

REQUEST FOR PROPOSALS



REQUEST FOR PROPOSALS FOR WATER RATES AND FINANCIAL MODEL STUDY

Date of Issue: January 13, 2014

Due Date: January 31, 2014

The City requests that firms interested in responding to this RFP submit an interest statement via email, including the name of the firm, contact person and email address.

Submit information and questions before January 23, 2014 electronically to:

Ms. Sharon Jones

sjones@cityofepa.org

Submit a copy of your Proposal electronically to:

Mr. John Doughty, Community Development Director

jdoughty@cityofepa.org

City of East Palo Alto
Community Development Department
1960 Tate Street, East Palo Alto, CA 94303
(650) 853-3189
www.ci.east-palo-alto.ca.us



REQUEST FOR PROPOSALS

Water Rates and Financial Model Study – Consultant Services

Date of Issue: January 13, 2014
Due Date: January 31, 2014, at 4 p.m.

I. OVERVIEW

The City of East Palo Alto seeks fee proposals from qualified consulting firms with expertise in public utility engineering and financial services to conduct a comprehensive Water Rates and Financial Model Study. East Palo Alto is a culturally diverse, working class community in the heart of Silicon Valley; the median family income is approximately half that of San Mateo County as a whole.

The City of East Palo Alto owns the water system that serves approximately 80 percent of the properties located within the city. American Water Enterprises (AWE) operates and maintains the water system under a Lease Agreement with the City, executed on April 9, 2001. Prior to 2001, the water system was owned and operated by the County of San Mateo.

The City is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), and as a member, is a party to the Water Supply Agreement between BAWSCA and the San Francisco Public Utilities Commission (SFPUC). AWE purchases water at a wholesale rate from the SFPUC and charges its customers for delivered water based on rates and charges adopted by the East Palo Alto City Council. The current schedule of water rates and service charges was adopted in July 2012. The water rate structure currently does not include a capital reserve or replacement fund component.

In 2010, Integrated Resource Management LLC prepared a Water System Master Plan (the Plan) for the City of East Palo Alto. The report analyzed the water system as well as the City's water supply. The Plan concluded that the existing water supply provided via the SFPUC Hetch Hetchy system is minimally adequate to meet current City and system demands, but that the supply is insufficient to meet the demands of future

development in the City. The City has an Interim Supply Guarantee (ISG) from the SFPUC, and historically, has utilized almost all of its ISG and in some years, exceeded it.

Currently, approximately \$1.6 Million is allocated in the City's Adopted Ten Year Capital Improvements Program (CIP) for water-related projects. In alignment with its Strategic Plan, the City Council has made water system improvements one of its priorities. In September 2013, the City Council amended the Fiscal Year 2013-2014 Capital Budget to include funds for preparation of a Water Rate Study (the Study).

There are substantial needs for additional water supply, upgrade of existing infrastructure and development of new water facilities. Some of these facilities will benefit and service new development expected through 2035, and others will benefit existing customers for water reliability and fire protection. There are approximately \$60 million of water improvement projects identified in the City's Water System Master Plan.

The general intent of the Study is to independently evaluate and make recommendations to resolve issues related to the City's:

- a) Existing water rates and fee schedule's revenue generation capacity and ability to meet the City's capital, operations, and maintenance infrastructure needs.
- b) Prioritization of identified water infrastructure needs.
- c) Ten Year Capital Improvement Plan (CIP) programmatic schedule.
- d) Needs and plans to resolve issues related to emergency water supply.
- e) Risks associated with planned and potential SFPUC wholesale rate increases.
- f) Financial and water supply limitations and risks associated with both the City's ISG, and potential droughts.
- g) Financing ability to address the City's capital needs for water infrastructure improvements.

The final goal of this Study is to develop and adopt new water rates, with rate escalation factors up to 2020, and a 10 Year Financial Plan, that will provide the necessary revenue to meet the City's water related CIP needs.

The Financial Plan and proposed rate strategy should meet the following requirements:

- a) Rates should be fair and reasonable.
- b) Rates should be financially affordable to rate payers' demographics.
- c) Include a detailed cost of service analysis.
- d) Generate enough revenue to meet current and future capital requirements of infrastructure improvement needs, potential debt service obligations and operating costs through 2020.
- e) Match the City's CIP programmatic schedule, as revised and recommended by the consultant in conjunction with City staff, and approved by the City Council.
- f) Evaluate financing alternatives, and recommend the most efficient financing strategy to raise the capital needed to maximize the City's water supply safety.
- g) Include strategies and reserve funds to both minimize rate fluctuations and ensure potential capital cost increases during the planning period.

