Experience: Jeremy Tamargo is an NBS staff member based in the Temecula office. He is a professional engineer licensed in the State of Oregon and has an application in technical review with the California Board for Professional Engineers, Land Surveyors, and Geologists for comity licensure in the State of California. He has extensive experience in both the public and private sectors in civil engineering design as well as preparing utility master plans for municipal agencies in both Oregon and Washington. In his role as Assistant City Engineer at City of Tigard, Jeremy managed the City's System Development Charge program for the Public Works Department, which was used to pay for the installation, construction, extension, and expansion of the City's water, sanitary, sewer, stormwater, park and transportation systems. A member of the American Society of Civil Engineers, he is solutions-oriented and has a passion for focusing on excellence and sustainability on every project. Jeremy has a Master of Science in Environmental Engineering from Syracuse University and a Bachelor of Science in Civil Engineering from University of Notre Dame.

JORDAN TAYLOR, UTILITY RATE CONSULTANT (TEMECULA)

Role and Responsibilities: Jordan Taylor is on staff with NBS and has more than a decade of project experience. She will support the project team in performing financial plan analysis, consumption data analysis and validation, cost of service analysis and calculations, and develop the rate design and funding alternatives.

Work Experience: Jordan Taylor has a Bachelor of Science degree in Chemistry and a master's degree in Business Administration with an emphasis in Finance. She offers more than 10 years of accounting

Proposal for San Lorenzo Valley Water District

experience along with extensive knowledge of financial analysis and budget planning. Jordan has completed more than 40 similar studies across California.

EVAN HOENIG, PROJECT ANALYST (TEMECULA)

Role and Responsibilities: Under direction of the Project Manager, Evan Hoenig will perform large-scale data analysis and validation as needed on this project. He will support facilitating data collection and reminders to staff to keep efforts moving along the agreed upon timeline for the completion of each task.

Work Experience: Evan Hoenig is a Project Analyst with NBS. He brings more than a decade of compliance management experience to our project team, as well as public budget development and administration, research, project management and financial analysis experience. He has extensive skills in analytical software, databases, and spreadsheets. Evan has a Bachelor of Science in Business Administration/ Management from California State University, San Marcos.

SARA MARES, CLIENT SERVICES DIRECTOR (TEMECULA)

Roles and Responsibilities: Sara Mares will act as a representative of our corporate commitment to providing the highest level of service. She will ensure that the District's fundamental objectives are being met at all times.

Work Experience: Sara Mares is a Director with NBS with more than 22 years of experience with NBS. She has experience working with all aspects of the formation process, including planning, project management, budget analysis, development of assessment methodologies, preparation of Engineer's Reports and public presentations. Sara also has significant experience with ongoing special district administration including working with troubled districts, annual levy submittal, delinquency management, and continuing disclosure. She is a Registered Municipal Advisor.

DANIELLE WOOD, PROJECT MANAGER, PUBLIC ENGAGEMENT (TEMECULA)

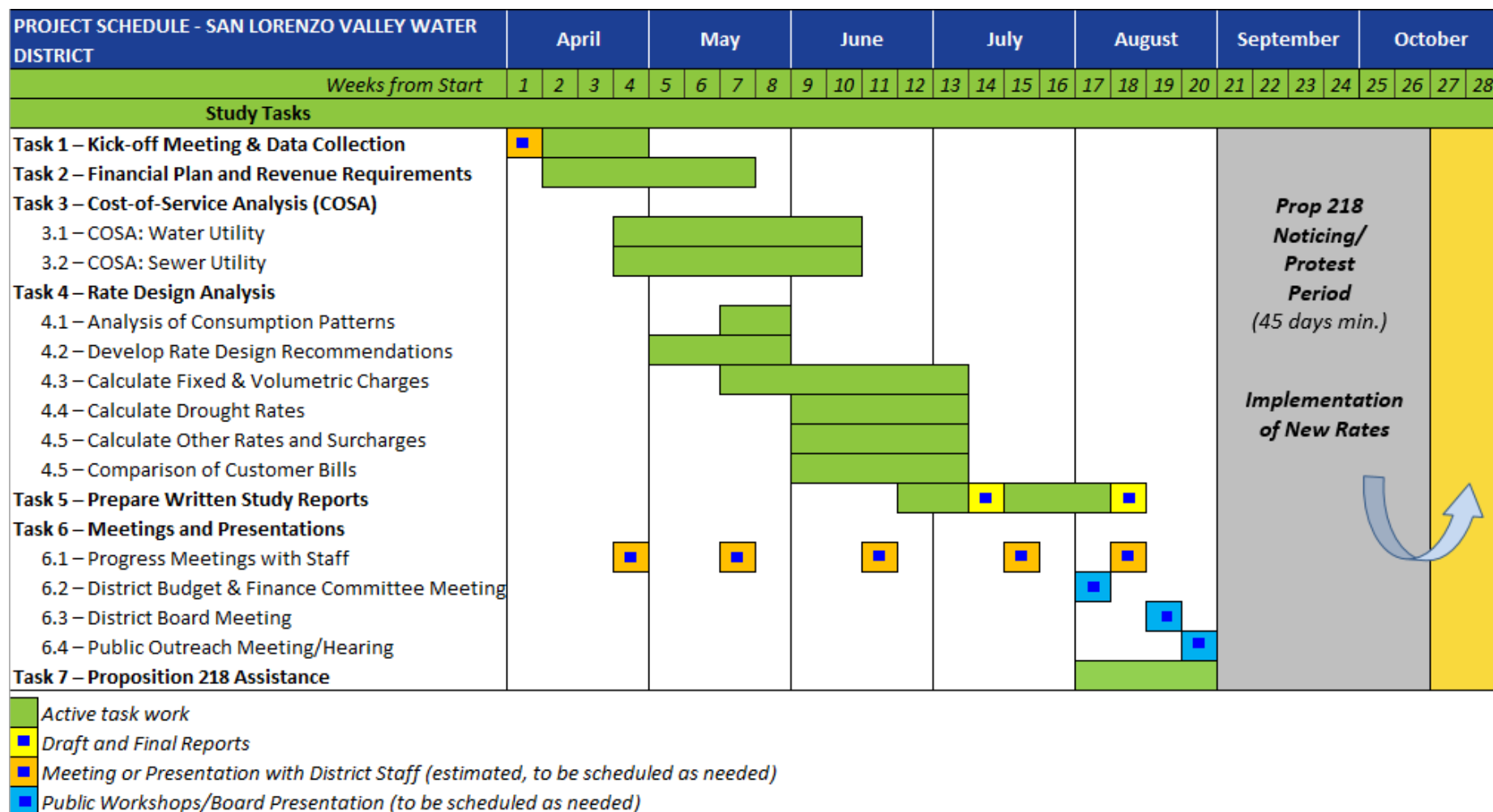
Role and Responsibilities: As the lead consultant on public engagement, Danielle Wood will communicate directly with District staff to discuss engagement milestones, create and adjust engagement approaches and lead community meetings on behalf of the District. Danielle will serve as the primary contact for this effort.

Work Experience: Danielle has more than two decades of experience as a Director at NBS. As one of the developers of CivicMic.com, an online outreach, and collaboration tool, she is a seasoned professional in outreach, public engagement, collaborative governance, special financing district formation, and administration.

Project Schedule

The following is an overview of our proposed project schedule. We will discuss a detailed schedule at the kick-off meeting, along with the expected timing for individual tasks.

PROJECT SCHEDULE FOR THE SAN LORENZO VALLEY WATER DISTRICT



5 | SIMILAR EXPERIENCE

NBS Similar Water and Sewer Project Experience

Below is a sample of projects for California municipal agencies that our proposed team has completed (or is now completing) which are similar to the District's study.

- Azusa Light and Water, Water Rate Study
 - Alameda County Water Agency (Zone 7), Connection Fee Update Study
 - Bellflower Mutual Water Company, Water Rate Study
 - Calaveras County WD, Water and Sewer Rate Study
 - Citrus Heights Water District, Water Rate Study
 - City of Colton, Water Rate and Connection Fee Study
 - City of Santa Ana, Public Utilities Internal Overhead Cost-Allocation Analysis (Internal White Paper)
 - City of Davis, Sewer Rate and Capacity Fee Study
 - City of Fort Bragg, Water, Sewer and Drainage Rates
 - City of Fresno, Public Sanitation Fee Study
 - City of Redding, Water, Sewer and Solid Waste Rate and Development Impact Fee Studies
 - Cucamonga Valley Water District, Water and Recycled Water Connection Fee Study
 - Costa Mesa CSD, Solid Waste Rate Study
 - City of Los Angeles, Department of Water and Power, Various Water Rate Analyses*
 - City of Madera, Water, Sewer, Storm Drainage and Solid Waste Rate Studies
 - City of Eureka, Water and Sewer Rate Study
 - City of Morgan Hill, Water and Sewer Rate Study
 - City of Redding, Water, Sewer and Solid Waste Rate Study and Connection Fee Analysis
 - City of Sacramento, Water, Sewer, Combined Sewer, and Stormwater Development Impact Fee Studies and Community Sanitation Fee Study
 - City of Santa Paula, Water and Sewer Rate Study
 - County of Sonoma, Water and Sewer Rate Study
 - City of San Francisco, Public Utility Commission, Solid Waste and Electric Utility Rate Studies*
 - City of Sausalito, Sewer Rate Study
 - City of Sunnyvale, Water Rate Study
 - City of Victorville, Sewer Rate Study, Industrial Pretreatment Program Fee Study, and Storm Drain Rate Study
 - Desert Water Agency, Water, Sewer & Recycled Water Rate Study, and Tribal Water Rates Analysis
 - Hidden Valley Lakes Community Services District, Water and Sewer Rate Study
 - Humboldt CSD, Water and Sewer Rate study
 - Mountain House CSD, Water and Sewer Rate Study
 - Napa Sanitation District, Sewer Rate Study
 - San Benito County, Developer Storm Drainage Impact Fee Reimbursement Analysis
 - Town of Mill Valley, Sewer Rates and Capacity Fees
 - Pajaro Sunny Mesa CSD, Water Rate Study
 - San Lorenzo Valley Water District, Water and Sewer Rate Study and Fire Damage Surcharge Study
 - Santa Clara Valley Water Agency, Water Supply and Flood Control Development Impact Fee Study
 - Suisun-Solano Water Authority, Water Rate Study
 - Sussex County, Delaware, Water, Sewer Rate and Capacity Fee Study and Oversizing Credit Analysis
 - Valley of the Moon WD, Water Rate Study
 - Victorville Water District, Water Rate Study
 - Valley Sanitation District, Sewer Rate Study
- * As subconsultant to Guide House/Navigant



Below is a sampling of projects and references similar in scope and magnitude to the District’s needs.

