



**RINCON DEL DIABLO  
MUNICIPAL WATER DISTRICT  
ESCONDIDO, CA**

**REQUEST FOR PROPOSALS  
COST OF SERVICE, RATE STRUCTURE,  
AND RESERVE STUDY**

**RESPONSES TO THIS RFP ARE DUE TO THE RINCON DEL DIABLO  
MUNICIPAL WATER DISTRICT BY:**

**Thursday, September 17, 2020 at 4:00 p.m.**

Please deliver one original hard copy, five copies, and an electronic copy on a flash/thumb drive of both the Technical and Cost Proposals in a sealed package in the format prescribed by this RFP. Responses must be addressed and delivered to:

Rincon del Diablo Municipal Water District  
Cost of Service, Rate Structure, and Reserve Study RFP  
1920 North Iris Lane  
Escondido, CA 92026

Potential respondents are strongly encouraged to register an e-mail address with the District as soon as possible so that an e-mail list can be established to disseminate information regarding changes or addendums to the RFP. To register an e-mail address, please send an e-mail to [jumbrasas@rinconwater.org](mailto:jumbrasas@rinconwater.org). When received, a confirmation e-mail will be sent back to the sender.



## **Introduction**

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The Rincon del Diablo Municipal Water District (“District”) is requesting sealed proposals from interested and qualified consultants (“Consultant”) to perform the following:

- 1) Cost of Service Study associated with water rates
- 2) Water Rate Structure Study
- 3) Reserve Study

Broadly, the District desires a Cost of Service Study which will set water rates to adequately fund water operations, capital costs, debt, and reserve levels. The Water Rate Structure Study will assess structures and tier breaks that best suit the District’s cost and consumption behaviors and result in a recommendation that is legally defensible and equitable specifically to the District’s customers. The Reserve Study should determine the nature and appropriateness of reserves, the proper target funding levels for those reserves to ensure the short- and long-term stability of the District’s finances, and provide guidelines for the reserve level adjustment component of the revenue requirement.

## **District Overview**

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The District is a special district in the State of California located in northern San Diego County which provides potable water service to approximately 8,000 customers and serves a total population of approximately 30,000 residents. The water service area is split into two distinct improvement districts with ID-1 covering an area of 7,945 acres to the south and west parts of the District and ID-A covering an area of 1,210 acres in the southeast part of the District. Residential customers comprise 90% of the District’s customer base. The District’s primary water source is imported treated water from the San Diego County Water Authority (SDCWA) while also exchanging water with the City of Escondido. The District also provides recycled water service to approximately 115 customers. The District’s potable and recycled funds combined have an annual operating budget of approximately \$16.3 million and an annual capital improvement program of approximately \$3.0 million.

In addition to potable and recycled water service, the District also provides fire service and sewer service to distinct service areas. Fire and sewer service are maintained in separate funds and will not be considered as part of this Study.

## **Delivery Requirements**

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Responses to this Request for Proposals (“RFP”) must be submitted in a sealed package and should include separate sealed technical and cost proposals (with the cost proposal for the Reserve Study separate from the cost proposal for the Cost of Service and Rate Structure component of work). Package must be addressed as below and marked as “CONFIDENTIAL – Cost of Service, Rate Structure, and Reserve Study RFP” while also clearly identifying the consultant making the submission. One original hard copy, five copies, and an electronic copy on a flash/thumb drive of each package must be submitted by each consultant. Consultant is liable for any of the costs incurred in preparing and submitting a proposal.



All proposals must be received by the District by the deadline stated below. Mail or deliver proposals to:

Rincon del Diablo Municipal Water District  
Cost of Service, Rate Structure, and Reserve Study RFP  
1920 North Iris Lane  
Escondido, CA 92026

Technical Proposals shall be sealed and marked as “Technical Proposal – Rincon del Diablo Municipal Water District Cost of Service, Rate Structure, and Reserve Study.”

Cost Proposals shall be sealed and marked as “Cost Proposal – Rincon del Diablo Municipal Water District Cost of Service, Rate Structure, and Reserve Study.” Within the Cost Proposal, the proposed cost of the Reserve Study shall be provided separate from the proposed cost of the Cost of Service and Rate Structure component of work.

The District reserves the right to cancel this RFP in part or in its entirety at any time and for any reason without any liability to any proponent or to waive irregularities at their own discretion. Furthermore, this RFP does not commit the District to award a contract for the services requested and the District reserves the right, after opening the proposals, to reject any of the proposals, or to accept the proposal(s) that in its sole judgment are in the best interest of the District. The District reserves the right to award a contract for the entirety of work outlined in this RFP, or for portions or phases of work, as deemed in the best interest of the District.

