



Request for Proposals

To Provide

Consulting Services to the Fallbrook Public Utility District
for Water, Wastewater, and Recycled Water Rate Study

Fallbrook Public Utility District

990 E. Mission Road

Fallbrook, CA 92088

(760) 728-1125

I. Introduction

On June 5, 1922, Fallbrook Public Utility District (FPUD) was incorporated to serve water from local area wells along the San Luis Rey River. Since that time, FPUD has continued to grow, and today constructs, operates and maintains facilities to supply water and sewer services to the town of Fallbrook and water and reclaimed water to the surrounding residential and agricultural areas. The District delivers potable water to some 35,000 people over a 28,000 square acre service area. Major assets include:

- Red Mountain Reservoir, a 435 MG treated water open reservoir
- Red Mountain UV Treatment Plant
- A 2.7 MGD conventional activated wastewater treatment plant
- 5 potable pump stations
- 1 recycled pump station
- 6 sewer lift stations
- 9 potable water tanks
- 25 pressure reducing/flow control facilities
- 280 miles of pipeline
- A groundwater treatment plant with a maximum capacity of 8.0 MGD

To provide more information about the District and its operations, the District's annual budgets and financial reports are available on the District's website. It should be noted that the District is in the process of activating latent powers to provide certain services to the Fallbrook community. These activities will be funded by an annual transfer of water service area property tax revenues in the amount of \$500,000.

In addition, the District is pursuing detachment from the San Diego County Water Authority (SDCWA) and annexation into Easter Municipal Water District's (EMWD) service area as a cost savings measure. The cost differential between SDCWA and EMWD offers significant savings while water reliability remains relatively constant. While the detachment process is underway, the outcome is not certain. Therefore, the District is looking to develop two rate and charge scenarios. Scenario 1 for detachment and scenario 2 for the status quo.

II. Scope of Required Services

The proposed scope of services for the Project includes:

Task 1: Project Initiation, Kick-Off Workshop, and Project Management.

The purpose of this meeting is to provide a forum to discuss goals, objectives, policy, and methodologies, as well as finalize the work schedule. The kick-off workshop will cover:

- Key financial challenges confronting the District;
- Primary goals and objectives of the Study;
- Develop the status quo and detachment scenarios that includes water rates and charges;
- Proposition 218 and the legal environment of rate setting;
- Financial policies and associated reserve levels; and
- Rate setting policies such as usage tier justifications, agriculture rates, and revenue stability, etc.

Consultant will develop a project initiation package that contains the meeting agenda and presentation materials to guide the discussion. Consultant will work closely with District staff to identify the policy options to be presented at the Policy Framework Workshop with District Board (Task 2).

Prior to the kick-off workshop, consultant will prepare a detailed data request list that will identify the information needed to complete the various analyses. Information that is typically required to perform a water rate study includes recent Annual Financial Reports (AFR); recent and current budgets; current and historical water production and customer individual billing data; and a long-term capital improvement program.

This task also includes ongoing project management. Management responsibilities include general administrative duties such as client correspondence, billing, project documentation, and administration of the study control plan.

Task 2: Based on the discussion with District staff during the Kick-Off Meeting, consultant will conduct the Policy Framework Workshop with the Fiscal Policy and Insurance Committee and then the District Board. The workshop will begin with a review of the current rate structures and the benefits and challenges associated with each of these structures. The District wants to strongly consider implementing a new methodology for its WW system rates and charges. Consultant will discuss with the District Board the rate setting framework to be used for the Study, and solicit Board input on items such as reviewing the current reserve policy and discuss potential modifications and water setting framework and principles.

Task 3: This task will include the projection of budget items, such as annual costs related to: source of water supply, labor, power, materials, capital expenditures, plant investment, operating and maintenance (O&M) expenses, reserve contributions, and debt service using assumptions based on different economic factors and growth trends.

Consultant will develop a forecast of water, WW, and RW revenue requirements over the planning horizon. This will include an estimate of revenues based on current rates, usage characteristics, and other non-operating revenues. Revenue requirements will be projected based on historical results, the current budget, capital improvement plans (CIP), existing debt service, other obligations and current economic trends as well as the expected impact the new groundwater supply and associated treatment facilities. Projecting revenue adjustments over a

longer planning horizon can illustrate future rate impacts and potential challenges to the District's financial situation and allow the District to make adjustments to expenses, reserve balances or capital projects scheduling to smooth rate impacts and to maintain financial stability.