SUISUN-SOLANO WATER AUTHORITY
FINANCIAL PLAN AND WATER RATE UPDATE

Project Timing: 2019 – 2020

<p>Contact Information Cammie Morin Finance Director 810 Vaca Valley Parkway, Ste 201 Vacaville, CA 95688 P: 707.455.4008 E: cmorin@SIDWater.org</p> <p>NBS Project Team: Allan Highstreet, Alice Bou</p>	<p>NBS was selected by the Suisun-Solano Water Authority to review and update the water rates established in 2015. Under the direction of the project manager, NBS assisted in developing the financial plan, performing the cost of service and rate design analyses, as well as updating the current water rates. During this process, NBS worked cooperatively with SSWA staff to develop an updated financial plan and water rate schedule that incorporated both the current and planned operating, maintenance, and capital improvement costs. NBS also helped guide the Authority through the various rate options and key concerns by explaining the issues involved in updating the previous rate study.</p>
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CITY OF REDDING
WATER, SEWER AND SOLID WASTE RATE, RATE UPDATE, AND IMPACT FEES



Project Timing: Last project completed Jan 2020

<p>Contact Information Ryan Bailey, PE, Assistant Public Works Director 777 Cypress Ave. Redding, CA 96001 P: 530.224.6030 E: rbailey@ci.redding.ca.us</p> <p>NBS Project Team: Greg Clumpner, Jordan Taylor, Alice Bou</p>	<p>NBS is currently updating an extensive cost-of-service study of water, sewer, and solid waste rates originally prepared in 2013. A key part of these studies was working with a Citizen Stakeholder Group that reviews and provides recommendations to the City Council. Major tasks included reviewing financial/rate setting policies, preparing financial plans, revenue requirements, cost-of-service analysis, and developing alternative rate designs. NBS also updated the City’s capacity fees in 2017 and completed the update of the rates in January 2020 – the fourth study completed for the City since 2013.</p> <p><u>Project dates for studies:</u> <i>2013 Rate & Capacity Fee Study: March 2012 – August 2013</i> <i>2016 Rate Update Study: January 2016 – November 2016</i> <i>2017 Impact Fee Study: July 2017 – December 2017</i> <i>2019 Rate Study Update: January 2019 – January 2020</i> <i>2023 Rate Study Update: Ongoing</i></p>
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CITY OF SANTA PAULA, CA
WATER AND SEWER RATE STUDIES



Project Timing: Eight (8) years / Last Project Completed: 2021

Contact Information

Clete Saunier
Public Works Director
Christy Ramirez
Finance Director
866 Main Street
Santa Paula, CA 93060
P: 805.933.4212 (Clete)
P: 805.933.4211 ext. 204 (Christy)
E: CSaunier@spcity.org
E: cramirez@spcity.org

In 2021, NBS completed an update of the cost-of-service study of water and sewer rates that NBS originally prepared in 2014. Funding for significant capital improvement projects and converting sewer rates to fixed charges plus volumetric rates based on average winter consumption were key elements. Water rate design continued to address Covid-19 related consumption trends, Prop 218 legal concerns, and customer bill impacts. Several public workshops and council meetings were critical to securing a 5-0 approval by the City Council.

Other consulting services included evaluation of policies related to ADUs, customer leaks, low-income assistance, and financial projections.

Project dates for studies:

- 2014 Water and Sewer Rate Study Report*
- 2016 Review of ADU's, Rate Alternatives*
- 2019 Update of Water and Sewer Rate Study*
- 2021 Update of Water and Sewer Rate Study*
- 2022 Assistance with Budget Projections & SRF Loan Funding*

NBS Project Team:

Greg Clumpner, Alice Bou

CITY OF MADERA

WATER, SEWER, STORM DRAINAGE AND SOLID WASTE RATE STUDY



Project Timing: September 2020 - April 2022

Contact Information

Vicki Crow, Dept. of Finance
205 West 4th Street
Madera, CA 93637
P: 559.662.4995
E: vcrow@madera.gov

This comprehensive rate study for the City's utilities covered full cost-of-service analyses, financial plans, and rate design alternatives. The City had not updated rates in many years and was relying on NBS to ensure rates comply with Prop 218, meet revenue requirements, and provide a fresh approach to revenue collection. The City was aware of numerous rate structure deficiencies that they wanted fully addressed and relied on NBS to provide the necessary leadership in this effort. Key tasks included a comprehensive review of rate designs, customer classes, and cost-of-service analyses. The study also addressed new funding sources for street sweeping and SB 1383 organics programs. Final reports for water, sewer and solid waste have been completed and the proposed rates have been approved by the City Council.

Project dates for studies:

Water, Sewer, Storm Drainage and Solid Waste Rate Studies (Separate Reports): Final Study Reports issued in March/April 2022

NBS Project Team:

Allan Highstreet, Greg Clumpner,
Jordan Taylor

CITY OF VICTORVILLE, CA
WATER, SEWER AND SOLID WASTE RATE STUDIES, SEWER CAPACITY FEE STUDY,
AND STORM DRAINAGE FEE FEASIBILITY STUDY



Project Timing: 2016 – Present

Contact Information

Doug Mathews
Director of Public Works
14343 Civic Center Drive
Victorville, CA 92393
P: 760.243.6332
E: dmathews@ci.victorville.ca.us

NBS Project Team:

Greg Clumpner, Allan Highstreet,
Alice Bou, Jordan Taylor

NBS last updated the Water Rate Study for the Victorville Water District in 2016, and subsequently the Sewer and Solid Waste Rate Studies for the City of Victorville in 2018. We recently updated the water, recycled water, and sewer rates and sewer capacity fees.

Key assignments included: (1) Developing sewer rates and Industrial Pretreatment Program Fees for four significant industrial users that utilize the City’s Industrial Wastewater Treatment Plant (IWWTP) and collection system, and (2) Developing rates for all residential and commercial customers that utilize a combination of City-owned and operated collection system, the IWWTP, and a regional wastewater treatment provider.

The Water Rate Study addressed key issues, such as developing a capital funding plan that would fund over \$55 million in rehabilitation and replacement projects, updating the water rate structure to one based on industry standards, and developing drought surcharges that can be implemented in drought stages.

A key part of all three rate studies was working with a challenging City Council to develop rate alternatives that all Council members could agree on and support in the public approval process.

Project dates for studies:

- 2016 Water and Sewer Rate Studies*
- 2018 Solid Waste Rate Study*
- 2021 Water Rate Study Update and Rate Design*
- 2021 Sewer Capacity Fee Study*
- 2022 Sewer Rate Study Update*
- 2022 Solid Waste Rate Study Update*

6 | PROFESSIONAL FEES, FEE SCHEDULE

Our professional fees are based on our understanding of the District’s needs and the effort we believe is necessary to complete the scope of services described in our proposal. Work will be performed on a time and materials basis, at the hourly labor rates shown in the budget table below with a not-to-exceed fee of \$84,600. **Additional services requested**, such as additional public meetings or additional rate or fee alternatives, can be provided based on these hourly labor rates. All tasks would be mutually agreed upon by NBS and the District prior to proceeding.

Study Tasks	Director ¹ (Clumpner)	Project Manager (PM) (Tamargo)	Consultant (Taylor)	Analyst (Hoenig)	Consultant Labor (Hrs.)	Consultant Costs (\$)
<i>Hourly Rate</i>	\$250	\$225	\$175	\$150		
Water and Sewer Rate Tasks (costs shared equally between water and sewer)						
Task 1 – Kick-off Meeting & Data Collection	1.0	6.0	2.0	12.0	21.0	\$ 3,750
Task 2 – Financial Plan and Revenue Requirements	4.0	10.0	16.0	16.0	46.0	\$ 8,450
Task 3 – Cost-of-Service Analysis (COSA)						
3.1 – COSA: Water Utility	4.0	16.0	16.0	16.0	52.0	\$ 9,800
3.2 – COSA: Sewer Utility	2.0	10.0	8.0	12.0	32.0	\$ 5,950
Task 4 – Rate Design Analysis						
4.1 – Analysis of Consumption Patterns	1.0	4.0	6.0	16.0	27.0	\$ 4,600
4.2 – Develop Rate Design Recommendations	6.0	8.0	-	-	14.0	\$ 3,300
4.3 – Calculate Fixed & Volumetric Charges	6.0	16.0	30.0	-	52.0	\$ 10,350
4.4 – Calculate Drought Rates	1.0	6.0	-	-	7.0	\$ 1,600
4.5 – Calculate Other Rates and Surcharges	4.0	10.0	16.0	-	30.0	\$ 6,050
4.6 – Comparison of Customer Bills	1.0	4.0	16.0	4.0	25.0	\$ 4,550
Task 5 – Prepare Written Study Reports	6.0	28.0	6.0	-	40.0	\$ 8,850
Task 6 – Meetings and Presentations						
6.1 – Progress Meetings with Staff	4.0	12.0	4.0	2.0	22.0	\$ 4,700
6.2 – District Budget & Finance Committee Meeting ²	3.0	8.0	-	-	11.0	\$ 2,550
6.3 – District Board Meeting ²	3.0	8.0	-	-	11.0	\$ 2,550
6.4 – Public Outreach Meeting/Hearing ²	3.0	8.0	-	-	10.0	\$ 2,550
Task 7 – Proposition 218 Assistance	2.0	2.0	6.0	-	10.0	\$ 2,000
Direct Expenses (Travel - Not to Exceed) ³	N.A.	N.A.	N.A.	N.A.	0	\$ 3,000
GRAND TOTAL NOT TO EXCEED	51.0	156.0	126.0	78.0	410.0	\$ 84,600
Additional Costs:						
Optional Site Visits and Presentations						
Labor Cost Per Visit/Presentation (NBS PM)						2,000
Travel Expenses per Meeting (not to exceed)						1,000
Total: Per Optional Visit/Presentation						\$ 3,000

OPTIONAL PUBLIC ENGAGEMENT FEE

Engagement Fee..... TBD

EXPENSES

Customary out-of-pocket expenses will be billed to the District at the actual cost to NBS. These expenses may include, but not be limited to, telephone, travel, and meals.

Printing, mailing fulfillment, and postage expenses are anticipated to be covered by the District.