II. SCOPE OF SERVICES

In preparing a response to this Request for Proposal (RFP), the consultant shall adhere to the Proposal Format described further in this RFP, and must describe the methodology and techniques that it will use, time and staffing resources allocated, and costs involved in addressing each of the following tasks:

TASK 1: OVERVIEW AND REVIEW OF CITY WATER SYSTEM DOCUMENTS

State all aspects of work you propose for Task 1, including methodology required to prepare a Water Rate Study and a 10 Year Financial Plan. Recommend any changes, updates, additions or consolidations of these documents you may deem necessary or beneficial, to advance the goals of the Study.

Task 1 will cover:

- a. Pertinent Regulatory Environment;
- b. Review of the City's CIP and other water infrastructure related documents;
- c. Water Rate, Financial Plan and Development Impact Fees Best Practices; and
- d. Provide recommendations for the City's adoption of water rates, and the development of a financial model, and development impact fees strategic alternatives considering best practices, and potential Proposition 218 requirements.

TASK 2: PRIORITIZATION OF WATER RELATED CAPITAL IMPROVEMENTS

Based upon the evaluation made in Task 1, recommend and work with City staff to develop proposed revisions that may be beneficial, if any, to the current CIP. Develop three tiers of capital improvement projects, with the highest priority given to the most essential health and safety requirements.

TASK 3: CURRENT AND PLANNED INFRASTRUCTURE ESTIMATED COSTS

Review current existing City Water related infrastructure and supply costs, including:

- a. Maintenance & operations contract costs;
- b. Wholesale water purchases;
- c. Estimated projected SFPUC Rate Adjustments, and potential Drought Rates adjustments and penalties; and
- d. Estimated Capital improvements costs included in the CIP.

Considering the age and existing conditions of the Water system, make recommendations regarding all water infrastructure-related cost estimates to develop a refined picture of water infrastructure and water supply costs. Define the existing revenue gap compared to capital infrastructure, operations and maintenance needs.

TASK 4: EXISTING WATER INFRASTRUCTURE REVENUE SOURCES

Analyze the existing City water rate structure, including:

- a. Water Rate and Fee Characteristics;
- b. Current Water rates, including all its components (Meter service, connection, franchise, and other water related fees);
- c. Customer numbers and types;
- d. Water Consumption;
- e. Proposed development impact fees;
- f. Available Water Fund balance; and
- g. A fixed vs. variable revenue profile.

Determine the adequacy of the current rate structure to meet the cost of services, operation and maintenance costs, as well as infrastructure development needs.

TASK 5: WATER RATE ALTERNATIVES ANALYSIS AND FINANCIAL MODELS

Using a 10 Year Planning Horizon, with proposed rate escalation factors up to 2020, and using fairly conservative assumptions for new growth and development for the next five years, as well as capital improvements and costs evaluation completed in Tasks 2-4, the consultant will:

- a. Determine Revenue Requirements through a multi-year (10 yr.) financial plan.
 - The financial plan will project revenue and expenditures based on anticipated changes in the water system, and different tiers of priority.
 - Revenue will incorporate current fund balances from the existing rate structure, and projected growth in customer classes.
 - Expenditures will incorporate current and projected operation & maintenance costs, estimated debt service, and planned capital expenditures.
 - Consultant will review proposed Development Impact Fees, will recommend changes as it may be necessary, and will incorporate these revenues into the financial plan.
- b. Develop a detailed cost of service analysis and projected growth.
 - The cost of service analysis will allocate the revenue requirements to the cost components associated with specific customer classes based on the customer demands on the system and projected customer class growth.
- c. Design three rate structures, at least one to be a tiered rate structure.
 - The rate structures will recover the revenue requirements using fixed (such as connection fee) and variable components (commodity consumption).
 - The consultant will develop three rate structures to meet the revenue requirements of the three tiers of capital improvements.
 - The three models will include proposed strategies (may include automatic adjustments, creation of operating or rate stabilization funds, and reserves, or other methods) to prevent rate and revenue fluctuations up to 2020.

