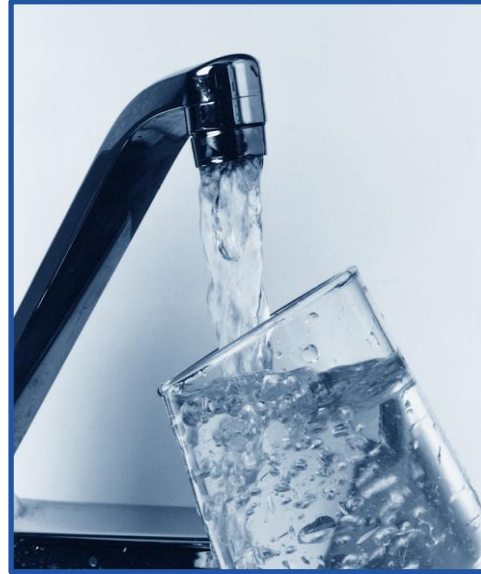


Alameda County Water District

Conducting a Rate Study



How to Avoid Common Mistakes

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Overview

- Founded in 1914
- Population Served
 - 344,000+ customers
 - 87,000+ connections

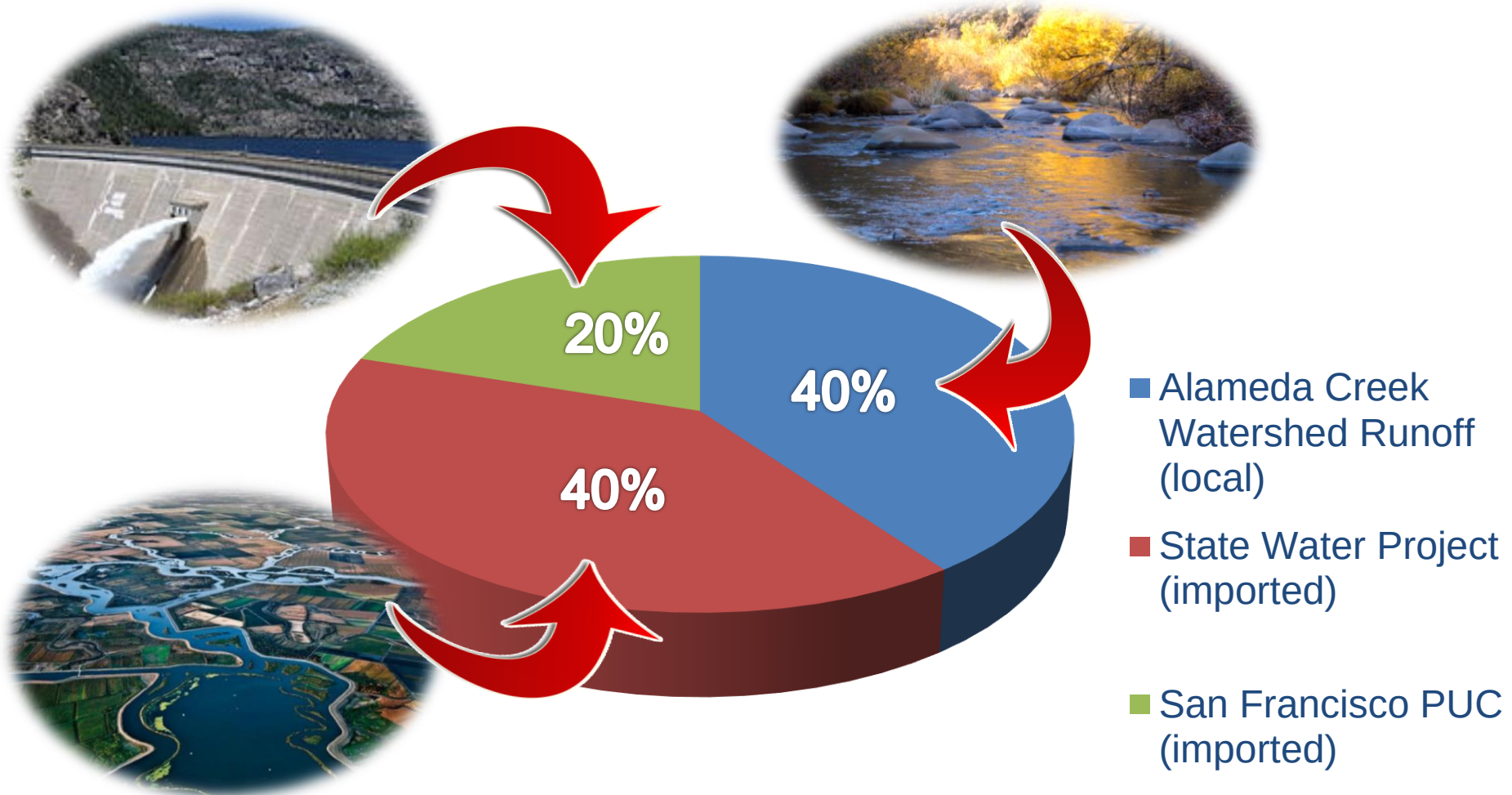


Service Area

- Fremont, Newark and Union City – 105 square miles



Multiple Supply Sources = Flexibility



Rates Process Experience

- Serve as Director of Finance & Administration at Alameda County Water District
 - Areas of responsibility include rate-setting and purchasing, among others
 - Led four rate-setting processes with our Board
- Previously served as Administrative Manager/CFO at Goleta Water District
 - Similar responsibilities, including one rate-setting process

Topic Overview

- Aside from preparing the study itself, common mistakes can happen due to the following:
 - Consultant selection
 - Mistakes can lead to selection of a subpar consultant
 - Having a subpar consultant increases the risk the rate study will have mistakes
 - Consultant management/oversight
 - Consultants work for you
 - It is up to staff to support the consultant and ensure the consultant does satisfactory work - finance staff and District management are critical to the success of a rates process

Consultant Selection

- Follow your procurement policy
 - Don't have one? Develop one!
- Given the number of rate consultants and the nature of the services, a Request for Proposals (RFP) process is recommended. A successful RFP process will include:
 - Developing the scope of work (do you just need a one-time cost of service study, or could you also use a new financial model, capacity charge study, or any other related services)
 - Preparing the full RFP document, inclusive of District contracting requirements, procurement timelines, evaluation criteria, and proposal requirements
 - In addition to posting the RFP on your website and your other standard distribution methods, notify known consulting firms

Consultant Selection

- A successful RFP process (continued):
 - Hold a pre-proposal meeting to respond to any questions from the consultant community
 - Distribute any clarifications through all the same channels as you issued the RFP
 - In addition to asking for qualifications, experience, and approach to the services, ask for 1) references, and 2) sample reports and related materials