INVOICING

We invoice on a monthly basis, following recorded consultant time on the project, paralleling our completion of the work. At no time will we invoice for charges in excess of the fee to which San Lorenzo Valley Water District and NBS mutually agree. Should the District specifically request additional services beyond those described in this document, we will discuss those requests and associated costs at that later time and only invoice for additional fees upon separate written authorization from the District.

7 | EXCEPTIONS

NBS accepts the terms, conditions and general form of the San Lorenzo Valley Water District standard Consultant Services Agreement with the following modification(s):

NBS respectfully requests the following change to the Agreement for Professional Services:

- Section 15.D - Please add "With the exception of Professional Liability" to the beginning of this section. As is common, the defense cost is located within our Professional Liability policy limit of \$2,000,000 with \$2,000,000 in aggregate.

APPENDIX | RESUMES

This appendix contains full resumes for our proposed project team.

TEAM RESUME

JEREMY TAMARGO | Project Manager



EDUCATION

- Master of Science, Environmental Engineering, Syracuse University
- Bachelor of Science, Civil Engineering, University of Notre Dame
- Certificate, Advanced Study in Sustainable Enterprise, Syracuse University

PROFESSIONAL AFFILIATION

- American Society of Civil Engineers

HIGHLIGHTS

- Experience in both public and private sectors
- Civil engineering design
- Utility master planning
- Development review
- Mapping and analysis in ArcGIS
- AutoCAD

BIOGRAPHY

NBS staff member Jeremy Tamargo has nearly a decade of professional civil engineering experience in both the public and private sectors. He is a licensed professional engineer in the State of Oregon and has an application in technical review with the California Board for Professional Engineers, Land Surveyors, and Geologists for comity licensure in the State of California.

Jeremy's recent experience as an Assistant City Engineer and Principal Engineer included the following activities:

- Supervising, planning, designing, and inspecting all phases of civil engineering public works construction projects
- Defining the scope of the project; securing adequate funding from Federal and State grant programs and other funding sources
- Coordinating with permitting and public utility agencies
- Performing historical document research and review
- Surveying and engineering analysis of alternatives
- Preparing plans, specifications, and cost estimates
- Performing research, map, and field studies and surveys
- Drafting site plans with specialized computer software
- Applying engineering principles and practices to specific problems
- Coordinating construction schedules with other projects and agencies
- Preparing and reviewing cost estimates and inspecting construction of projects to ensure compliance with construction documents
- Reviewing compliance criteria for the design and construction of streets, sidewalks, and public utilities

Jeremy also has experience in civil engineering design and preparing utility management plans for both private and public developments. Specific duties included:

- Site characterization
- Delineating drainage basins
- Performing hydrologic calculations
- Designing stormwater facilities to meet water quality and water quantity standards
- Conveyance modeling
- Inlet capacity calculations
- Creating operations and maintenance plans

TEAM RESUME

GREG CLUMPNER | Director



EDUCATION

- Master of Science, Agricultural/Managerial Economics, U.C. Davis
- Bachelor of Science, Environmental Planning, U.C. Davis

AFFILIATIONS

- Former Vice-Chair, City of Davis Utility Rate Advisory Committee
- Former Chairman, City of Davis Planning Commission

SPEAKING / MEDIA

- “Tiered Water Rates – Understanding Their Equity and Impact on Customer Bills” – Journal of AWWA, September 2019, Volume 111, Number 9
- “Avoiding Billing Debacles Around New Water or Sewer Rates” – Journal of AWWA, March 2019, Vol. 111, No. 3
- “Changing Perspectives on Outside Surcharges: Understanding New Criteria” – Journal of AWWA, January 2019, Vol. 111, No. 1
- “Social Justice and Water Rates: Impacts of Rate Design on Low-Income Customers” – Journal of AWWA, July 2018, Vol. 110, No 7
- “Setting the Stage for Water Rates: Policy Direction Should Be A Priority”, CSMFO Magazine, November 2016
- “Rates, Fees and Charges in the Post-Proposition 13, 218 and 26 ERA in California” – NBS Publication, Contributing Author, 2014
- “Fiscal Health vs. Pricing for Conservation” – ACWA Fall Conf., Indian Wells, CA, December 2015

HIGHLIGHTS

Greg Clumpner has 40 years of experience in financial, economic, and cost-of-service rate analyses for municipal water, sewer and solid waste agencies, including broader management consulting:

- **Utility Cost-of-Service Rate Studies:** 400+ cost-of-service analyses and rate design studies; conservation-oriented water rates, capital improvement funding strategies for water, sewer and solid waste utilities
- **Management Consulting and Strategic Planning:** Feasibility analyses of municipal vs. private system operations, system valuations and acquisitions, and bond feasibility studies.

RELEVANT PROJECT EXPERIENCE

- **City of Redding – Water, Sewer, and Solid Waste Rate and Impact Fee Studies:** Cost-of-service study of water, sewer, and solid waste rate and system capacity charges. Addressed everything from policies objectives to structure alternatives. Worked with a City Council-appointed Citizens Advisory Group that reviewed rate alternatives and provided recommendations to the Council.
- **Mountain House CSD, Tracy, CA – Water and Sewer Cost-of-Service Rate Study:** Study redesigning rates from 1990s-era rate structures that subsidized utilities from the general fund. New rates were phased in over five years and restructured rates, evaluated customer bill impacts, provided public workshops and Prop 218 notices.
- **El Dorado Irrigation District, Placerville, CA – Water, Sewer, and Recycled Water Cost-of-Service and Rate Design Study:** Worked with the district board and a dedicated committee to review/recommend policy changes; alternative rate designs; and recommended water, sewer, and recycled water rates.
- **Los Angeles Department of Water & Power (LADWP) – Specialized Studies:** As a part of the 2018-19 interim rate review for LADWP under contract with Navigant Consultants (now Guidehouse), prepared evaluations of: (1) Analysis of how demand forecasting methodologies are used for financial planning and rate-setting purposes; (2) Review of temperature zones and water rate impacts to determine whether climate-change adjustments to temperature zone boundaries would change customer water budgets, and; (3) stormwater benefit cost analysis reviewed the feasibility of specific projects.
- **City of Lincoln – Sewer and Solid Waste Rate Studies:** Prepared full cost-of-service rate studies that evaluated rate design alternatives, capital project funding strategies, and changing customer characteristics. The sewer rates also developed new rates for County vs. City customers and provided the basis for issuing new revenue bonds to fund capital improvements.

GREG CLUMPNER CONTINUED



RELEVANT PROJECT EXPERIENCE | CONTINUED

- **Mill Valley – Sewer Rate Study:** Evaluated long-term financial plans reflecting the City’s capital improvement costs and developed fixed and variable rate design alternatives to improve revenue stability and their impacts on commercial customers. Sewer rates also considered recent drought and water conservation efforts. Water consumption was used to update commercial rates and how projected water conservation might impact future consumption.
- **City of Sacramento – Water, Sewer and Stormwater Impact Fees:** Updated citywide impact fees for each utility, including the City’s downtown area combined storm-sewer system as well as the separated systems.
- **Pajaro Sunny Mesa CSD, Monterey – Water Rate Study:** The CSD has nine separate water systems, each with separate rates. This study developed a uniform and combined rate structure for the CSD that met CSD policy objectives and Prop 218 requirements for fairness and equity.
- **City of Santa Paula – Water and Sewer Rate Study:** This study included meeting future funding requirements, evaluating issues surrounding the City’s purchase of its wastewater treatment plant, drought impacts, and generally improving rate design to be fairer and more equitable. Residential sewer rates were restructured to create volumetric charges based on average winter water use on a customer-by-customer basis.
- **City of Sausalito – Sewer Rate Study:** This study restructured sewer rates from a fixed charge to a combination of fixed and volumetric rates based on average winter water use. At that time, the Marin County Grand Jury was investigating sewer rates countywide and commended the City for the actions it took to restructure these rates and recommended other agencies follow suit.
- **San Francisco PUC – Solid Waste Electric Utility Rate Studies:** As the prime contractor, NBS teamed with Navigant and R3 Consulting to complete rate studies for the PUC that updated solid waste and electric utility rates.
- **San Lorenzo Valley Water District – Water and Sewer Cost of Service and Rate Design Studies:** Two separate studies addressed the cost of service and then rate design issues, including a long-term funding plan for capital projects. Rate design included restructuring tiered rates combined with a set of rate stabilization (drought) rates that would automatically be implemented if rate revenue in any month fell 10 percent or more below projected revenues
- **City of Yuba City – Water and Sewer Rate Study:** Comprehensive update addressing long-term revenue goals, water conservation, and adequate funding for capital improvements. Prepared financial plan alternatives, projected net revenues, developed reserve policies, cost-of-service analyses, and alternative rate designs including water conservation rates.



“Greg’s knowledge and expertise helped the process immensely. He met with the committees and presented his findings in clear, understandable graphs and tables. He worked with staff to fine tune the information for presentation to the Board and community.”

*Brian Lee, General Manager,
San Lorenzo Valley
Water District*



TEAM RESUME

JORDAN TAYLOR | Utility Rate Consultant



EDUCATION

- Master of Business Administration, Finance, University of Redlands
- Bachelor of Science, Chemistry, University of Utah, Salt Lake City

HIGHLIGHTS

- Extensive experience in large-scale data analysis
- Advanced Excel user with the essential skills for complex data analysis and alternative scenario analysis
- More than ten years of accounting experience for large and small businesses
- Experienced consultant with water, sewer and solid waste rate structures
- Experienced consultant with budget management, financial planning and reserve fund analysis



“Jordan has been great to work with on our Five-Year Water and Wastewater Rate Study. She is professional and very responsive to our requests from making last minute updates to the rate model to brainstorming alternative solutions with us.”

*Sunny Wang
Water Resources Manager
City of Santa Monica*



BIOGRAPHY

Jordan Taylor is a Consultant at NBS in our Utility Rate group. She brings more than ten years of experience in finance, accounting, budget planning and system auditing. Jordan graduated with high honors in her Master’s program and spent most of her studies focusing on large-scale financial analysis and data management.

Jordan provides analysis and support on water and sewer utility rate studies for cities and special districts in California. She performs various financial analyses, data management, and utility customer data analysis for utility rate and capacity fee studies. Jordan’s diverse knowledge of managerial accounting is essential to the work performed by NBS.

