

WALNUT VALLEY WATER DISTRICT  
271 South Brea Canyon Road  
Walnut, California 91789

SPECIAL BOARD MEETING  
THURSDAY, OCTOBER 18, 2018 – 4:00 P.M.  
AGENDA

**NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 4 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.**

**Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.**

**Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.**

1. Flag Salute
2. Roll Call: Mr. Ebenkamp\_\_\_\_\_ Mr. Hilden\_\_\_\_\_ Ms. Kwong\_\_\_\_\_ Ms. Lee\_\_\_\_\_ Dr. Wu\_\_\_\_\_
3. Public Comment President Ebenkamp  
The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.
  - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
  - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Award of Contract for Water Rate Study
  - (1) Discussion
  - (2) Action Taken
5. Update on Strategic Plan (verbal report)

Adjournment

# WVWD – Staff Report



**TO:** Board of Directors  
**FROM:** Assistant General Manager  
**DATE:** October 18, 2018  
**SUBJECT:** Award of Contract for Water Rate Study

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Action/Discussion     Fiscal Impact     Resolution     Information Only

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## **Recommendation**

That the Board of Directors authorize the General Manager to execute an agreement with Raftelis Financial Consultants to conduct a Water Rate Study at a cost of \$64,422.

## **Background**

In August 2018, in response to direction received from the Board, staff solicited a proposal for a Water Rate Study (Study) from Raftelis Financial Consultants (Raftelis). Raftelis responded with the attached Scope of Services for consideration. The proposed cost to complete the Study is \$64,422 (total fees and projected expenses), which includes 288 total man hours.

Staff is recommending that Raftelis be awarded the contract to provide professional services associated with the Study. Staff's recommendation is based on Raftelis' past experience working with the District, and demonstration that they have a clear understanding of the project and the ability to build the necessary rate model based on the specific needs and objectives of the District.

Over the past twenty years, Raftelis has conducted hundreds of studies for a variety of agencies throughout California. The project manager and project director assigned to the job have a combined 56 years of consulting experience and are regular presenters at conferences such as ACWA and AWWA. Additionally, Raftelis' office is in close proximity to our office, which will be helpful considering the effort involved and the numerous meetings required.

### **Attachment:**

*Scope of Services for Water Rate Study*

August 30, 2018

Brian Teuber  
Director of Finance  
Walnut Valley Water District  
271 South Brea Canyon Road  
Walnut, CA 91789

**Subject:** Scope of Services for Water Rate Study

Dear Mr. Teuber:

Raftelis is pleased to submit this scope of services to Walnut Valley Water District (District) with a Water Rate Study. The goal of the study is to develop water rates for the next 5 years and the administrative record associated with these rates.

The following proposed scope of services is tailored to address the specific objectives and concerns as identified through discussions with District staff and includes the elements that we believe are essential for a successful project.

## *Scope of Services*

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### **TASK 1 – FINANCIAL PLAN MODEL**

Raftelis will obtain the fiscal year (FY) 2019 budgets, water supply costs, capital expenditure plan, and fund balances from the District and will develop a financial plan model to reflect the current financial status of the District, future cost projections and necessary rate revenue adjustments. Raftelis will ensure the model can easily evaluate different sales scenarios to help the District make informed decisions during periods of changing usage characteristics. In addition, the model will incorporate the different drought surcharge stages and potential budget requirements from the State legislature. The model will have the functionality to select the drought stage for each year and evaluate the impact in real time. During the course of the project, District staff will be provided with working copies of the rate model so that they can provide input into the model and so that Raftelis can incorporate any additional changes to meet the District's specific needs.

**Meetings:** Up to three (3) webinars with District staff to review model assumptions and other inputs

**Deliverables:** Financial Plan Model

## TASK 2 – COST OF SERVICE

Based on the revenue requirements from Task 1, the cost of service will be allocated to the various cost components and to each customer class. Raftelis will develop cost-based rates based on the District's functionalized expenses, water consumption, peaking, and usage characteristics. The cost of service analysis will be conducted according to the following process:

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

Raftelis will review and analyze historical water consumption, revenue records, and billing summaries to determine water usage and peaking characteristics by customer class or subclass. We will then estimate the relative responsibility of each customer class for each of the functional cost elements. This allocation will be based on billing summary data, other locally available data which may be applicable, and Raftelis' experience with other utilities exhibiting similar usage characteristics and patterns. It will provide the basis for equitable cost allocations to each customer class or subclass.

- Step 2 – Allocate Costs to Functional Cost Categories

Raftelis will functionalize the costs into main functions such as supply, transmission & distribution, storage, etc. The costs will then be allocated to cost centers such as commodity, maximum hour, maximum day, customer service, meter capacity, etc. to determine the unit cost for each cost center.

