



BOARD MEETING AGENDA SUBMITTAL

TO: GCSB Board of Directors

FROM: Peter Kampa, General Manager

DATE: January 10, 2023

SUBJECT: Agenda Item 6D: Approval of the Issuance of a Request for Proposals and Scope of Work for the Preparation of Water and Sewer Rate Studies

RECOMMENDED ACTION:

I move to approve the issuance of a Request for Proposals and Scope of Work for the preparation of a Water and Sewer Rate Study.

BACKGROUND:

The District last completed a water rate study in 2014 and sewer rate study in 2018. These past studies resulted in multi-year water rate increases through the 2021/22 fiscal year, and sewer rate increases ending this fiscal year; 2022/2023. The current rate of inflation in the cost of materials, supplies, services and construction has resulted in a sharp increase in the District's overall operating expenses where the current revenues fall short of meeting operating expenses in both the water and sewer funds. In addition, due to more than a decade of underinvesting in our infrastructure prior to 2019, our non-grant funded capital projects and equipment replacement in both services is over \$1 million per year.

In addition there have also been a number of court cases in the state that have affected the rate making process and we need to make sure that are rates going forward are in compliance with all current laws and that the revenue derived from our rates cover our operating expenses and capital improvements, as well as contingencies for the foreseeable future. The evaluation of water and sewer rates is completed by a qualified professional municipal finance firm experienced in rate making in California. Staff proposes to prepare and distribute a request for proposals for financial consulting services to address the following objectives and scope of work.

OBJECTIVES

The Groveland Community Services District is requesting proposals from qualified consultants to conduct a comprehensive Combined Water and Sewer Rate Study. The objective of the study is to independently assess and evaluate the District's existing water and sewer rates and provide recommendations regarding the appropriate rate structure in accordance with law and meeting the needs of the District. The intent of this study is to evaluate the cost of water and sewer service and establish a 5 year rate plan to adequately

fund water and sewer utility operations and capital costs while considering intergenerational rate equity to the greatest extent possible.

SCOPE OF WORK

The study will be based on a comprehensive review of the District's water and sewer funds and budgets, previous rate study evaluations, capital improvement plans, water and sewer system improvement studies and Capital Improvement Plans (CIP), current rate structure, current usage data and usage profile, planned growth of the District and any other information deemed necessary.

A. STUDY OBJECTIVES

1. Identify and review existing and historical trends in the District's water and sewer system revenues and expenditures including water and sewer system operating, capital improvement costs and necessary contingencies.
2. Evaluate the District's existing base/fixed and variable/usage rate structures and recommend changes as needed for compliance with law and current industry practices.
3. Propose five-year water and sewer rates that are fair, objective, and accurately reflect the cost of services. The component of the proposed rates covering Maintenance/operations, capital improvements, debt service and contingencies are to be separately identified.
4. Propose water rates that encourage water conservation while meeting cost of service principles as required by proposition 218. The water and sewer usage data profile for single family residential units occupied as short-term rentals, those used as intermittent vacation homes and those occupied full time shall be evaluated and considered in establishing the rate tier structure.

B. STUDY REQUIREMENTS

The study is to be performed in conformance with the following policy directions:

1. Evaluate District's existing rate structures for conformance with existing statutory regulations and make recommendations for any changes that are necessary to achieve compliance.
2. The recommended rates shall be based on cost of service and shall be sufficient to meet the short and long-term revenue requirements of the District's Water and Sewer utility operations.
3. The study shall recommend rates that consider and make provisions for the following factors:
 - a) Current and future cost of providing water and sewer in accordance with established and anticipated standards and regulations.
 - b) Projected near future service demands.
 - c) Availability of water supply and regulatory compliance. The District has limitations on water supply during state mandated drought water usage restrictions and is