RELEVANT PROJECT EXPERIENCE

- **Costa Mesa Sanitary District – Solid Waste Rate Study:** This comprehensive rate study included development of a long-term financial plan that evaluated funding options to reduce the annual operating deficit over a five-year period. An evaluation of the District’s solid waste rates, and updated rates were calculated for the three cart sizes that are used by customers in the District and a five-year rate schedule was adopted.
- **Hidden Valley Lakes Community Services District – Water/Sewer Rates & Capacity Fee Study:** Completed an updated water and sewer cost of service study, based on a previous 2015 study conducted by NBS. A key part of this study was addressing significant capital improvement projects and drought-related changes in water consumption patterns. Major tasks included reviewing financial/rate setting policies, preparing financial plans, updating the cost of service analysis, and evaluating alternative rate designs.
- **Idyllwild Water District – Water and Sewer Rate Study:** Prepared water and sewer rate studies, which included developing long-term financial plans that allowed the District to begin funding capital improvement programs for both utilities, and maintain adequate reserves to meet established reserve fund policies. Updated the water rate structure to provide more revenue stability for the District, and implement a cost-based tiered volumetric rate.
- **City of Madera Water, Wastewater, Storm Drainage and Solid Waste Rate Studies:** Completed an updated water and sewer cost of service study, based on a previous 2015 study conducted by NBS. A key part of this study was addressing significant capital improvement projects and drought-related changes in water consumption patterns. Major tasks included reviewing financial/rate setting policies, preparing financial plans, updating the cost of service analysis, and evaluating alternative rate designs.

JORDAN TAYLOR CONTINUED



RELEVANT PROJECT EXPERIENCE | CONTINUED

- **City of Yuba City – Water and Sewer Rate Study Updates:** Perform annual updates of the City’s most recent comprehensive Water and Sewer Financial Plan and Rate Study. Key objectives of the annual updates are to evaluate annual financial status and determine if the City needs to implement the previously approved rate increases, or if a lower increase is possible.
- **City of Lincoln – Sewer and Solid Waste Rate Study:** Prepared long-term financial plans for the City’s Sewer and Solid Waste utilities, which included evaluating debt financing alternatives for sewer collection system and wastewater treatment plant improvements. Since this was the City’s first full cost-of-service analysis for solid waste, Jordan and the project team developed all relevant data necessary to complete the study, including allocating collection, disposal, organics collection, and general and administrative costs.
- **City of McFarland – Water and Sewer Rate Study:** Developed long-term financial plans for the City’s water and sewer utilities that would adequately fund operating, maintenance, and high-priority capital improvement needs, which included expanding the wastewater treatment plant and constructing a new water well. Worked with the project team to update the rate structures to reflect the cost of providing service to each customer class and current industry standards.
- **City of Morgan Hill – Wastewater Rate Study:** Prepared a financial plan for the 2018 wastewater rate study update, which included budget analysis, cash flow projections, and a detailed evaluation of capital funding options. The study evaluated debt financing alternatives to fund \$87 million in capital improvements for pipeline replacement and a treatment plant expansion.
- **City of Sacramento – Development Impact Fee Study:** Conducted an extensive update of water, sewer, and storm drainage system capacity charges. This study addressed City policies and overall objectives in developing connection fee alternatives for the City to consider. Key tasks included preparing financial/rate setting policies, financial plans, projecting capital revenue requirements, cost-of-service analyses, and alternative fee methodologies.
- **City of Seal Beach – Water and Sewer Rate Study:** Prepared financial plans for the City’s water and sewer utilities to ensure sufficient funding was available for operating, maintenance, capital improvement needs and to maintain appropriate reserve funds. Developed cash flow analyses and capital improvement program funding options that balanced the use of rate increases with potential debt financing to minimize the impact to ratepayers.
- **City of Santa Monica – Water and Wastewater Rate and Capital Facility Fee Study:** Developed long-term financial plans for the City’s water and wastewater utilities that balanced meeting operating, maintenance, and capital needs along with maintaining adequate reserve funds. Worked with the project team to develop capital funding options for the City’s \$200 million Sustainable Water Infrastructure project by balancing outside debt financing, interfund loans, use of existing reserve fund balances, and rate increases. Developed updated rate structures which included collecting a greater percentage of revenue from fixed water meter charges, incorporating a modest fixed charge in the wastewater rate structure and developing tiered volumetric water rates based on the City’s sources of water supply. Conducted a thorough analysis of water usage patterns and updated the wastewater discharge factors to reflect low water usage periods.

EDUCATION

- Bachelor of Science, Business Administration - Management, California State University, San Marcos

HIGHLIGHTS

- Three years of public budget development and administration, professional-level research, project management, and financial analysis
- More than 12 years of compliance management

AFFILIATIONS / AWARDS

- California Parks and Recreation Society (CPRS) - District 12 "Parks Make Life Better Spotlight – Event" Award Recipient, 2022

BIOGRAPHY

Evan Hoenig is a Project Analyst at NBS where he assists in the formation and administration of various types of Special Financing Districts (SFDs). He performs large-scale data analysis and validation, and researches fee comparisons. Evan has more than a decade of compliance management experience, as well as public budget development and administration, research, project management and financial analysis experience. He has extensive skills in analytical software, databases, and spreadsheets.

RELEVANT PROJECT EXPERIENCE

Evan has consulted and served on many projects, including the following:

- **GEMT Supplemental Reimbursement Program – FY18-19, FY19-20, and FY 20-21:** Conducted detailed cost allocation, indirect cost rates, large database management, and time on task estimates. Submitted final cost reports to the State of California for review and approval.
- **Contra Costa County – Environmental Health Fee & Hazmat Comparison:** Completed a Fee Comparison for Environmental Health & Hazmat fees. Evan’s role on this project included fee research, data collection, database management and analysis.
- **San Jacinto – Cost Estimation Tool:** Provided in-depth research and analysis on capital assets and improvements, interpreted and organized data, and assigned and evaluated costs.
- **City of Fairfield – Lighting, Landscape, and Maintenance Districts (“LLMD”):** Established databases of over 6,800 parcels within nine LLMDs using County Assessor data as well as other available resources. Conducted general and special benefit analyses, and utilized parcel data to calculate the resulting assessments.

TEAM RESUME

DANIELLE WOOD | Project Manager, Public Engagement



EDUCATION

- Bachelor of Science, Business Administration/Finance, California State University San Bernardino
- Advanced Public Engagement for Local Government Program, Pepperdine School of Public Policy
- Planning for Effective Public Participation Program, International Association for Public Participation

HIGHLIGHTS

- Skilled public engagement specialist
- Experienced communications professional
- Seasoned consultant in Special Financing District (SFD) formation and administration
- Outreach
- Public Engagement
- Collaborative Governance
- Adaptive Management
- Two decades of experience

AFFILIATIONS

- California Public Information Officials (CAPIO)
- California Society of Municipal Finance Officers (CSMFO)
- Municipal Management Association of Southern California (MMASC)
- Women in Public Finance (WPF)

BIOGRAPHY

Danielle Wood is a Director with NBS where she provides public engagement, outreach, and collaborative governance client services and project management efforts for a number of our clients. She has two decades of experience working with local governments and communities across California.

RELEVANT PROJECT EXPERIENCE

- **Downtown San Mateo Association District Public Engagement Services for PBID Renewal.** Public Engagement services for the renewal of a new Property Business Improvement District (PBID). Created a framework for outreach efforts that resulted in increased cooperation from business owners. Developed a comprehensive website to better inform business owners about the District's initiatives and how they can benefit from them. Interviewed business owners via phone and online surveys, allowing for tailored and consistent messaging.
- **City of Oxnard Ongoing Long-term Outreach, Public Engagement and Collaborative Governance Services.** Public engagement plan development for the evaluation of existing land secured financing districts that includes items such as a dedicated webpage, email campaign, advisory committee formation and collaborative governance program. There are more than 21 communities that have participated in our surveys, community meetings and ongoing development, and complete restructuring of the Landscape Maintenance Districts. Project started in 2019 and is ongoing.
- **City of La Habra Heights Ongoing Public Engagement Services.** Community engagement for a recently formed Benefit Assessment District (BAD), including a public engagement plan, webpage development, web maps, and other engagement services. Project started in 2018 and is ongoing.
- **City of San Leandro Outreach and Public Engagement Services.** Outreach and public engagement services to gauge overall property owner support for the formation of an Assessment District. Public engagement efforts have included items such as the creation of a dedicated public engagement webpage, multiple information releases, surveys, recorded meetings, and community participation web maps. Project started in 2019 and is ongoing.
- **City of Culver City Outreach Services.** Outreach and Public Engagement services for the formation of a new Property Business Improvement District for a very unique community within the City. Outreach services included an area profile analysis, a public informational mailer and survey, and in person and virtual public meetings. Project started in 2018 and is ongoing.



“We greatly appreciate your follow up, follow through and commitment to our community! We all desire to live well and thrive for the good of the whole city!”

Property Owner, City of Oxnard



San Lorenzo Valley Water District

2023 Rate Study

PROPOSAL / MARCH 20, 2023





March 20, 2023

Ms. Kendra Reed
Director of Finance and Business Services
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

Subject: Proposal for 2023 Rate Study

Dear Ms. Reed:

Raftelis is pleased to submit this proposal to assist the San Lorenzo Valley Water District (District) with a water and sewer rate study. We appreciate the opportunity to submit this proposal, which details our project approach to meet the District's objectives as well as our qualifications and experience within the utility industry.

Raftelis is uniquely qualified to serve as the District's expert consultant for this engagement for several reasons, including:

- **Local experience** – Our recent experience in Northern California includes studies for the Cities of Santa Cruz, Pleasanton, Hayward, Coastside County Water District, and many other agencies. We help clients develop robust yet user-friendly models, create custom dashboards to communicate rate impacts, recommend rate structures to meet changing needs, and facilitate stakeholder discussions to gain buy-in for important objectives.
- **National experience** – We have conducted hundreds of studies for California agencies, as well as thousands of financial studies for 1,000+ utilities across the country. We can provide both a hyper-specific and a broad-level perspective on ratemaking that is gleaned from our extensive experience, giving the District an inside look at industry trends and creative solutions adopted by agencies facing similar challenges.
- **Reputation for excellence** – We pride ourselves on going above and beyond for our clients. Our team strives to not only meet but exceed the District's expectations, and our work is completely tailored to meet the unique needs of the District and its customers.

I will serve as Project Director for the study, providing the overall direction for the project and ensuring that the City's objectives are met. I have over 45 years of industry experience and have conducted hundreds of rate studies in California. I will work closely with our Project Manager, Nancy Phan, who will manage the day-to-day aspects of the project and lead consulting staff. John Wright will serve as Technical Advisor and will lead the quality control process, making sure that our work is up to Raftelis' and industry standards. We hope to use our skills and expertise to assist the District on this important project.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sudhir Pardiwala'.

