



**EMERGENCY MEETING OF THE BOARD OF DIRECTORS
PICO WATER DISTRICT**

4843 S. Church Street
Pico Rivera, California, 90660

5:00 PM Wednesday, August 23, 2023

AGENDA

Any member of the public may attend this meeting in person or by accessing the Zoom link below. Any member of the public wishing to make any comments to the Board may do so through that Zoom link. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment. Members of the public wishing to make a comment are asked to state their name for the record and will be provided three (3) minutes to comment, the Board secretary will alert those commenting when they only have 30 seconds remaining. All members of the public will be disconnected from the Zoom link immediately before the Board of Directors adjourns into Closed Session.

Join Zoom Meeting

<https://us06web.zoom.us/j/9521779948?pwd=dGNxcXh3YitEc2NlVVdrUzVvNm4rZz09>

Join by Telephone: +1 669 900 6833

Meeting ID: 952 177 9948 Passcode: 421745

1. **ROLL CALL.**
2. **PLEDGE OF ALLEGIENCE.**
3. **INVOCATION.**

4. TIME RESERVED FOR PUBLIC COMMENTS.

*Members of the public shall be allowed three minutes to address the Board on any matter on the agenda and/or within the jurisdiction of the District, which is not on the Agenda. All comments should be addressed to the presiding officer of the meeting. Additional public comments shall be allowed when a listed agenda item is being considered, but such comments made at that time must be confined to the subject that is being discussed at the time such comments are made. Members of the public are asked to state their name for the record. Due to all Board Meetings being run as Zoom Meetings all participants will be placed on mute at the start of the meeting and when the meeting is open for public comment the participant will be asked to raise their hand through the button on the video conference screen if participating by video conference or by pressing *9 on their phone if participating by teleconference.*

5. ADOPTION OF AGENDA.

6. ACTION/DISCUSSION ITEMS.

A. Consider Board Approval of Consultant for Rate Study – *Recommended action – That Board Discuss and Approve*

7. ADJOURNMENT.

AGENDA POSTED ON: August 21, 2023

Next regularly scheduled meeting: September 6, 2023

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the District office at (562) 692-3756 at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the District office, located at 4843 S. Church Street, Pico Rivera, California.

STAFF REPORT

To: Honorable Board of Directors
From: Joe D. Basulto, General Manager
Meeting Date: August 23, 2023
Subject: Action Item 6A – Consider Board Approval of Consultant for Rate Study

Recommendation

That Approve Water Resource Economics

Fiscal Impact

General Fund: \$40,000

Background

District Staff brings to the Board of Directors, Proposals for Rate Study, received from the Following:

1. Water Resources Economics - \$40,000
2. IB Consulting - \$43,000
3. Raftelis - \$45K - \$65k

I would Recommend the Board of directors to approve Water Resources Economics, Mr. Sanjay Guar would be the lead Consultant for our rate study, he has over 25years experience, he is extremely knowledgeable about Prop. 218. Has a very good track record, He is local in LA County, is great with public in the hearing process and can start now, to be done in 3 months and will be very hands on with our study.

August 21, 2023

Joe Basulto
General Manager
Pico Water District
4843 Church St
Pico Rivera, CA 90660

Subject: Proposal for Water Rate Study

Dear Mr. Basulto,

Water Resources Economics, LLC (WRE) is pleased to submit this proposal to Pico Water District (District) for a Water Rate Study.

The District is seeking a consultant who is considered an expert in conducting a water rate study in California and understands the challenges agencies face in adopting rates. WRE is well-qualified to provide this service. I have conducted hundreds of water rate studies over the last 25 years throughout California and am an expert in developing rates that can withstand different financial and legal challenges. I understand the various technical, political, and regulatory standards associated with designing such rates. I have attached my resume showing the agencies I have worked with over the last two decades, along with numerous published articles I have authored on this subject.

It would be my pleasure to assist the District on this important project. If you have any questions, please contact me at 213-327-4405 or by email at sgaur@water-economics.com

Sincerely,



Sanjay Gaur
Principal Consultant
Water Resources Economics, LLC

Water Rate Study

Pico Water District

Statement of Qualifications and Experience

Water Resources Economics – Our Role in the Water Community

Water and wastewater agencies are facing many different challenges, including water scarcity, the need to refurbish aging infrastructure, increased water quality needs, lack of trust of government, increased participation based on information that may not be accurate, and ever-increasing rates. Water Resources Economics was developed to tackle these challenges. By having an open, transparent dialogue, we are able to convey the value that water and wastewater services provide to the community and the challenges it faces.

Proposed Project Manager

Sanjay Gaur has more than 25 years of financial and rate consulting experience with water, wastewater, and solid waste utilities and has served as a consultant to more than 100 agencies in Arizona, California, Nevada, and the Caribbean. He has provided his insight into utility rate and conservation-related matters through articles in *Journal AWWA* and other publications and served as an expert source on rates development quoted in the *Los Angeles Times* and *New York Times*. He has co-authored several industry guides, including AWWA's *Manual M1 Principles of Water Rates, Fees and Charges, 7th Edition*; *AWWA's Water Rates, Fees, and the Legal Environment, 2nd Edition*; and *Water and Wastewater Finance and Pricing: The Changing Landscape*. He is a member of AWWA's Rates and Charges Committee. Mr. Gaur was a Peace Corps volunteer in Bulgaria. He holds a master's degree in Applied Economics from UC Santa Cruz and a Master in Public Administration - International Development from the Kennedy School of Government, Harvard University.

Resume attached, beginning on page 8.