- required to restrict its growth in per-capita water usage by current customers to achieve state mandated targets. In addition, there is an increased impact on infrastructure by higher demand users. Water supply and treatment costs, infrastructure impacts and the added cost to achieve water use reduction mandates should be considered with regards to rates for high demand users and those who use water or produce wastewater in excess of the average single family dwelling unit.
- d) Age and condition of water and sewer systems and the need to fund long-term capital improvement/replacements.
 - e) Upcoming revisions to California State's Water and Sewer codes.
 - f) Impact of current and future environmental regulations.
 - g) The median household income of the District's service area as identified in a 2022 study completed by the State Water Resources Control Board. The rate structure needed to fully fund the cost of providing services including capital improvements and contingencies may exceed the financial capacity of the customer base. Opportunities to reduce the recommended rate schedules shall be identified and the associated service impact detailed in the report.
4. The recommended rates shall provide direct identification of revenues appropriate to fund operating activities and infrastructure.
 5. The recommended rates shall be consistent with industry practice for utility rate making in California. The study shall recommend rates based upon standard rate practices that meet the criteria.
 6. Justifications for any special classes of customers under the recommended rate structure shall be demonstrated.
 7. The recommended rates shall result in no decrease in stability of the revenue stream to the Water and Sewer Funds, as compared to the current structure. Consideration shall be given to funding the replacement and upgrade of facilities as detailed in the District's Capital Improvement Plan.
 8. The recommended rates shall consider the type and amount of operating and capital reserves and contingencies appropriate to the District Water and Sewer operations taking into consideration reserves for cash flow, catastrophes, infrastructure replacement and other appropriate purposes.
 9. Proposed rates must take into consideration the District's billing system capabilities and restrictions.
 10. Recommended rates shall be planned for a five (5) year horizon.
 11. All electronic models and files shall be developed utilizing accessible software that may be utilized for future rate setting.

C. PROPOSITION 218 PROCESS/PUBLIC HEARING SUPPORT

The District is looking for a cost-effective, creative approach to communicating with and educating its customers. It is important to cover all facets of a budget-tiered rate structure.

The District believes considerable focus should be placed on the water rate structure's foundational principals:

- Fixed rates are in place to maintain services in a ready-to-serve condition
- Equitable water budgets/rate tiers will be established that meet customer specific water needs while rewarding efficient water use with lower costs
- Funding water waste costs and the cost of providing service to above average users will be funded through higher priced tiers.

The selected consultant is expected to work in conjunction with the District's staff in developing the outreach campaign and all collateral components for the tiered rate structure to be implemented. It is expected that the consultant will help coordinate all facets of a strategic outreach campaign, specifically tailored to each water-use sector (full time occupied single-family, short term rentals, vacation homes, commercial/industrial, etc.) and track the impact of the outreach campaign. The consultant is expected to assist with the overall effort. The selected consultant will be required to schedule, coordinate and facilitate all stakeholder meetings if determined necessary; coordinate the development of outreach letters, presentation materials, informational brochures, and informational web content; as well as attend meetings at the District office and using MS Teams with senior staff and select meetings of the Board of Directors. The District is looking for a proven expert with specific experience with water budget rates and all current State of California noticing requirements.

The proposal should include specific details and clearly address all of the following tasks:

- 1) Develop the strategic planning forum with the District Management Team;
- 2) Develop a strategic methodology/communication plan to reach customers, stakeholders, and Board Members;
- 3) Develop a multi-faceted campaign, including multi-tiered rate structure support materials (website content, presentation materials, posters, informational brochures, etc.) with a strategic timeline based upon the overall Project schedule;
- 4) Assure compliance with Proposition 218 noticing;
- 5) Provide overall Outreach Management:
 - Facilitate trainings and meetings with the District staff
 - Facilitate and record all community and stakeholder meetings
 - Ensure progress of deliverables and schedule.

While this described scope of work is brief, it is intended solely to serve as an example. Consultants are encouraged to reply in any way they deem necessary to show a uniqueness of approach; knowledge of the District service area and customer base; and a solid understanding of the complex issues and increased per-customer cost associated with providing water and sewer service in rural California, where nearly half of the customers are second homeowners living in urban California. Consultants are further encouraged to describe how they would assist the District in accomplishing a successful customer outreach campaign that paves a favorable perception of the agency out into the future.

D. SCHEDULE

The following dates reflect the anticipated schedule for soliciting proposals, selecting the Consultant, and awarding the contract for the work requested in this RFP:

- 1) January 30, 2023 - Solicit Proposals
- 2) February 24, 2023 - Proposals Due
- 3) Review Proposals
- 4) March 14, 2023 - Award Contract
- 5) May 9, 2023 – Board presentation of study
- 6) May/June 2023 – Public Outreach
- 7) June 13, 2023 – Set Public Hearing
- 8) July 2023 – Community Workshop(s)
- 9) August 1, 2023 – Public Hearing (Tentative)

ATTACHMENTS:

None

FINANCIAL IMPACT:

There is no direct cost to publish the Request for Proposals, evaluate proposals received and negotiate a final scope of work and fee with the selected consultant. The Adopted 2022/23 fiscal year budget included \$40,000 each in the Water and Sewer Funds for the completion of the rate studies. The final recommended consultant proposal and fee schedule will be presented to the Board for contract award.