**Deadline**

Responses to this RFP must be received by the District by Thursday, September 17, 2020 at 4:00 p.m. Responses received after this date/time will not be considered. Postmark date will not constitute timely delivery. Consultant is solely responsible for ensuring timely receipt of their response.

**Schedule (subject to change as necessary)**

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|--|----------------------------------|
| 1) RFP Published and distributed:          | August 27, 2020                  |
| 2) <b>Mandatory</b> pre-proposal meeting*: | September 10, 2020 at 10:00 a.m. |
| 3) Proposals due:                          | September 17, 2020 at 4:00 p.m.  |
| 4) Proposals reviewed and evaluated:       | September 21, 2020               |
| 5) Finalist interviews (if necessary):     | September 24, 2020               |
| 6) Staff selection:                        | October 1, 2020                  |
| 7) District Board of Directors approval:   | October 13, 2020                 |
| 8) Contract begins:                        | October 15, 2020                 |

\* District reserves the right to hold mandatory pre-proposal meeting in-person or via video conference.



## **Proposal Submission Requirements**

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The following information is to be submitted as part of the overall RFP response package in separate sealed envelopes:

### Technical Proposal

1. A cover letter of not more than one page introducing the company and its desire to provide the requested consultant services to the District. The cover letter should also include the company name and address, as well as the name, telephone number and e-mail address of the individual authorized to represent the agency on all matters relating to this RFP. The letter must be signed by an individual authorized to bind the agency to all terms, conditions, and commitments made in the proposal.
2. General information about the company, including the size of the organization, location of the offices, years in business, organization chart, name of owners, principal parties, and information regarding any trade associations of which the company and its staff are members.
3. Names and qualifications of staff proposed for the assignment, their position and duration with the company and types and amount of relevant experience.
4. At least three references, including contact names and telephone numbers of clients for which recent similar services have been provided. Emphasis should be placed on California clients and government clients.
5. A general overview of the company's cost of service and water rate/charge setting philosophy.
6. A thorough description of how the consultant intends to complete all tasks, elements, objectives and requirements outlined in the Scope of Services in this RFP
7. Consultant should detail what it expects and requires of the District in order to effectively perform the services outlined in this RFP.
8. Consultant should provide a proposed schedule for completing the Cost of Service, Rate Structure, and Reserve Study, including milestone dates throughout the process. Consultant should propose a schedule that meets deadlines as outlined in the Scope of Services.
9. Consultant may include other relevant information which they feel will enhance their proposal or provide further evidence of their qualifications to perform this study.

### Cost Proposal

1. Within the Cost Proposal, the proposed cost of the Reserve Study shall be provided separate from the proposed cost of the Cost of Service and Rate Structure component of work.
2. Include an hourly pay rate schedule for all personnel to be assigned to this project, including their name, title and role.
3. Include estimated hours and costs for each individual task depicted in the scope of services.
4. Include a total overall cost for the services to be provided based upon the scope of services.



## Contact Information

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Questions regarding this RFP should be submitted in writing via e-mail by September 11, 2020 to:

Jeffrey J. Umbrasas  
Director of Administration and Finance  
Rincon del Diablo Municipal Water District  
E-Mail: [jumbrasas@rinconwater.org](mailto:jumbrasas@rinconwater.org)

Questions by phone will not be accepted. Any questions received by the District that affect the RFP process will be issued as addenda by the District.

Potential respondents are strongly encouraged to register an e-mail address with the District as soon as possible so that an e-mail list can be established to disseminate information regarding changes or addendums to the RFP. To register an e-mail address, please send an e-mail to the contact listed above. When received, a confirmation e-mail will be sent back to the sender.

## Public Records

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All proposals submitted in response to this RFP become property of the District and public records. As such, they may be subject to public review.

## Background

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The District last performed a Water Rate Study in 2015. The results of the Study were adopted by the District Board on June 9, 2015 and resulted in a 5-year series of annual water rate adjustments through September 1, 2019. The District currently has no further water rate adjustments scheduled, although future rate adjustments will be considered with this Cost of Service, Rate Structure, and Reserve Study.

The District currently serves potable water to approximately 8,000 connections or a total population of 30,000. The District currently employs a 3-tier rate structure for its single-family and multi-family customers, a flat rate structure for its non-residential and construction customers, and a budget-based 2-tier structure for its irrigation customers. Pumping charges are currently in effect for customers within specified pumping areas. Recycled water rates are calculated independently for its approximately 115 recycled water customers.