 - Prioritize qualifications and approach to the services in your evaluation criteria. Price should be around 20-30% of the score. **A bad consultant will cost more than a good one**
 - Identify 3-4 knowledgeable staff to serve as the evaluation team (not all within the same chain of command)

Consultant Selection

- A successful RFP process (continued):
 - If scores are reasonably close, interview the top proposers
 - Negotiate with the top proposer
- Contract Process
 - Recommend taking the contract to the Board since the consultant will spend a lot of time with them
 - Include some flexibility on total cost (but within agreed-upon hourly rates) – the process will inevitably include more consultant hours than included in their proposal
 - Track consultant hours over the course of the rates process (you should receive monthly invoices)

Consultant Oversight

- You've selected a consultant and had the contract approved; now what?
 - Hold a kick-off meeting and make sure everyone is clear on the timeline and roles and responsibilities (should flow from the RFP and proposal)
 - Provide data to your consultant in an appropriate format and in a timely manner
 - Check-in with the consultant on a regular schedule
 - Provide plenty of time to review consultant work products before they are presented to your Board

Consultant Oversight

- Consultant oversight (continued):
 - You know the interests of your agency better than the consultant
 - Have legal counsel review the rate study report
- **The District is responsible for the work of the consultant and the overall success of the rates process**

Other Issues to Consider

- You've successfully hired and managed a consultant and they have produced good work. What other procedural issues are there to consider:
 - Public engagement/transparency
 - The Proposition 218 notice
 - Protest procedures
 - Public Hearing logistics
 - Coordination with the billing team
- My first rates process

Conclusion

- Quality of work should be prioritized when selecting a consultant
- District staff, not the consultant, are responsible for the overall success of the rates process
- There is more to a successful process than producing a defensible study
- If you're not sure how to proceed, help is available from your rate consultant, legal counsel, and other qualified professionals