

NIPOMO COMMUNITY SERVICES DISTRICT

THURSDAY, SEPTEMBER 12, 2013

9:00 A.M.

SPECIAL MEETING NOTICE & AGENDA FINANCE AND AUDIT COMMITTEE

COMMITTEE MEMBERS

LARRY VIERHEILIG, CHAIRMAN
CRAIG ARMSTRONG, MEMBER

PRINCIPAL STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, FINANCE DIRECTOR
PETER SEVCIK, DIRECTOR OF ENG AND OPS

**MEETING LOCATION - District Board Room
148 S. Wilson Street, Nipomo, California**

- 1. CALL TO ORDER, FLAG SALUTE AND ROLL CALL**
- 2. REVIEW REQUEST FOR PROPOSALS FOR WATER RATE STUDY AND WATER CAPACITY CHARGE STUDY**

ACTION RECOMMENDED: Provide direction to Staff
- 3. REVIEW STATUS OF FISCAL YEAR 2012-13 AUDIT**

ACTION RECOMMENDED: Provide direction to Staff
- 4. ADJOURN**

TO: FINANCE AND AUDIT
COMMITTEE

FROM: LISA BOGNUDA
FINANCE DIRECTOR

DATE: SEPTEMBER 9, 2013

AGENDA ITEM

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SEPTEMBER 12, 2013

**REVIEW REQUEST FOR PROPOSALS FOR WATER RATE STUDY
AND WATER CAPACITY CHARGE STUDY**

ITEM

Review Request for Proposals for Water Rate Study and Water Capacity Charge Study

BACKGROUND

On July 10, 2013, your Board authorized circulation of a request for water rate and capacity charge study proposals. The seven-page request (attached) outlined a comprehensive study of the District water enterprise rates, charges, and fees.

Staff broadly circulated the request and posted it on the CSDA website. Five firms responded to the request on or before the August 30 deadline.

Staff has reviewed the proposals based on:

- Responsiveness to Request for Proposal
- Experience of the team
- Qualifications of personnel
- Cost including fees and reimbursables

Staff will summarize the proposals with your Committee.

STRATEGIC PLAN

Strategic Plan Item 6.1 – Operate all enterprises fund to be financially sound

Strategic Plan Item 6.2 – Achieve and maintain targeted operating reserves

RECOMMENDATION

It is recommended that the Committee discuss the proposal and forward its recommendation to the Board of Directors.

ATTACHMENTS

- A. Request for Proposals

NIPOMO COMMUNITY

BOARD MEMBERS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
DAN GADDIS, DIRECTOR
BOB BLAIR, DIRECTOR
CRAIG ARMSTRONG, DIRECTOR



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SERVICES DISTRICT

STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, FINANCE DIRECTOR
PETER SEVCIK, P.E., DIRECTOR OF ENG & OPS
MIKE SEITZ, GENERAL COUNSEL

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Website address: ncsd.ca.gov

July 15, 2013

Mail Merge

SUBJECT: REQUEST FOR PROPOSAL FOR WATER RATE STUDY AND WATER CAPACITY CHARGE STUDY

GENERAL INFORMATION

Nipomo Community Services District ("District") was formed in 1965 and provides potable water to an estimated service area population of 12,000 customers via approximately 4,300 water service connections. The District is primarily a residential semi-rural community comprised of single-family and multi-family residences with a small commercial corridor. The District operates under a governing body of five elected members on a Board of Directors. The District employs administrative and operations staff of sixteen employees, including the General Manager.

Currently, the District's water supply is 100% local groundwater pumped via District owned wells. In fall 2014, the District is scheduled to complete an interconnection with the City of Santa Maria and purchase water from the City in accordance with a Wholesale Water Agreement. The District expects to sell 33% of the water it purchases from the City to three other area purveyors in accordance with a Court ordered Stipulation.