The prior Study calculated internal rates based upon District costs of service and also allowed the District to pass-through changes in costs directly related to SDCWA rates and charges.

Service charges are calculated based upon meter/service size and are employed for potable water meters, recycled water meters, fire meters/services and construction meters.

The prior study also included alternate rates to maintain revenue stability in the event of reduced demand. The District currently is operating under Level 1 rates due to decreased potable water demand in recent years.

The District maintains four formal reserves related to its water enterprises, a General Working Capital (Operating) Reserve, a Rate Stabilization Reserve, an Infrastructure Planning (Long-Term CIP) Reserve, and an Appropriated Expenses (Current CIP) Reserve. Each reserve has established methodologies and targets, as guided by District policy. Revisions to the District's reserves and targets, and the reserve level adjustment component of the revenue requirement will be considered with this Reserve Study.

### **Scope of Services**

The exact range and extent of services is subject to negotiation, but at a minimum the scope of work should include consultant services and dedicated personnel to perform the following:

#### Study Objectives

1. Perform an update to the District's long-term financial plan as part of establishing water rates which ensure sufficient revenues to meet operating and capital needs, as well as funding of reserves.
2. Review and recommend updates and/or alternatives to the District rate structure.
3. Propose base water rates that are fair and objective and reflect cost of service principles.
4. Propose alternate water rates that maintain revenue stability during periods of reduced demand.
5. Review and propose updates to reserves and target levels to ensure financial stability.

#### Study Requirements

1. The recommended rate structure shall be based upon cost of service principles and align to cost and consumption behaviors and patterns specific to the District. The recommended rate structure shall be sufficient to meet the short and long-term revenue requirements of the District's water operations.
2. The study shall identify those portions of water system revenues that fund water system operating costs.
3. The study shall recommend a rate structure that considers and makes provisions for the following factors:
  - a. Current and future cost of providing water in accordance with established and anticipated standards and regulations.
  - b. Projected demands.
  - c. Consumption behaviors and patterns specific to the District.
  - d. The District's cost behavior (fixed versus variable).
  - e. Availability of supply.
  - f. Age and condition of water system and the need to fund long-term capital improvements and replacements, either through debt or "pay-go" funding.
  - g. Funding improvements identified in the water system master plan capital improvement program.

- h. Other impacts as identified.
4. The recommended rate structures shall be consistent with industry practice for utility rate making in California. The study shall recommend a rate structure based upon standard rate practices that meet the criteria.
  5. The recommended rate structure shall include a provision for an alternate rate structure to address loss of supply, drought, and other possible contingencies.
  6. The study shall provide a comparison of current and proposed District water rates to water rates between neighboring water agencies and low, average, and high usage.
  7. The study shall weigh the benefits of any proposed modifications against the financial impact on the ratepayers.
  8. The study shall justify any special classes of customers under the recommended rate structure.
  9. The recommended rate structure shall not decrease the stability of the revenue stream to the water operations when compared to the current rate structure. Consideration shall be given to funding past and future depreciation (replacement of facilities).
  10. The recommended rate structure shall be easy to administer and understand.
  11. The recommended rate structure shall be in compliance with the rate covenants of the outstanding debt financing, Proposition 218 and all other current legislation and regulations related to rate setting in the State of California.
  12. The study shall recommend appropriate processes and procedures for water rate adjustments in accordance with Proposition 218.
  13. The recommended rate structure must take into consideration the District's automated billing system capabilities.
  14. The recommended rate structure shall be planned for at least three (3) years.
  15. The reserve study shall consider the type and amount of reserves appropriate to the District's water operations, taking into consideration reserves for cash flow, rate stabilization, infrastructure replacement, catastrophes and other appropriate purposes.
  16. The reserve study shall recommend appropriate reserve types for the District, either set amounts or minimum and maximum target levels for each of the reserves, and the methodologies on how to calculate reserve targets and funding.
  17. The reserve study should conduct a survey and comparison of reserve types and target levels from neighboring water agencies. Best practices and industry standards should be used when recommending appropriate reserve types and target levels.
  18. The study shall produce an easy to use electronic model, in either Microsoft Excel or Access, to be used by the District for future rate setting.

### Study Elements

In making its rate structure recommendations, the final report shall explicitly include the following elements and analysis:

1. Current rate structure: Assess the current rate structure's performance as a baseline for comparing recommended changes.
2. Analyze Pass-Through Rates: Analyze the pros/cons of the current SDCWA pass-through rate structure and recommend whether to continue this structure or incorporate SDCWA costs in a single overall District rate.