Sudhir Pardiwala, P.E.

Executive Vice President

EXECUTIVE SUMMARY

Executive Summary

The San Lorenzo Valley Water District is seeking a consultant to conduct a comprehensive water and sewer cost-of-service and rate study. Raftelis has identified several issues that are key financial and policy drivers for the water and sewer rate study, which include the following:

- **One-time recovery of costs to repair damage from CZU Wildfire and 2022-2023 winter storms:**
The District has already adopted a fire recovery surcharge which is intended to generate \$5 million of revenue over five years to fund repair costs for the CZU wildfire damage. The estimated repair costs have increased beyond the original amount, although the existing surcharge will sunset after \$5 million; the District is expected to fund an additional \$15 million on top of the surcharge revenue. Additionally, the District will have to fund approximately \$1 million of repair costs for the 2022-2023 winter storms. All one-time cost amounts are net of FEMA reimbursements, which are estimated at around 75-90% of total costs.
- **Ongoing infrastructure investments:**
The Water Master Plan was completed in 2021, which will inform the District’s long-term capital improvement plan for its water system. With the District’s history of underinvestment into the repair and replacement of infrastructure, capital costs on the horizon will likely be significant and will require a strategic funding plan over the long-term planning period. Additionally, the District still requires significant improvements for its sewer system to meet regulatory requirements.
- **Water supply management and associated costs:**
The District’s water supply includes both surface and groundwater sources and is most heavily reliant on the latter due to extremely limited surface water storage capacity. The District is a member agency of the Santa Margarita Ground Water Agency, and is responsible for 30% of allocated costs of implementing the Agency’s Groundwater Sustainability Plan (GSP) as part of the Sustainable Groundwater Management Act (SGMA). Costs to implement the GSP are approximately \$400,000 a year for the entire Agency.
- **Water and sewer rate structure alternatives:**
The current rate structure includes a basic fixed charge and uniform volumetric rates for water and sewer, including a fire recovery surcharge originally adopted to recover the \$5 million required to repair damage from the CZU Wildfire. The existing rate structure may not take into consideration the complexity of the District’s system and the costs on its horizon; the District may want to evaluate the impacts of including a pressure zone surcharge, a capital improvement surcharge, a low-income assistance program, and/or tiered volumetric rates. The rate study process will involve a rate pricing and policy objectives exercise to determine the District’s long-term goals for the rate structure.

The water and sewer rate study will address the District’s key issues and provide solutions that work best for the District and its customers. The primary objectives and key deliverables of the study include the development of a:

- 10-year financial plan that sufficiently funds operating, debt service, and capital program costs
- Water and sewer rate structure that funds the District’s investments and repairs of its infrastructure, equitably allocates costs between customer groups, and enhances equity and customer understanding
- Capital financing plan to fund required infrastructure maintenance and upgrades based on the 2021 Water Master Plan and one-time costs to repair damage from the CZU Wildfire and 2022-2023 winter storms
- Water and sewer rate study report that clearly and comprehensively explains the rate study process to ensure that the study aligns with Proposition 218 requirements
- Final water and sewer financial plan and rate model that the District can use as a robust planning, communication, and decision-making tool now and in the future

PROJECT DESCRIPTION

Project Description

Task 1: Project Management

Kick-Off Meeting and Data Collection

The kick-off meeting at the start of the study serves as an opportunity to formally introduce District staff and Raftelis team members, establish goals and objectives for the study, develop a roadmap for success, discuss the District’s preliminary rate pricing and policy objectives, and review data requirements for the project. Raftelis will prepare a detailed data request list, which will identify the necessary information required to complete the analyses.

Project Management Approach

Our project management approach stresses communication, transparency, and accountability for meeting project objectives. We will manage monthly invoicing, project documentation, and client correspondence, which includes holding regular project update meetings with District staff to discuss project progress and results when available.

Quality Assurance/Quality Control

For every project, we implement a quality control process to ensure consistency, accuracy, and validity of the results. Our proposed Technical Reviewer, John Wright, will ensure that the cost-of-service and rate model that we develop is accurate and based on sound rate-making principles and standard industry practice. He will also review the report, which will address the nexus between costs and rates to align with the requirements of Proposition 218.

PLANNED MEETINGS:

- One (1) web-based kick-off meeting with District staff

DELIVERABLES:

- Data request list; kick-off meeting presentation materials, agenda, and meeting minutes

Task 2: Revenue Requirements and Rate Schedule

Financial Plan and Rate Model

Raftelis will work with District staff to build a ten-year financial plan and five-year cost-of-service rate model for the water and sewer utilities. Developing a long-range financial plan allows us to determine additional rate revenue that is required to meet or maintain financial sufficiency of the two utilities. This process starts with projecting revenues, operating expenses, and capital costs for the next ten years. The existing rate revenues based on the District’s 2022-2023 budget are approximately \$13 million per year. The key drivers in the financial plan include:

- Capital infrastructure investment based on the 2021 Water Master Plan
- Updated costs to repair damage from the CZU Wildfire in 2020 – the District requires an additional \$15 million on top of the \$5 million that will be recovered from the adopted fire recovery surcharge, not inclusive of the reimbursement funds from FEMA
- Costs to repair damage from the winter storms in 2022-2023 – the District will fund approximately \$1 million with the rest reimbursed by FEMA
- Costs to implement the Groundwater Sustainability Plan (GSP) for the Santa Margarita Groundwater Agency (of which the District is a member agency of) – costs for the GSP are approximately \$400,000 per year, with the District responsible for 30%

Water and Sewer Rate Structure

The District's existing rate structure includes a fixed basic rate for water (based on meter size) and sewer (flat charge), uniform volumetric rate for water use, and a fixed fire recovery surcharge based on meter size. The water utility current generates approximately 36% of its rate revenues as fixed charges, which includes the fire recovery surcharge that will sunset after generating \$5 million.

Raftelis will work with the District to develop alternative rate structures and determine their corresponding financial impacts to customers, which will include a potential capital improvement surcharge, a pressure zone surcharge to recover costs for the 37 separate pressure zones, tiered volumetric rates, drought surcharges, and a low-income rate assistance program (and identification of any appropriate funding sources, such as property tax revenues equal to approximately \$880,000 per year).

PLANNED MEETINGS:

- Up to four (4) web-based meetings with District staff

DELIVERABLES:

- Final financial plan and rate model in Microsoft Excel with five-year revenue requirements and rates

Task 3: Final Rate Study Report and Public Meetings

Report Preparation

Raftelis will prepare a report document the rate study, which includes a brief description of each utility's system and service area, an overview of operation and maintenance expenses, capital improvement plan, multi-year financial plan including long-term cash flows, cost-of-service analysis, rate design methodology, proposed rates, and customer impacts. The final report is a key requirement to align the rate study process with Proposition 218 requirements. The report describes each step of the rate study process in great detail to clearly explain the methodologies and rationales used to determine the utility rates. This provides a clear nexus between the costs to serve each customer and the rates that are ultimately charged to the District's customers.

Public Meetings

Raftelis will attend and present at four in-person meetings, which includes a meeting with the District Board, with the Budget & Finance Committee, with the District's customers to gather community input on the rate study, and with the District Board and general public to adopt the proposed rates at a Public Hearing.

PLANNED MEETINGS:

- One (1) web-based meeting with District staff; one (1) in-person meeting with Board; one (1) in-person meeting with Budget & Finance Committee; one (1) in-person public outreach workshop; one (1) in-person Public Hearing

DELIVERABLES:

- Draft and final rate study reports – seven (7) hard copies and digital copies in PDF and Microsoft Word; presentation materials for public meetings

IDENTIFICATION OF PRIME CONSULTANT FIRM

Who is Raftelis

Local government and utility leaders partner with Raftelis to transform their organizations by enhancing performance, planning for the future, identifying top talent, improving their financial condition, and telling their story. We've helped more than 600 organizations in the last year alone.

We believe that Raftelis is the *right fit* for this project. We provide several key factors that will benefit the District and help to make this project a success.

RESOURCES & EXPERTISE: This project will require the resources necessary to effectively staff the project and the skillsets to complete all of the required components. With more than 140 consultants, Raftelis has the largest water-industry financial and management consulting practice in the nation, including many of the industry's leading rate consultants and experts in key related areas, like stakeholder engagement and data analytics. Our depth of resources will allow us to provide the District with the technical expertise necessary to meet your objectives.

DEFENSIBLE RECOMMENDATIONS: When your elected officials and customers are considering the validity of recommended changes, they want to be confident that they were developed by experts using the latest industry standard methodology. Our staff are involved in shaping industry standards by chairing committees within the American Water Works Association (AWWA) and the Water Environment Federation (WEF) and co-authoring many industry-standard books regarding utility finance and rate setting. Being so actively involved in the industry will allow us to keep the District informed of emerging trends and issues and to be confident that our recommendations are insightful and founded on sound industry principles. In addition, with Raftelis' registration as a Municipal Advisor, you can be confident that we are fully qualified and capable of providing financial advice related to all aspects of utility financial planning in compliance with federal regulations.

HISTORY OF SIMILAR SUCCESSES: An extensive track record of past similar work will help to avoid potential pitfalls on this project and provide the know-how to bring it across the finish line. Raftelis staff has assisted 1,000+ utilities throughout the U.S. with financial and rate consulting services with wide-ranging needs and objectives. Our extensive experience will allow us to provide innovative and insightful recommendations to the District and will provide validation for our proposed methodology ensuring that industry best practices are incorporated.

USER-FRIENDLY MODELING: A modeling tool that your staff can use for scenario analysis and financial planning now and into the future will be key for the District going forward. Raftelis has developed some of the most sophisticated yet user-friendly financial/rate models available in the industry. Our models are tools that allow us to examine different policy options and cost allocations and their financial/customer impacts in real time. We offer model options including Microsoft Excel-based and web-based tools that are developed with the expectation that they will be used by the client as a financial planning tool long after the project is complete.

EXPERTS ON CALIFORNIA REGULATORY REQUIREMENTS: This expertise will allow the District to be confident that our recommendations take into account all of these regulatory requirements. The regulatory environment in California has become more stringent due to Proposition 218. Besides developing well-thought-out financial plans, Raftelis staff members are very knowledgeable about these regulations and have made presentations on this subject at various industry conferences. In addition, we are frequently called on to be expert witnesses regarding these regulatory matters.