PURPOSE OF RFP

The purpose of this Request for Proposal (RFP) is to obtain the services of a qualified rate practitioner to complete a Water Rate Study and Water Capacity Study for the District's Water Enterprise.

SCOPE OF SERVICES

The anticipated basic Scope of Services will include, but are not limited to the following:

A. Basic Study Objectives

1. Develop a fair and equitable water rate structure that will allow the District to meet its financial, contractual, and legal obligations, while ensuring long-term financial stability of the Water Fund.
2. Study must support a rate structure that will meet the requirements of Proposition 218 rate setting.
3. Analyze methods of integrating cost of Santa Maria water into District rate structure and billing.

4. Assess the equity of recommended water rates for all types of property ownership to include residential, multi-family, commercial, irrigation, agriculture, fire standby charge, and construction uses.
5. Assess the sensitivity of the interaction between water conservation elements of the recommended tiered rate structures and their impacts on the ability to fund water operations as well as their impact on the economic well-being of the community.
6. Assess the impact of mandatory groundwater production limitations and recommend methods to address and mitigate these impacts.
7. Develop a Water Capacity Charge (Buy-In) to the District's water system, including the Santa Maria Supplemental Water Project and provide a mechanism by which new users can pay for the cost of facilities to serve them without burdening existing users. The Capacity Charge must be consistent with AB 1600.

B. Study Requirements

1. The tiered rate structures shall be based primarily on water consumption and shall be compliant with CUWCC best management practices for conservation rate structures.
2. The rate structure shall treat cost of Santa Maria water as a 'pass-through' cost or otherwise avoid triggering a Proposition 218 rate increase process when the City's rates are increased.
3. The recommended rate structure 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 Fund.
4. The rate study shall recommend rates that consider and make provision for the following factors:
 - a) Current and future cost of providing water in accordance with established and anticipated standards, regulations, and court orders
 - b) Projected demands, while considering goal of water conservation
 - c) Mandatory 30% and 50% reduction in groundwater production June – September
 - d) Age and condition of water system and the need to fund long-term capital improvement/replacements of infrastructure
 - e) Funding requirements for all current debt service obligations
 - f) Rate stability in lowest rate Tier
5. The recommended rate structures shall provide direct identification of revenues appropriated for major funded activities and infrastructure such as:
 - a) Operation & Maintenance (O & M) expenses
 - b) Capital and Replacement expenses
 - c) Bond coverage requirements
 - d) Water purchase from outside sources
6. Analyze and develop a recommendation for establishing a rate for selling imported water in accordance with the Court ordered Stipulation. The rate must recover the District's full cost of delivering the imported water and consider two scenarios:

- a. 'wet' water is delivered to the stipulating customer; and
 - b. Stipulating customer does not receive wet water and only pays cost of water delivery to Nipomo Mesa in accordance with the Stipulation
7. Analyze and develop a recommendation regarding what level of adequate reserves (including funded replacement and rate stabilization) would be necessary to meet the District's needs. Discuss and compare recommendation for reserves to the District's current reserve policy for the Fund.
 8. Assess existing customer service fee structure and identify other potential areas for service and system charges (including, but not limited to water shut-offs, back-flow devices, meter set fees, after-hours calls, etc.).
 9. Recommend water capacity charges (including fire system fees) that consider and make provisions for the following factors:
 - a) The District's current infrastructure as well as infrastructure currently under construction
 - b) Proposed projects based on the most recent Water Master Plan, projects included in the adopted budget and input from Staff
 - c) Funding requirements for all current debt service obligations
 10. Escalation clauses shall be included to adjust future water capacity charges.
 11. Other impacts as identified.
 12. Any recommended rate structure or rate model should take into consideration the ease of administration and understanding by the rate payers.
 13. Any proposed water fees and charges schedule must consider the District's utility billing system capabilities.
 14. It is of the utmost importance that the study methodology be fully transparent, understandable by the general public.