- d. Define alternative financing options, including issuing revenue bonds, using State Revolving Loans, and any other financing methods to cover capital requirements.
- e. Recommend the most financially efficient manner to raise the revenue to implement the City's water related CIP.
- f. Develop a financial plan that models a 10 year cash flow of sources and uses of money. The Financial plan will clearly define assumptions related to: inflation and interest rates; current customer base and growth projections; water sales and production projections; water supply; operations and maintenance; staffing costs; and Bond issuance cost (if recommended) including issuance and debt obligation.

TASK 6: PUBLIC MEETINGS

Provide expertise and assistance with up to four public meetings, including the Public Works and Transportation Commission and the East Palo Alto City Council.

TASK 7: IMPLEMENTATION

The Implementation phase of this project will involve the following:

- a. Develop a final recommendation for adoption of a new water rate structure and financial model.
- b. Prepare all presentation material required for the adoption of the new water rates.
- c. All Draft material of the presentation to be submitted to the City Council for final approval of the water rate fees will be first presented at an internal meeting to City staff, including but not limited to the Community Development Director, the Finance Director and the City Attorney.
- d. Provide the Finance Director and City staff a presentation of the financial rate model and an overview of required reporting requirements that will allow the Finance Department to track results of revenue collected, against the proposed rate structure.

III. DELIVERABLES

Milestone 1: Tasks 1-4

Provide an Overview of the requirements associated with adopting new water rates, and an Overview of the Water System Enterprise, based on Tasks 1-4 including:

- Description of the Water System;
- Customers, numbers and classes;
- Water Consumption;
- Water Rates and Development Impact fees (as currently proposed);
- Water Enterprise Finances, Fund balances, revenues and expenses;
- Fixed vs. Variable Revenue Profile; and
- Potential strategic alternatives, statutory requirements and "best practices."

Provide preliminary recommendations for the City's adoption of water rates, and the development of a financial model, and development impact fees strategic alternatives considering best practices, and potential Proposition 218 requirements.

Provide an assessment of, and recommendations for changes, updates, additions or consolidation of planning documents to advance the goals of the Study, if any.

Make recommendations to prioritize water related capital improvements, defining a baseline of essential health and safety water infrastructure facilities, and a second threshold of priority improvements.

Describe the limitations of the existing water rate structure, and existing water funds, compared to the existing water infrastructure contractual, operational and capital improvement needs.

Considering the age and existing conditions of the Water system, make recommendations regarding all water infrastructure-related cost estimates to develop a refined picture of water infrastructure and water supply costs. Define the existing revenue gap compared to capital infrastructure, operations and maintenance needs.

Milestone 2: Task 5

Draft Water Rate Alternative Analysis and Financial Models.

The deliverable for Task 5 will be three Draft water rate alternatives and financial models that address all items specified in Task 5. At least one should be a tiered rate structure.

Milestone 3: Tasks 6-7

In addition to the water rate structure and financial model documents, the consultant will also be expected to prepare all presentation material for the anticipated public meetings. After final approval of the water rate schedule, the consultant will provide the Finance Director and City staff the final model, including instruction on its operation, in an easy to read format, with clear and concise tables, an overview of reporting requirements.

Meetings Deliverable:

Assume up to four public meetings. Additional meetings for project coordination, (include a kick off meeting), as well as City staff/consultant project manager meetings at milestone points, should be taken into account in pricing of this proposal.

IV. PROPOSAL FORMAT

Responses must be organized as follows:

Executive Summary

Provide a concise summary of the significant information contained in your qualifications statement and proposal. Executive summary paragraphs must correspond to the numbered sections below.

A. Identification of the Firm

Provide the legal name of the firm or firms, the firm's address, telephone number and facsimile number. Include a brief description of the organization, its constituent parts and size variation in the past five (5) years. Name the person (with title and project responsibility) to whom correspondence and other communications should be directed. Include email.

B. Project Manager(s) Resume

Identify the individual proposed as the Project Manager(s) or Project Lead(s). The City of East Palo Alto will heavily weight the qualifications of the proposed Project Manager in the overall evaluation of proposals. Use an easily comprehensible resume format.

C. Scope of Services Overview

Describe how you will address each task listed in the scope of services.

D. Schedule

Provide a Schedule timeline for each task component of the scope of services, including the Proposition 218 Noticing Period.

E. Budget

For each task define the estimated staff time allocated in hours. Provide each staff billing rate. Provide total number of hours and cost per task, and total project. Provide a not to exceed total including all costs.

F. Client References / Recent Relevant Projects

List recent projects (3 minimum) were your firm successfully led the adoption of new water rates. List a minimum of three relevant client references, including:

- Client representative
- Client telephone number
- Client email
- Client location and street address
- Project type and budget

G. Insurance

Provide evidence of insurability and liability limits.