FIRM INFORMATION

Legal name and address of the firm

Raftelis Financial Consultants, Inc.
445 S. Figueroa Street, Suite 1925, Los Angeles, CA 90017

Legal form of firm (e.g., partnership, corporation)

Corporation

Name, title, address, email, and telephone number of person to contact concerning the Proposal

Nancy Phan, Manager
445 S. Figueroa Street, Suite 1925, Los Angeles, CA 90017
E: nphan@raftelis.com / P: 626.236.0600

Number of staff and the discipline/job title of each

177 employees
Executive Senior Level Officials and Managers – 44 employees
Mid-Level Officials and Managers – 36 employees
Professionals – 75 employees
Administrative Support – 22 employees

PROJECT ORGANIZATION AND EXPERIENCE OF THE PROJECT TEAM

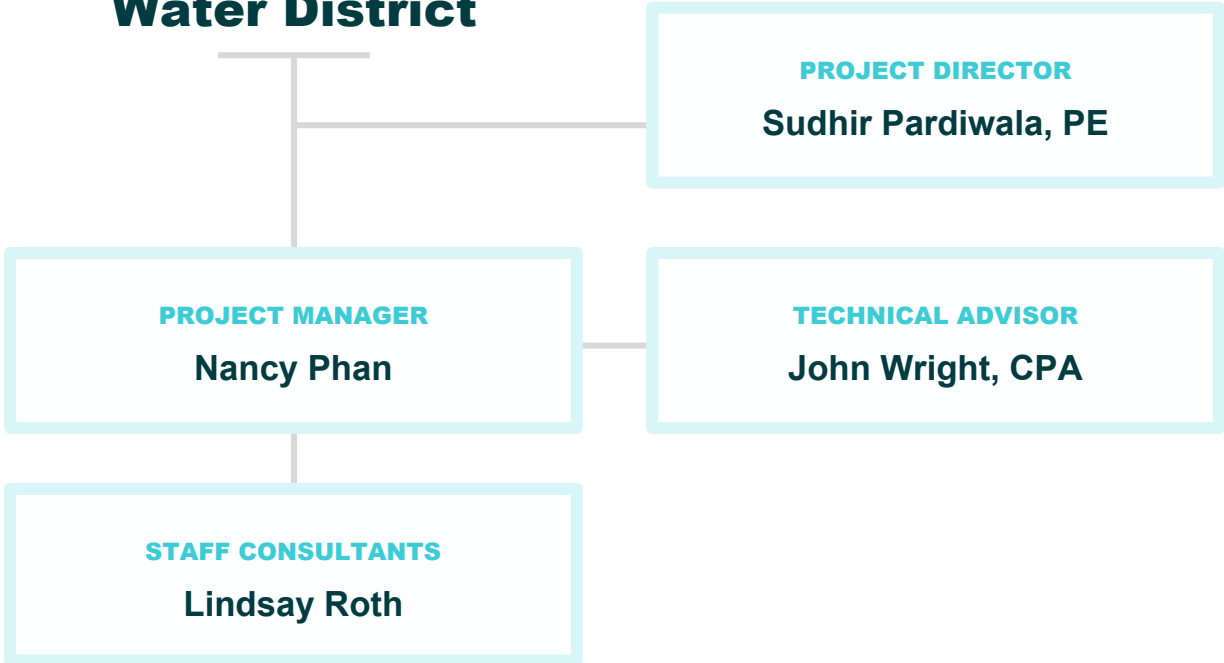
Project Team

WE HAVE DEVELOPED A TEAM OF CONSULTANTS WHO SPECIALIZE IN THE SPECIFIC ELEMENTS THAT WILL BE CRITICAL TO THE SUCCESS OF THE DISTRICT'S PROJECT.

Our team includes senior-level professionals to provide experienced project leadership with support from talented consultant staff. This close-knit group has frequently collaborated on similar successful projects, providing the District with confidence in our capabilities.

Here, we have included an organizational chart showing the structure of our project team. On the following pages, we have included resumes for each of our team members as well as a description of their role on the project.

San Lorenzo Valley Water District



Sudhir Pardiwala PE

PROJECT DIRECTOR | Executive Vice President

ROLE

Sudhir will be responsible for overall project accountability and will be available to provide quality assurance and control, industry perspective, and insights into the project.

PROFILE

Sudhir has 45 years of experience in financial studies and engineering. He has extensive expertise in water and wastewater utility financial and revenue planning, valuation, and assessment engineering. He has conducted numerous water, wastewater, stormwater, and reclaimed water rate studies involving conservation, drought management, risk analysis, as well as system development fee studies, and has developed computerized models for these financial evaluations. Sudhir has assisted public agencies in reviewing and obtaining alternate sources of funding for capital improvements, including low-interest state and federal loans and grants. He has assisted several utilities with State Revolving Fund and Water Reclamation Bond loans. Sudhir authored the chapter on reclaimed water rates in the *Manual of Practice No. 27, Financing and Charges for Wastewater Systems*, published by the Water Environment Federation (WEF). He also authored a chapter entitled, "Recycled Water Rates," for the Fourth Edition of the industry guidebook, *Water and Wastewater Finance and Pricing: The Changing Landscape*. Sudhir was vice-chairman of the California-Nevada AWWA Business Management Division and Chairman of the Financial Management Committee.

KEY PROJECT EXPERIENCE

- City of Brentwood (CA) - Water and wastewater rate study
- City of Palo Alto (CA) - Water rate study
- City of Vallejo (CA) - Water financial plan
- Valley County Water District (CA) - Water rate study
- City of Atwater (CA) - Water and wastewater rate study
- City of Brea (CA) - Water rate study, connection fees and related fees and charges study
- City of Buena Vista (CA) - Water and wastewater rate study
- City of Livingston (CA) - Water, wastewater and solid waste rates study and litigation support
- City of Madera (CA) - Water and wastewater rate study
- Ramona Municipal Water District (CA) - Water rate study
- County of San Bernardino (CA) - Water and wastewater rate study and connection fees
- City of San Fernando (CA) - Water and wastewater rates study
- City of Santa Fe springs - Water rate study



Specialties

- Cost-of-service rate studies
- Conservation & drought management studies
- Economic analyses
- Water & wastewater utility cost accounting
- Valuation
- Financial & revenue planning
- Assessment engineering
- Reviewing/obtaining capital improvement funding
- Computer modeling

Professional History

- Rattelis: Executive Vice President (2013-present); Vice President (2004-2013)
- Black & Veatch: Principal Consultant (1997-2004)
- MWH: Principal Engineer (1985-1997)
- CF Braun: Senior Engineer (1979-1985)
- PFR Engineering Systems: Research Engineer (1977-1979)

Education

- Master of Business Administration - University of California, Los Angeles (1982)
- Master of Science in Chemical Engineering - Arizona State University (1976)
- Bachelor of Science in Chemical Engineering - Indian Institute of Technology, Bombay (1974)

Certifications

- Series 50 Municipal Advisor Representative

Professional Registrations

- Registered Professional Engineer, California: Civil (1988); Chemical (1981)

Professional Memberships

- AWWA
- WEF
- California Municipal Finance Officers Association

Nancy Phan

PROJECT MANAGER | Manager



ROLE

Nancy will manage the day-to-day aspects of the project ensuring it is within budget, on schedule, and effectively meets the District’s objectives. She will also lead the consulting staff in conducting analyses and preparing deliverables for the project and serve as the main point of contact.

PROFILE

Nancy has a background in business economics and works with water, wastewater, stormwater, and solid waste utilities across the nation. Her work focuses on helping clients build and design robust, yet easy to use financial models to support long-term planning and facilitate decision-making at both staff and executive levels. Her approach to financial planning and ratemaking, while highly technical, is clear and consistent, which is best represented in her technical reports that distill complex ratemaking concepts into easy-to-understand language. She is particularly interested in providing simple, creative, and defensible solutions for her clients to meet key policy objectives.

Specialties

- Financial modeling
- Utility rate studies
- Administrative records / technical reports

Professional History

- Raftelis: Manager (2022-present); Senior Consultant (2020-2021); Consultant (2018-2019); Associate Consultant (2016-2017)
- Microsoft Corporation: Partner Account Specialist (2015-2016)

Education

- Bachelor of Arts in Business Economics - University of California, Irvine (2015)

KEY PROJECT EXPERIENCE

City of Hayward (CA)

Nancy served as the assistant project manager for the City of Hayward’s (City) comprehensive water cost-of-service and rate study in 2021, which involved the development of a two-year rate proposal, a long-range financial plan and rate model, and a detailed administrative record (study report). She led consulting staff in building a customized financial and rate model for the City to use as a long-term planning tool, reallocating water system costs to align with cost-of-service principles, updating the water rate structure to improve equity and enhance affordability, and developing a two-year rate proposal and a comprehensive rate study report. The water rates were successfully approved and implemented by City Council.

City of Pleasanton (CA)

The City of Pleasanton (City) is updating its water, recycled water, and wastewater rates. Nancy currently serves as project manager of the City’s rate study. The rate study involves developing long-term financial plans, cost-of-service analyses, and rate structures for all three enterprises. The rate study will identify a proposed rate structure that maintains financial sufficiency, enhances revenue stability, and encourages customer understanding of the various components of the water, recycled water, and wastewater rates.

City of Santa Cruz (CA)

Nancy served as project manager and project lead for the City of Santa Cruz’s (City) water cost-of-service and rate study and drought rate study, which was completed in 2021. The rate study process involved close collaboration with City staff, Water Advisory Committee, the City Council, and the City’s customers to select a water rate structure that meets the top policy objectives: ensuring accessibility and affordability for essential use, providing sufficient and stable revenues, maintaining transparency and equity, and promoting conservation. Nancy led the model development, presented project status and results to key stakeholders, and documented the process in a final report. The five-year rate proposal was successfully adopted and implemented by City Council.

John Wright CPA

TECHNICAL ADVISOR | Senior Manager

ROLE

John will provide oversight for the project ensuring it meets both Raftelis and industry standards.

PROFILE

John has more than 25 years of utility industry financial management and economic analysis experience. He has provided consulting services to numerous complex utility clients including the City of San Diego, Austin Water, the Portland Water Bureau, Milwaukee Water Works, the City of Calgary, and the Puerto Rico Aqueduct and Sewer Authority.

Prior to joining Raftelis in 2010, John was the Manager of Rate Administration at Denver Water where he was responsible for the annual financial planning, cost-of-service, and capacity fee studies. He also served as a Senior Economist for the City of Portland Oregon's Bureau of Environmental Services where he was responsible for the annual wastewater and stormwater cost-of-service and capacity fee studies.