C. Study Elements

In making its rate structure recommendations, the Final Report shall explicitly include the following elements:

1. **Current Rate Structure:** Assess the current rate structure's performance as a baseline for comparing recommend changes.
2. **Equity:** Assess the equity of recommended water rates for all types of property ownership within the District.
3. **Conservation Impacts:** Assess interaction between water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations.
4. **Sensitivity Analysis:** Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water system costs and other costs under the impacts of future standards, regulations and court orders. Assessment to include a sensitivity analysis where the long-term revenue generated under each alternative as well as the current rate structure shall be illustrated when confronted with the impacts of growth, drought, extreme rain, and mandated requirements. Specifically analyze the impact to fund stability from a mandatory 50% reduction in production/sales between June and September.

5. Impact of Other Costs: Assess impacts on recommended rate structures due to the purchase of water from the City of Santa Maria pursuant to the Wholesale Water Agreement.
6. Comprehensive Summary of Recommended Rate Structure: Assess performance of each studied rate structure against current rate structure performance as baseline and provide recommendation on preferred five-year rate structure.
7. Supporting Data: Provide data supporting conclusions and observations made for each of the areas above and site within study.
8. Provide a comparison of current water system costs (operations, capital, and bonded debt) against appropriate industry benchmarks.
9. Provide a calculation of the bi-monthly water bill for the average District customer, customers who use half the average, and customers who use twice the average (as determined by water consumption) for each rate structure included in the analysis.
10. Provide a comparison of applicable San Luis Obispo County and Santa Barbara County water agencies (public and private) water rates. Include in the comparison a sampling of water rates of other California water agencies that are similar in size to the District.
11. Provide an easy-to-use electronic rate model for the District's use.
12. It is of the utmost importance that the study methodology be fully transparent; understandable by the general public.

SERVICES TO BE PROVIDED BY THE CONSULTANT

1. Meet and confer with Staff to discuss the Scope of Work and background information, and gain a general familiarity with the District.
2. Conduct analyses as required to address the Scope of Work.
3. Work Product #1 (electronic format acceptable):
 - a. Water Rate Study -List plan assumptions and five year projections of revenue requirements to meet operations and maintenance, capital investment, funded replacement, debt service and reserve requirements
 - b. Water Capacity Study-List plan assumptions and five year projections
4. Work Product #2 (electronic format acceptable):
 - a. Water Rate Study-Proposed water rate structures, including two alternative rate structures for each classification of customer
 - b. Water Capacity Study-Proposed water capacity charges
 - c. Propose method for equitably and efficiently assessing cost of imported water
 - d. Participate in Board Meeting prior to preparing Work Product #3
5. Work Product #3 (electronic format and 10 copies):
 - a. Administrative Draft Comprehensive Water Rate and Water Capacity Study projecting new rates and charges
 - b. Participate in up to two public meetings to present and discuss Administrative Draft Study

- c. Participate in one meeting with San Luis Obispo County Staff to review County Ordinance 3090 In Lieu Fee for Nipomo Mesa Water Conservation Area
6. Work Product #4 (electronic format and 10 copies):
 - a. Draft Final Report
 - b. Participate in up to two Board Meetings to finalize report
7. Work Product #5 (electronic format and 10 copies):
 - a. Edit and review draft and publish approved Report
 - b. Assist in drafting Proposition 218 Notice
 - c. Participate in up to two meetings regarding Proposition 218 consideration

SERVICES TO BE PROVIDED BY THE DISTRICT

1. Furnish all reasonably available records and information, including financial reports, budgets, water production and consumption data, water purchase agreements and related court orders, in a timely manner.
2. Provide staff support and assistance as required to advance completion of Report.

PROPOSAL REQUIREMENTS

1. Proposal Due Date

Three Copies and one electronic format of the firm's proposal must be submitted no later than 3:00 p.m. on Friday August 30, 2013 at the District's Office located at 148 South Wilson, Nipomo, CA 93444 in a sealed envelope. Faxes, emails, proposals not enclosed in a sealed/labeled envelope and proposals received after 3:00 p.m. on Friday August 30, 2013, will not be considered.