3. Equity: Assess the equity of recommended water rates for all categories of customers by class and type (current structure) and by meter size.
4. Cost of Service: Ensure a proper and appropriate nexus between the cost of providing water services to customers and the rates charged to those customers.
5. Conservation Impacts: As legally applicable, assess the interaction between the water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations as well as their impact on the economic wellbeing of the community.
6. Alternate Decrease in Demand or Loss of Supply Rate Structure: Assess the impact of an alternate rate structure due to drought, reduced demand, loss of supply, or other water shortage factors. Develop an alternate rate structure which ensures sufficient revenues and the financial stability of the District during periods of reduced demand or loss of supply.
7. Customer Classes: Assess existing customer classes that the District currently has in place. Propose additions, deletions and/or options where appropriate.
8. Annual Operating Fund Balance Targets: Recommend reserve levels for operating and capital replacement as well as cash flow and unforeseen events. Consultant will be required to supply reasonable backup and comparisons for reserve level recommendations.
9. Electronic Rate Model: Provide an easy to use electronic rate model for the District to use in future rate setting.

#### Services to be Provided by Consultant

1. Review Existing Rates: Conduct a detailed review of the existing water rates and financial status of the water fund (both potable and recycled). Also, develop a general familiarity of the District's billing system.
2. Attend Meetings: Meet or confer with staff as needed. District staff anticipate a minimum of two meetings with staff, two meetings with the Water Rate Subcommittee, one meeting (evening) with the District Board at a working session to present the interim status of the study and obtain their input, and one public hearing (evening) where the water rates are considered for adoption.
3. Conduct Analyses: Conduct analyses as required to address the scope of work.
4. Prepare Preliminary Report:
  - a. Prepare a preliminary study report and tentative rate structure.
  - b. Submit 10 copies to the District, as well as one electronic copy.
  - c. Present the preliminary report and tentative rate structure to the District Board at a Board Work Session.
5. Prepare Final Report:
  - a. Incorporate changes pursuant to comments received at the first presentation.
  - b. Submit 10 copies to the District, as well as one electronic copy.
  - c. Provide electronic files with the report in MS Word Format and spreadsheets in MS Excel format.
  - d. Present the final report and recommended rate structure to the District Board and the members of the public at a regular Board meeting.
6. Time Schedule: Supply a time schedule for developing the preliminary and final reports. The District desires for a new rate plan to be adopted by its Board of Directors by late-spring or early-summer in 2021 and will expect the consultant to satisfy deadlines and deliverables to meet that goal.





7. Electronic Rate Model: Provide an easy-to-use electronic rate model in MS Excel or Access for the District to use in future rate setting.

#### Services to be Provided by District

1. Furnish Data: Furnish all reasonably available records and information, including financial reports, budgets, as well as consumption and billing data, meter sizes and customer classes for the existing District customers.
2. Water System Master Plan: Provide a loaner copy for the Water System Master Plan prepared in 2014.
3. Capital Improvement Program: Provide information on the recent Capital Improvement Project list for FY 2020-21 through FY 2024-25.
4. Budget and CAFR information: Provide the District’s FY 2019-20 Two-Year Operating and Capital Budget and the most recently available Comprehensive Annual Financial report.
5. Staff Support: Provide staff support and assistance as required and agreed to in advance of the study.

#### Consultant Requirements

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##### Insurance

1. Consultant must provide a current Certificate of Insurance, listing the District as additional insured on the policy via endorsement with mutually acceptable Commercial General Liability, Professional Liability and Workers’ Compensation coverage. The District currently requires minimum limits of \$1,000,000 per incident and \$2,000,000 aggregate for each coverage.

##### Duration

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The successful Consultant will enter into a contract with the District to perform the following services:

- 1) Cost of Service Study
- 2) Rate Structure Study
- 3) Reserve Study (optional at District’s discretion)

District may elect to have consultant perform all services at one time or to have the services performed in distinct phases. The District reserves the right to award a contract for the entirety of work outlined in this RFP, or for portions or phases of work, as deemed in the best interest of the District.

##### Evaluation Criteria

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The District will review proposals and determine those that are responsive. The District will select a consultant who in its sole judgment, best suits the needs of the District. Furthermore, if no proposals are deemed satisfactory, the District reserves the right to reject all proposals. The



evaluation criteria which are neither weighted nor prioritized include, but are not limited, to the following:

1. Demonstrated understanding of the services requested.
2. Prior experience performing similar work with preference given to agencies with experience working with California clients.
3. Qualifications and experience of the firm and assigned individuals.
4. Acceptability and scope of water rate setting methodology and processes.
5. Cost effectiveness of the proposal.
6. Ability to meet District schedule and availability to meet with District staff.
7. Reference checks.