For each enterprise, consultant will develop a multi-year cash flow analysis to determine revenue adjustments needed to meet projected revenue requirements for the planning period, while minimizing sharp rate fluctuations and debt coverage requirements. Revenue requirements will be calculated for each year in the forecast period and adjusted to provide a smooth forecast of revenue adjustments. Consultant will also review reserves policies to recommend appropriate reserves balances (operating, capital, rate stabilization, etc.) consistent with industry standards and the District's priorities. The analysis will need to include water costs with both the SDCWA water purchases and EMWD water purchases option.

Consultant will update the District's existing Financial Plan Model (FPM) to meet District's specific needs and rising challenges and issues. The financial plans will be presented in an easy-to-understand format on an interactive 'Dashboard' which shows the impacts of various assumptions so that decisions regarding revenue adjustments, capital financing through pay-go or debt, and reserve balances can all be made quickly and efficiently.

Upon the completion of the FPM, consultant will hold two web-based workshops with District staff to review the model and the assumptions for appropriateness, and finalize the financial plans for the Water, WW, and RW Enterprises to be used for the rate design model.

Task 4: Following the development of the financial plan, consultant will begin to conduct cost of service (COS) analyses for the District's water (both scenarios), WW, and RW services. The cost of service is a compliance measure for regulations such as Proposition 218 and Proposition 26. In another perspective, the COS provides the District with the defensibility needed for Proposition 218 compliance.

The COS analysis will be conducted according to the following process:

Step 1 – Review Customer Class Usage Patterns and Determine Customer Classifications

Consultant will review and analyze historical consumption, revenue records, and billing summaries to determine water usage and peaking characteristics by customer class or subclass.

Step 2 – Allocate Costs to Functional Cost Categories

Consultant will functionalize the costs into main functions such as supply, transmission & distribution, storage, etc. These costs will then be allocated to cost components such as commodity, maximum hour, maximum day, customer accounting, meter capacity, etc. to determine the unit cost for each cost component.

Step 3 – Allocate Cost Components to Customer Classes

Next, the costs associated with the cost components are allocated to the various customer classifications on the basis of the relative responsibility of each class.

Similar to water, consultant will also conduct a cost of service analysis for the District's recycled water and wastewater services to ensure equitable and fair cost recovery for operational and capital expenditures of the recycled water and wastewater systems.

Throughout the cost allocation process, consultant will comply with the District's policy considerations, procedures, and guidelines applicable to charges for water, WW, and RW services to ensure that proposed rates are in compliance with Proposition 218, Proposition 26, and other regulations.

Task 5: Consultant will develop a Water Rate Model with the flexibility to revise the tier widths based on customer class. The Rate Model will have the following features:

- A. Usage Analysis Module. The Module will have the ability to revise and redefine current inclining tiers.
- B. Customer Impact Analysis. To help facilitate informed decision making, the Model will also include a summary of financial impacts on customers resulting from the proposed rate structure.

Consultant will similarly calculate the appropriate recycled water and wastewater rates to equitably recover the required costs of service determined in Task 4.

Task 6: Following the completion of the Rate Model, consultant will hold up to two webinars with District staff to develop different rate scenarios. The goal of these conference calls is to identify the rates that will be presented at the rate workshop with the District Board. Consultant will conduct a half-day Rate Workshop with District Staff/Management. Consultant will present the interim proposed rates and discuss the benefits and challenges associated with each proposed rate alternative, as demonstrated in the Rate Model. Changes and suggestions from District staff will be incorporated into the analyses prior to presenting the results to the Board.

Upon incorporating District staff comments from the workshop, consultant will present the results of the Study during one working session with the District Fiscal Policy and Insurance Committee and then the District Board. The presentation will discuss the recommended reserve and fund levels, proposed ten-year financial plan, the proposed rate structure and rates, and the resulting customer impact analysis. If necessary, consultant will use the models to address any concerns raised regarding the results. Any changes, comments, and feedback will then be incorporated into the final models.