2. Inquiries

Inquiries concerning the request for proposal should be made to:

Lisa Bognuda, Finance Director
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444
lbognuda@ncsd.ca.gov
805-929-1133

3. Proposal Submission and Content

The Proposal shall include, as a minimum, the following:

- a) Transmittal Letter, including a brief statement of understanding of the scope of services to be performed, a commitment to perform the services specified within this RFP and the name of the persons authorized to represent the proposing firm.

- b) Profile of the Proposing Firm including background information such as firm size, client base and firms capability to perform analysis and services as outlined in Scope of Work as well as provide the names and telephone numbers of three (3) clients for whom your firm has performed similar services.
- c) Work Plan and Schedule – The work plan shall include time estimated for each phase of the work outlined above.
- d) Compensation. Estimate the total hours and estimated out-of-pocket costs anticipated to achieve the Scope of Work. Submit an all-inclusive maximum fee with subtotal by Work Product. Include a schedule of professional fees and expenses by staff level that support the total all-inclusive fees.

EVALUATION AND SELECTION PROCESS

The District will screen the proposals during September 2013. The Board is tentatively scheduled to select a firm at its September 25, 2013 meeting. The District may conduct interviews during the screening process.

The proposals will be evaluated on the following:

1. Responsiveness to Request for Proposal
2. Experience of the team
3. Qualifications of personnel
4. Cost including fees and reimbursables (Not-to-Exceed Expenditure Limits)

This is a time-sensitive project.

The District reserves the right to reject any and all submittals and/or solicit new proposals at its discretion. The District reserves the right to negotiate with a lesser ranked firm if the negotiation with the top ranked firm is unsuccessful. The submitter retains no interest in the proposal once received by the District. Proposers are responsible for all costs associated with the proposal.

Consultant will be required to enter into the District's standard Professional Services Agreement (sample attached).

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Lisa S. Bognuda
Finance Director

References available on the District website (ncsd.ca.gov)

See *Reports by Subject*:

Supplemental Water Project: Wholesale Water Supply Agreement between the City of Santa Maria and Nipomo CSD.

Groundwater Lawsuit: Stipulation (June 30, 2005)

NIPOMO COMMUNITY

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WATER RATE AND WATER CAPACITY STUDY
QUOTE SHEET

Date _____

Name of Firm _____

Work Product #1 cost \$ _____

Work Product #2 cost \$ _____

Work Product #3 cost \$ _____

Work Product #4 cost \$ _____

Work Product #5 cost \$ _____

Contract Price, including reimbursables (Not-to-Exceed) \$ _____

(Note: The cost breakdown by Work Product is meant to provide insight to proposal reviewers on the time allotted for each Work Product. The total contract price is the only set 'Not-to-exceed' value.)

Signature of Principal Authorized to sign for Firm

Date

This quote shall be valid for 90 days from the date of Signature

TO: FINANCE AND AUDIT
COMMITTEE

FROM: LISA BOGNUDA
FINANCE DIRECTOR

DATE: SEPTEMBER 9, 2013

AGENDA ITEM

3

SEPTEMBER 12, 2013

REVIEW STATUS OF FISCAL YEAR 2012-2013 AUDIT

ITEM

Staff will provide the committee with update on the status of the current audit and schedule for completion. [RECOMMEND RECEIVE REPORT]

BACKGROUND

An audit is being conducted for the fiscal year that ended on June 30, 2013. Staff will provide your Committee with an update on the audit and a schedule for completion.

STRATEGIC PLAN

Strategic Plan Item 6.1 – Operate all enterprises fund to be financially sound

RECOMMENDATION

It is recommended that the Committee receive the staff report and ask any questions

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