In addition to his direct utility experience, John was a Senior Analyst at the both the Colorado and Oregon Public Utility Commissions. His work at the Colorado PUC included testifying as an expert witness in electric power and natural gas utility rate cases. At the Oregon PUC, John specialized in telecommunications utility issues and served as an expert witness in regulatory proceedings.

KEY PROJECT EXPERIENCE

- San Bernardino Municipal Water District (CA) – Water, sewer, and recycled water financial planning, cost-of-service, and rate design; drought rates
- City of San Diego (CA) – Wastewater and recycled water financial planning, cost-of-service, and rate design
- Long Beach Water Department (CA) – Water, wastewater, and recycled water cost-of-service, and rate design; water capacity fees
- Santa Clarita Valley Municipal Water Department (CA) – Water stand-by charges
- Rancho California Water District (CA) – Water cost-of-service and rate update
- Contra Costa County Sanitary District (CA) – Recycled water project financial analysis
- Eastern Municipal Water District (CA) – Water, wastewater, and sewer financial planning
- Padre Dam Municipal Water District (CA) – Water, wastewater, and recycled water financial planning, cost-of-service, and rate design; drought rates
- City of Pico Rivera (CA) – Water financial planning, cost-of-service, and rate design



Specialties

- Cost-of-service studies
- Capacity fee studies
- Financial & economic analysis
- Public speaking and presentations
- Expert witness testimony
- Litigation support

Professional History

- Raftelis: Senior Manager (2020-present); Manager (2017-2019); Senior Consultant (2010-2016)
- Denver Water: Manager of Rate Administration (2006-2009)
- Portland Bureau of Environmental Services: Senior Economist (2004-2006)
- Public Utility Commission of Oregon: Senior Utility Analyst (2002-2004)
- Positions in the Competitive Telecommunications Industry (1997-2002)
- Colorado Public Utilities Commission: Senior Financial Analyst (1991-1997)

Education

- Master of Science in Finance - University of Colorado, Denver
- Bachelor of Science in Accounting - Metropolitan State University of Denver

Certifications

- Certified Public Accountant, State of Colorado #11959
- Series 50 Municipal Advisor Representative

Professional Memberships

- AWWA - Rates & Charges Committee, Finance Accounting & Management Controls Committee, Asset Management Committee
- WEF Utility Management Committee

Lindsay Roth

STAFF CONSULTANT | Consultant

ROLE

Lindsay will work at the direction of Nancy in conducting analyses and preparing deliverables for the project.

PROFILE

Lindsay has over two years of experience working in the environmental field and has a graduate degree in water resources management. At Raftelis, she has contributed to financial models and analyses for water and wastewater rate studies as well as bill impact analyses. Prior to joining Raftelis, Lindsay was a student consultant for the North Carolina Department of Environmental Quality, assessing the state's algal bloom monitoring program and nutrient criteria. She also interned for the Conservation Trust for North Carolina, developing best practices for the organization to participate in community-based environmental justice. She is based in Raftelis' Los Angeles Office.

KEY PROJECT EXPERIENCE

- City of Hayward (CA) – Water, Recycled Water, Wastewater, and Capacity fee rate study
- City of Hollister (CA) – Water rate study
- City of Palo Alto (CA) – Drought rate study
- City of Pleasanton (CA) – Water, Wastewater, Capacity Fee, and Drought rates study
- Borrego Water District (CA) – Water & Wastewater Capacity Fee study
- Carpinteria Valley Groundwater Sustainability Agency (CA) – GSA Fee study
- Carpinteria Valley Water District (CA) – Water rate study
- Coastside County Water District (CA) – Drought rate study
- Contra Costa Water District (CA) – Drought rate study
- City of Coronado (CA) – Wastewater rate study
- Montecito Water District (CA) – Financial plan update
- City of Redlands (CA) – Water and Wastewater rate study
- Rincon Del Diablo (CA) – Reserve policy survey study
- San Benito County Water District (CA) – Water rate study
- City of South Gate (CA) – Wastewater rate study
- City of Torrance (CA) – Wastewater and Solid Waste rate study
- Thousand Oaks (CA) – Water and wastewater rate study
- City of Ventura (CA) – Water and wastewater bill impact study
- Yorba Linda Water District (CA) – Capacity fee study



Specialties

- Data analysis & visualization
- Water & sewer financial analysis
- Statistical analysis

Professional History

- Raftelis: Consultant (2023-present); Associate Consultant (2020-2022)
- North Carolina Department of Environmental Quality: Student Consultant (2019-2020)
- Conservation Trust for North Carolina: Disaster Mitigation and Climate Resiliency Intern (2019)

Education

- Master of Environmental Management in Water Resources Management - Nicholas School of the Environment, Duke University (2020)
- Bachelor of Science in Earth and Environmental Sciences - Tulane University (2016)

Describe the experience of the Project Manager and the experience that the proposed personnel have working on past projects as a team.

Our proposed team has worked closely with one another on several projects for Northern California agencies, including currently ongoing projects with the Cities of Hayward (water, sewer, recycled water rates, connection fees, and drought surcharges), Pleasanton (water and sewer rates, connection fees, and drought surcharges), and Palo Alto (sewer rates, drought surcharges, and on-call financial services). Sudhir Pardiwala, Nancy Phan, John Wright, and Lindsay Roth have several years of experience working together on complex utility rate projects.

Nancy Phan, has extensive project experience within the region, managing projects for the City of Santa Cruz, Hayward, Pleasanton, Zone 7 Water Agency, Palo Alto, Coastside County Water District, Contra Costa Water District, and many others agencies in Northern California.

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.

Throughout the project, Raftelis will conduct ongoing project management and administration. The Project Director and Project Manager will plan, coordinate, monitor, and control all project tasks in concert with all other appropriate project team members. By keeping all activities coordinated, the team can adhere to the agreed upon project schedule.

Raftelis includes regular and consistent project team and communications with the District, consisting of a combination of email and phone correspondence as well as virtual meetings. The most important aspect of communications is the approvals process and having a clear understanding of the District's approval protocols. This ensures the District is involved with the project progress needs and prevents surprises in deliverables and invoicing.

Raftelis has internal safeguards to track and project forward all personnel hours and expenses incurred on each task. For this project, the Project Director and Project Manager will track such expenditures. Analyzing weekly costs helps prevent cost overruns and provides the District with the option to shift allocated funding from one task to another if the need should arise. Raftelis believes that the District should be made aware of any "assignment creep" where approved tasks are expanded beyond what was initially contracted. In our monthly invoicing of services to the District, we typically indicate the dollar value of project work completed so our clients can see where the work stands in any given month. As necessary, the regular reporting will provide an indication of how the project schedule is proceeding and whether there are issues that need to be addressed relative to analysis, approach, assumptions, schedule, and/or administration.

For quality assurance purposes, the Project Manager will issue guidance to each Raftelis project team member prior to the commencement of work to convey expectations, sources to use for problem solving, and the budget and schedule. The Project Director will provide guidance on project strategy, direction, and written deliverables to assist in minimizing the cost and time needed for editing and production prior to submittal to the District. For quality control, prior to submitting draft work products, each item is internally reviewed by the Project Director and Project Manager and revised to ensure consistency of professional quality and performance prior to submission to the District.

Raftelis' consulting staff is strategically positioned in offices throughout the country to efficiently provide services for our clients. Our staff collaborates with team members in other offices on a daily basis, and our people are adept at virtually collaborating with these team members using tools like Teams and Zoom. We have found that this cross-

pollination across geographies and practice areas allows for the sharing of ideas and perspectives from across the firm, which helps us to provide insightful analysis to our clients.

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.

Raftelis will complete the scope of services within the timeframe shown in the schedule below. The proposed schedule assumes a notice-to-proceed by the beginning of April 2023 and that Raftelis will receive the needed data in a timely manner and be able to schedule meetings as necessary. Project completion is estimated for October 2023.

TASKS	2023						
	APR	MAY	JUN	JUL	AUG	SEP	OCT
1. Project Management	●						
2. Revenue Requirements and Rate Schedule	●	● ●	●	●			
3. Final Rate Study Report and Public Meetings			●	●	●	●	● ●

- *In-person Meetings*
- *Web Meetings*
- *Deliverables*

Describe the firm’s capacity to perform the work within the time limitations, considering the firm’s current and planned workload and work force.

With the depth of 140 consulting professionals, and specifically the current and anticipated workload of the individuals assigned to this project, we have the availability to provide the requested services in a timely and efficient manner to meet the scheduling requirements and objectives of the District. As a rule, Raftelis operates at a company-wide project utilization of approximately 65% to 75%. This level of utilization, which we expect to continue through the proposed timeline of this project, will provide the project team with ample time to allocate to the District’s engagement.

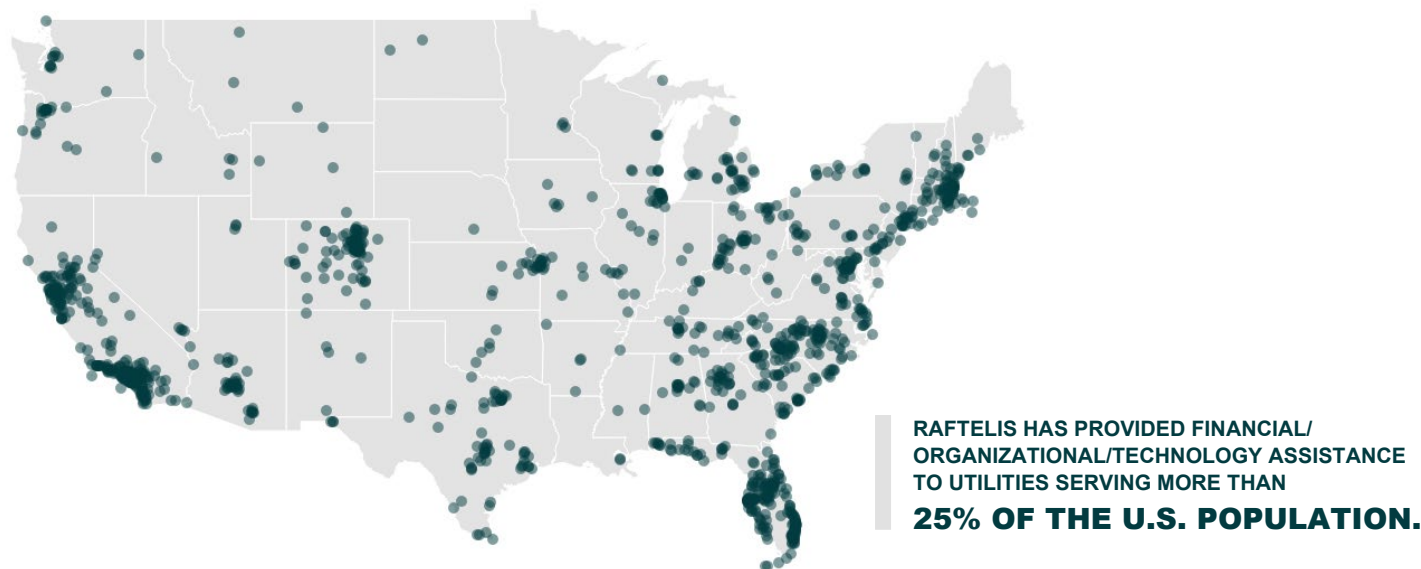
Raftelis actively manages the distribution of our staff hours to ensure we allocate the necessary resources to meet the needs of each of our clients. Raftelis’ executive and management team participate in a weekly conference call to review the number of consulting hours required to meet the needs of our clients during the upcoming week. This weekly meeting allows our project managers to deploy our consulting staff in a flexible manner that ensures a suitable level of hours will be devoted to each client.