Task 7: The process for developing the proposed rates will be described in a draft report. This draft report will include an executive summary highlighting the major issues and decisions and

an overview of operations, CIP, the financial plan and the final rates resulting from the Study. Also included in the report will be a survey of comparable utilities average bills for each service and an analysis of the affordability of the District's services based upon service area demographics. The discussion on rate structure selection from the report developed in Phase 1 will be presented as a comprehensive section on the rate design assumptions and methodologies used to develop the user-rate calculations and financial planning. Comments from District staff will be incorporated into the Final Report as appropriate, and the Model will be refined to reflect appropriate issues or concerns raised by stakeholders. The Final Report will be submitted to the District and will include appropriate supporting data from the Model to address the requirements of Proposition 218. It is anticipated that the Proposition 218 report will include an analysis of water costs with water purchases from SDCWA and EMWD.

Task 8: Consultant will assist the District in the preparation of the Proposition 218 notice for the District to mail within the required 45-day noticing period prior to holding the Public Hearing. The notice will outline the proposed rate changes and explain the right to challenge the rates and will meet and comply with all noticing requirements of Proposition 218. Consultant will be present at the Public Hearing to adopt the recommended rates and will be available to answer any questions.

Task 9: Consultant will work closely with District staff to review the District's budget documents for format enhancements to enhance communication with stakeholders.

Task 10 (Optional): At the request of the District, consultant will conduct additional public meetings to discuss the Study. The presentation will be in Microsoft PowerPoint format and include the relevant information from the Study associated with the meeting intention or targeted audience.

All current FPUD financial reports can be found online at - <https://www.fpud.com/financial-reports>.

III. Facility Location

The location for all consulting work will be 990 East Mission Road in Fallbrook, California, 92028, at FPUD's main offices.

IV. Proposal Requirements

Proposals are to include the resume of the proposed firm and a list of references. A cost proposal shall be included in a separate envelope. The proposal is recommended not to exceed 7 pages. Responders will be evaluated based on the information submitted in accordance with Section IV. Proposals submitted in response to this RFP shall include:

1. Resume and Experience
2. References

- a. Provide three references including contact information for similar projects conducted by firm.
- 3. Rate Schedule and Cost Proposal
 - a. Include an hourly rate schedule including all service fees and anticipated travel costs. This is an hourly rate, not-to-exceed contract.

V. Evaluation Criteria

FPUD’s consultant evaluation and selection process is based on Qualifications Based Selection (QBS) for professional services. An evaluation committee appointed by the Project Manager will review the proposals and make a recommendation based on previous experience with similar projects, references, overall cost, and interview. The criteria and weight for evaluating the proposals submitted will be as follows:

- 1. 25% - Experience with similar projects.
- 2. 35% - Oral interview.
- 3. 25% - References.
- 4. 15% - Overall cost effectiveness of proposed approach.

V. Schedule for Selection and Award

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

- 1. Issue RFP.....9/21/21
- 2. Optional Pre-Bid Meeting.....10/11/21
- 3. Q&A cutoff.....10/20/21
- 4. Proposal due date.....10/27/21
- 5. Interview.....11/9/21
- 6. Board Approval.....12/6/21
- 7. Final selection and notification12/7/21

The optional pre-bid meeting will be held on 10/11/2021 at 2pm PST. This pre-bid meeting is anticipated to take 30 minutes and will be conducted remotely through Zoom. Please see below for meeting details.

<https://zoom.us/j/5891406279?pwd=cG1KbC8vMzcxemFsOVdiZlk5UXdDQT09>

Meeting ID: 589 140 6279

Passcode: fpud

VI. Submittal Requirements

1. One (1) executed original, clearly marked on the cover and two (2) additional copies of the proposal shall be submitted. An individual authorized to execute legal documents on behalf of the project team shall sign the proposal.
2. One (1) sealed cost proposal.
3. This RFP shall be received no later than 11/9/2021, at the District's Administrative offices:

Fallbrook Public Utility District
Attn: Kevin Collins, Purchasing/Warehouse Supervisor
990 East Mission Road
Fallbrook, CA 92088-2290

Failure to comply with the requirements of this RFP may result in disqualification. Email questions to kcollins@fpud.com.