- Step 3 – Allocate Functional Costs to Customer Classes

Next, the costs associated with the functional components will be allocated to the various customer classifications on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of units of service for each customer class.

**Meetings:** None

**Deliverables:** Cost of Service Analysis

## TASK 3 – RATE DESIGN

Rates will be developed in accordance with a rate structure selected by the District when the potential financial impacts on customers have been evaluated. Raftelis will incorporate the flexibility to conduct what-if scenarios and adjust the revenue collected from the fixed and variable components. Raftelis will evaluate each tier width and provide recommendations for any potential changes.

**Meetings:** Up to three (3) webinars with District Staff to verify model functionality

**Deliverables:** Presentation Materials (if applicable), Draft Water Rate Model

#### TASK 4 – DROUGHT SURCHARGE

The District has different options on how to recover the financial consequences of drought-level consumption. Raftelis will discuss these options with District staff and will incorporate drought rates within the water rate model based on the direction received.

**Meetings:** One (1) webinar with District Staff

**Deliverables:** Water Rate Model

#### TASK 5 – BOARD WORKSHOPS

Following the completion of the Financial Plan and Water Rate Model, Raftelis will review findings with District staff and incorporate any final changes or recommendations before conducting three workshops with the Board of Directors. These workshops will include interactive manipulation of the model (as needed) for all variables including, but not limited to, water demand factors (sales reductions), fixed/variable revenue split, drought stages, etc. The goal of these workshops will be to finalize the financial plan and associated five-year rate schedule to be noticed to ratepayers.

**Meetings:** Up to three (3) Board Workshops

**Deliverables:** PowerPoint Presentation(s)

#### TASK 6 – REPORT DEVELOPMENT

Raftelis will draft a report summarizing the results of the study. This report will include an overview of operations and CIP, a comprehensive section describing the cost of service analysis, and a summary of the results/decisions made. Key assumptions and methodologies used will be thoroughly discussed in the report. Raftelis will provide a draft for District Staff to review and provide feedback for the final report.

**Deliverables:** Draft Water Rate Study Report, Final Water Rate Study Report

#### TASK 7 – PUBLIC HEARING

Raftelis will be available to assist District staff with the approval process by presenting the results of the study and be available to answer any questions at the public hearing.

**Meetings:** One (1) Public Hearing

**Deliverables:** PowerPoint Presentation(s)

#### TASK 8 – SIMPLIFIED FINANCIAL PLAN MODEL

Raftelis will develop a simplified financial plan model for the District's ongoing use. The simplified model will include the final financial plan and COS scenario and allow the District to input future budget and actual revenues to determine the necessary rate revenue adjustments. The simplified model will also allow the District to evaluate different levels of water sales and drought conditions. Raftelis will train District staff to use the simplified model, change key inputs and update the model.

**Meetings:** One (1) webinar with District Staff

**Deliverables:** Simplified Water Rate Model

#### *Fees*

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We propose to complete the scope of work outlined above on a time and materials basis with a not-to-exceed cost of \$64,422. The following work plan provides a breakdown of the estimated level of effort required for completing each task described and the hourly billing rates for the personnel scheduled to complete the project.

**Walnut Valley Water District**  
2019 Water Rate Study - Update Proposed Hours & Fees

Task	Task Descriptions	Web Meetings	No of Meetings	Hours Requirements			Total Fees & Expenses	
				SG	SC	Admin		Total
<b>HOURLY RATES</b>				<b>\$290</b>	<b>\$180</b>	<b>\$75</b>		
1	Financial Plan Update	3		10	35	6	51	<b>\$10,160</b>
2	Cost of Service Update			4	16		20	<b>\$4,240</b>
3	Rate Design	3		16	40		56	<b>\$12,400</b>
4	Drought Surcharge	1		4	16		20	<b>\$4,240</b>
5	Board Workshops		3	30	10		40	<b>\$11,389</b>
6	Report Development			10	45		55	<b>\$11,550</b>
7	Public Hearing		1	10	4		14	<b>\$3,923</b>
8	Simplify Financial Plan Model	1		4	28		32	<b>\$6,520</b>
<b>TOTAL ESTIMATED MEETINGS / HOURS</b>		<b>8</b>	<b>4</b>	<b>88</b>	<b>194</b>	<b>6</b>	<b>288</b>	
<b>PROFESSIONAL FEES</b>				<b>\$25,520</b>	<b>\$34,920</b>	<b>\$450</b>	<b>\$60,890</b>	
							<b>Total Fees</b>	<b>\$60,890</b>
							<b>Total Expenses</b>	<b>\$3,532</b>
							<b>TOTAL FEES &amp; EXPENSES</b>	<b>\$64,422</b>

SG - Sanjay Gaur

SC - Support Consultant