H. Form of Contract

Confirm receipt and review of the City's standard form contract.

List any exceptions or any contract language modifications you may want to suggest in the City's standard contract.

The City reserves the right to reject any and all proposals received as a result of this request. The City will not pay any costs incurred by the Proposing Firm, in preparing or submitting the proposal.

V. SUBMITTAL REQUIREMENTS

All proposals must be received no later than 4:00 P.M. on January 31, 2014. Late submittals will not be considered.

The City requests that interested firms send an email to Sharon Jones, Community Development Deputy Director at sjones@cityofepa.org with a statement of interest. Provide the name of the firm, identify the contact person and provide an email address. Any additional information, including responses to consultants' questions, will be sent electronically. Questions should be submitted no later than January 23, 2014.

Firms wishing to respond to this request must supply the information requested in this RFP by the date and time required. All submittals shall be in an 8 ½" x 11" format.

Proposals shall be typed and shall not exceed ten pages of written material including the cover letter. Typeface must be Arial - 12 point. Submittals failing to comply with the page limitation will not be considered.

The ten page limitation includes any written, photographic or graphic material contained in the body of the statement and any appendices. The limitation *does not include*:

- The cover. Narrative on back of front cover or front of back cover will be counted
- A title page;
- A table of contents and/or index, and
- Blank tab pages.

Please submit an electronic copy of your proposal.

Proposal due Date and Time: 4:00 P.M. on January 31, 2014.

Preferred Format: Adobe Acrobat (.pdf) file.

Submit to: Mr. John Doughty, Community Development Director

Email: jdoughty@cityofepa.org

Subject Line: Water Rate Study Proposal – FIRM NAME

VI. ELIGIBILITY

This request is being sent to individuals and consulting firms that are believed to possess relevant experience. A list is provided in the following page. The City reserves the right to expand the list without notice.

The RFP will also be posted on the City's website at: www.ci.east-palo-alto.ca.us, and open to all qualified firms.

CONSULTANT'S QUALIFICATIONS

1. The consultant for this project will be selected mainly on the basis of professional qualifications, relevant experience and demonstrated competence.
2. Qualified consulting firms will have expertise in public utility engineering and financial services, with previous experience preparing similar rate studies within the past five years. Consideration will be given only to those firms who can clearly demonstrate successful past experience on similar projects.
3. Ability to communicate effectively, meet schedules, coordinate activities with multiple parties, and work within budget limitations.

VII. INFORMATION TO BE PROVIDED BY THE CITY

The following documents are available for the Consultant's review on the City's website:

- City of East Palo Alto CIP:
www.ci.east-palo-alto.ca.us/ArchiveCenter/ViewFile/Item/136
- Amended Urban Water Management Plan, 4-2-13:
www.ci.east-palo-alto.ca.us/documentcenter/view/328
- Water System Master Plan:
www.ci.east-palo-alto.ca.us/documentcenter/view/37
- Gloria Way Well Feasibility and Water Security Study:
www.ci.east-palo-alto.ca.us/DocumentCenter/View/36

VIII. SELECTION CRITERIA

The successful consulting firm/sole proprietor will be selected mainly on the basis of professional qualifications and demonstrated competence. This is a professional Services Contract, and pricing will count for 20% of the score. Particular attention will be paid to:

1. Experience, qualifications, performance, availability of firm, and project lead (50%);
2. Ability to communicate effectively with the contractor, City and the public (10%);
3. Demonstrated experience with similar studies, within the last five (5) years (10%);
4. Familiarity with the East Palo Alto community (10%); and
5. Pricing (20%).

IX. SELECTION PROCEDURE

All responses to this RFP that meet the submittal requirements will be evaluated by the Community Development Director. A panel interview may be scheduled with a short list of firms, at the City's discretion. Subsequent to selection by the Director, a final fee and scope of work will be prepared and presented to the City Council for approval.

X. RFP TENTATIVE SCHEDULE

Release RFP	January 13, 2014
RFP written questions deadline	January 23, 2014
Response to questions available	January 28, 2014
Proposal due Date and Time	4:00 p.m. - January 31, 2014
Optional Interviews with final candidates	February 5, 2014
Contract Approval by City Council	February 18, 2014
Notice to Proceed	February 24, 2014

This is only a tentative schedule.

The City reserves the right to change the RFP schedule at any time.