CONSULTANT'S PAST EXPERIENCE

Consultant's Past Experience

RAFTELIS HAS THE MOST EXPERIENCED UTILITY FINANCIAL AND MANAGEMENT CONSULTING PRACTICE IN THE NATION.

Our staff has assisted more than 1,500 local government agencies and utilities across the U.S., including some of the largest and most complex agencies in the nation. In the past year alone, Raftelis worked on more than 1,200 financial, organizational, and/or technology consulting projects for over 600 agencies in 46 states, the District of Columbia, and Canada. Below, we have provided descriptions of projects that we have worked on that are similar in scope to the District's project. We have included references for each of these clients and urge you to contact them to better understand our capabilities and the quality of service that we provide.



City of Santa Cruz CA

Reference: Rosemary Menard, Water Director
212 Locust Street, Suite C, Santa Cruz, CA 95060 / P: 831.420.5205 / E: rmenard@cityofsantacruz.com

The City of Santa Cruz (City) Water Department provides water service to a population of approximately 93,000. The City relies entirely on local sources for the community's water supply, which is currently susceptible to water supply instability. Similar to many other cities and utilities in California, the City's Water Department is faced with several challenges including aging infrastructure and the resulting intensive capital improvement costs, drought and its subsequent impacts, increasing operations and maintenance costs, and volatile water sales. In recent years, these obstacles have driven the City to develop financial policies to help mitigate potential risks and to establish sound financial management practices.

In 2020, Raftelis provided a water cost-of-service and rate study and drought rate study. The rate study process involved close collaboration with City staff, Water Advisory Committee, the City Council, and the City's customers

to select a water rate structure that meets the top policy objectives: ensuring accessibility and affordability for essential use, providing sufficient and stable revenues, maintaining transparency and equity, and promoting conservation. The project was completed in 2021 and the five-year rate schedule was adopted and implemented by City Council.

City of Hayward CA

Reference: Alex Ameri, Director of Public Works

777 B Street, Hayward, CA 94541 / P: 510.583.4720 / E: alex.ameri@hayward-ca.gov

The City of Hayward (City) engaged Raftelis in 2021 to assist the City in conducting a comprehensive water cost-of-service and rate study. The City is a part of the Bay Area Water Supply and Conservation Agency and purchases all of its water from the San Francisco Public Utilities Commission (SFPUC). The increasing, and sometimes unpredictable, costs of purchasing water from SFPUC was the main financial driver for the rate study. The 10-year financial plan was developed to ensure revenue sufficiency to meet operating and capital costs (including SFPUC water purchases) and to build up sufficient water reserves over the planning period. The cost-of-service and rate study involved reallocating water system costs to determine the cost to serve each of the City's customer classes. Additionally, the water rate structure was updated to improve equity among classes, enhance customer understanding, and ensure affordability for essential use. Raftelis developed two years of water rates that were then successfully approved and implemented by the City Council.

Raftelis is currently working with the City of Hayward on a water, sewer, and recycled water rate and connection fee study.

City of Pleasanton CA

Reference: Tamara Baptista, Deputy Director of Business Services

P.O. Box 520, Pleasanton, CA 94566 / P: 925.931.5507 / E: tbaptista@cityofpleasantonca.gov

Raftelis is currently assisting the City of Pleasanton (City) on a comprehensive financial plan and cost of service rate study for their water, recycled water, and wastewater utilities. The City has a total of over 22,000 water and wastewater accounts. Water is supplied through two main sources: local groundwater, from the City's groundwater wells, and purchased water from Zone 7 Water Agency (Zone 7). The City also purchase recycled water for resale to its customers at 90% of the potable irrigation rate. For wastewater services, the City owns and operates a collection system and contracts out treatment services to Dublin San Ramon Services District and the City of Livermore. The treatment costs are pass-through to their customers. The study includes a comprehensive review of the City's revenue requirements and allocation methodology, a review of City's user classification, a cost-of-service analysis, and rate design for City users. Raftelis is developing a user-friendly model so that various scenarios could be evaluated on the fly. For water rates, the proposed changes include pass-through all of Zone 7's purchased water costs, a redesign of the residential tiers, and a detailed allocation of water supply costs to differentiate the costs of each tier. For wastewater, Raftelis proposes to combine all non-residential customers into one rate since the City only provides collection service. This would simplify the current rate structure as well as make it more defensible. The study is currently ongoing.

PROPOSED TOTAL PROFESSIONAL FEE AND FEE SCHEDULES

Proposed Total Professional Fee and Fee Schedules

The following table provides a breakdown of our proposed fee for this project. This table includes the estimated level of effort required for completing each task and the hourly billing rates for our project team members. Expenses include costs associated with travel and a \$10 per hour technology charge covering computers, networks, telephones, postage, etc.

Tasks	Web Meetings	In-person Meetings	Hours					Total Fees & Expenses
			SP	JW	NP	LR	Total	
1. Project Management	1	0	5	5	20	15	45	\$11,100
2. Revenue Requirements and Rate Schedule	4	0	30	15	60	80	185	\$44,825
3. Final Rate Study Report and Public Meetings	0	5	15	10	60	80	165	\$43,110
Total Meetings / Hours	5	5	50	30	140	175	395	
Hourly Billing Rate			\$350	\$285	\$250	\$165		
Total Professional Fees			\$17,500	\$8,550	\$35,000	\$28,875	\$89,925	
							Total Fees	\$89,925
							Total Expenses	\$9,110
							Total Fees & Expenses	\$99,035

SP - Sudhir Pardiwala, Project Director
 JW - John Wright, Technical Reviewer
 NP - Nancy Phan, Project Manager
 LR - Lindsay Roth, Staff Consultant

EXCEPTIONS TO THIS RFP

Exceptions to this RFP

We request that the District consider making the following modifications, shown in red below, to the Professional Services Agreement. Please contact us if you have any questions or concerns about these modifications.

12. PROPRIETARY OR CONFIDENTIAL INFORMATION OF DISTRICT

Consultant understands and agrees that, in the performance of the work or Services under this Agreement or in contemplation thereof, Consultant may have access to private or confidential information which may be owned or controlled by District and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to District. Consultant agrees that all information **marked "confidential"** disclosed by District to Consultant shall be held in confidence and used only in performance of the Agreement. Consultant shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data. Nothing furnished to Consultant that is otherwise generally known to the public or is of public record, **or required to be disclosed by court order, legal process or applicable law**, shall be deemed confidential under this Section. This Section shall survive termination of this Agreement.

13. OWNERSHIP OF RESULTS

~~Any interest of Consultant or its subcontractors or subconsultants, in~~ All drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Consultant or its subcontractors or subconsultants in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to District. However, Consultant may retain and use copies for reference and as documentation of its experience and capabilities. This Section shall survive termination of this Agreement. **Nothing contained herein shall be deemed a transfer, assignment or divestiture by Consultant of its trade secrets, know-how or intellectual property.**

~~14. WORKS FOR HIRE~~

~~If, in connection with services performed under this Agreement, Consultant or its subcontractors or subconsultants create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of District. If it is ever determined that any works created by Consultant or its subcontractors or subconsultants under this Agreement are not works for hire under U.S. law, Consultant hereby assigns all copyrights to such works to District, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of District, Consultant may retain and use copies of such works for reference and as documentation of its experience and capabilities. This Section shall survive termination of this Agreement.~~

18. HOLD HARMLESS/INDEMNIFICATION

Consultant shall indemnify and hold harmless District and its officers, agents and employees from **any and all** loss, damage, injury, liability, damages, judgments, claims **of any and every kind resulting directly or indirectly from caused by the negligence, gross negligence or willful misconduct by Consultant in the**

course of Consultant's performance of this Agreement, ~~including, but not limited to, the use of Consultant's facilities or equipment provided by District~~ or others, regardless of whether liability without fault is imposed or sought to be imposed on District, except...

B. Consultant shall indemnify and hold District harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement by Consultant of the U.S. patent rights, copyright, trade secret...

19. INCIDENTAL AND CONSEQUENTIAL DAMAGES

~~Consultant shall be responsible for incidental and consequential damages resulting in whole or in part from Consultant's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights that District may have under applicable law. This Section shall survive termination of this Agreement.~~

23. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

Upon any termination of this Agreement prior to expiration of the term specified in Section 2 (entitled "Term of Agreement") this Agreement shall terminate and be of no further force or effect except as otherwise expressly provided herein. **Upon payment by District of all sums owing to Consultant**, Consultant shall transfer title to District, and deliver...

27. COMPLIANCE WITH LAWS

Consultant shall keep itself fully informed of all local laws and regulations applicable to District, and of all state, and federal laws ~~in any manner~~ affecting the performance...

42. ADMINISTRATIVE REMEDY FOR AGREEMENT INTERPRETATION

Should any question arise as to the meaning and intent of this Agreement, the question shall, prior to any other action or resort to any other legal remedy, be referred to District's General Manager, who shall decide the true meaning and intent of the Agreement. This Section shall survive termination of this Agreement. **No decision by the General Manager shall have any evidentiary effect or bind in any way a court or other tribunal.**



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 \$15M, 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 periods 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
 - Fixed and variable costs (e.g., utilities, chemicals, vehicles, software, consultants, outreach, 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:

Proposal Due Date	March 13, 2023
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).
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 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.