Example Work / References

City of Santa Cruz

Rosemary Menard, Water Director
Santa Cruz Water Department
RMenard@cityofsantacruz.com
(831) 420-5205

Mr. Gaur has assisted Santa Cruz Water Department since 2010. The City of Santa Cruz's water use is one of the lowest in the United States. In addition, community members understand the scarcity of water and are sensitive to affordability concerns for low-end water users. Community members are active and demand that the water rates reflect these values. However, this translates into revenue instability for water enterprise, especially during water rationing in drought conditions. In addition, the water enterprise is undergoing an intensive capital refurbishment plan over the next 10 years. Water enterprise needs to issue debt and needs to show the rating agencies that they can meet these future obligations, especially given that 90% of the revenue is dependent on water sales. Mr. Gaur has successfully assisted the Water Department in meeting both goals, having water rates that reflect the scarcity and promote affordability, while demonstrating to the bond market it can meet future obligations. Mr. Gaur has successfully had the City adopt a five-year rate schedule, drought rates, and capacity fees.

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Quote from Ms. Menard:

I have had several opportunities to work with Sanjay Gaur on utility financial planning over the last eight years and I greatly appreciate his comprehensive knowledge of utility financial planning and rate-making principles and practices. He works collaboratively with his clients, understands the difference between analysis and policy decisions, and facilitates effective engagement of utility staff, governing board policy makers, and community interests in financial planning and rate-making processes. Working with Sanjay is a strategy that any agency can use to “up their game” when it comes to the challenging public policy issues many utilities face today.

Placer County Water Agency

Joseph H. Parker

Director of Financial Services

jhparker@pcwa.net

530-823-4875

Mr. Gaur has assisted Placer County Water Agency since 2015. The most significant rate study he conducted for the Agency was in 2017, where the agency had many different types of services and rates due to recent annexation of other local water utility service areas. Mr. Gaur assisted the Agency in developing a comprehensive cost-of-service study that showed the nexus of how the rates are determined for treated retail, treated wholesale, untreated retail, and untreated resale. The process was complicated by having to address the historical canal system developed during the California Gold Rush and the rationality of the miner’s-inch rates for agriculture that sustained the cultural aspect of the county, while meeting state regulatory requirements. Mr. Gaur facilitated several workshops with Executive Staff and members of the Finance Committee and Board. The rates were adopted successfully in 2017.

Quote from Mr. Parker:

Over the years, Sanjay Gaur has been and continues to be an exceptional asset for my agency. I have collaborated with Sanjay for almost 15 years and have appreciated his original thinking, his preparedness, and his ability to facilitate technical discussions and quickly respond to detailed questions in a clear, articulate manner. I first met Sanjay soon after I became Chair of ACWA’s Finance Committee and during my ten years as Chair, Sanjay’s expertise was a source of support for ACWA members, as he led training sessions at ACWA’s semi-annual conferences. Sanjay is a strong communicator supported by sharp analytical skills and a solution-focused attitude. His insight has been appreciated by my Board and gained him respect as our “go-to” resource.

Western Municipal Water District

Kevin C. Mascaro

Director of Finance

kmascaro@wmwd.com

(951) 571-7160

Mr. Gaur has worked with Western Municipal Water District since 2007. He assisted the District on several financial and rate matters. The most significant study was the development and implementation

Water Rate Study

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of a water budget rate structure. The District moved from a uniform rate structure to a tiered water budget rate. The rate structure was successfully implemented, which helped the agency promote water efficiency, ensure affordability for essential use, and enhance revenue stability. In 2018, Western Municipal Water District had a rate challenge over its water budget rates. Mr. Gaur assisted the District in developing the legal arguments and the District prevailed in the lawsuit.

Quote: Mr. Mascaro

For over a decade, Sanjay has provided wisdom to our agency in the formulation of water rates and capacity charge policies. His intelligence, personable character, and proven industry insight have benefited us greatly.

Fallbrook Public Utility District

Jack Bebee

General Manager

jackb@fpud.com

(760) 728-1125;1105

Mr. Gaur assisted the District in adopting a five-year rate schedule in 2017. The District was evaluating an alternative water supply to increase reliability and provide water for future development. Mr. Gaur developed the appropriate financial strategy. In addition, the District's service area has historically been mainly agricultural. Increased water costs and property values have made this industry vulnerable, which has increased the political climate of any rate increase. Mr. Gaur successfully worked with the Board in having the five-year rates adopted.

Quote from Mr. Bebee:

Sanjay played a critical role in getting our District on a solid financial footing through development of our financial plan and a five-year rate increase strategy. His ability to help explain the District's financial needs to both our governing board as well as a very engaged public was key to our successful implementation of a sustainable financial program.

Water Rate Study

Pico Water District

Scope of Services

Task 1: Kick off Meeting

WRE will conduct one on-site kick off meeting with District staff to review the financial, legal, and political landscape of adopting rates. Items to be discussed are to confirm that the current uniform rate structure meets the needs of the District, how many years of rate adoptions should be considered, schedule, data request, and any other concerns that District may have.

MEETINGS: • One on-site meeting with staff

DELIVERABLES: • Kick off presentation material and minutes of the meeting

Task 2: Water Financial Plan

WRE will create a financial plan to assess the financial health of the District. We will suggest revenue adjustments to ensure long-term fiscal sustainability. WRE will work with District staff to forecast expenses and revenue requirements over a 10-year (or 25-year, if desired) planning horizon. Projecting revenue adjustments over a 10-year planning horizon illustrates future rate impacts and potential challenges to the District's financial health so it can plan expenses, monitor reserve balances, and/or schedule capital projects to smooth rate impacts. We strive for smooth revenue adjustments and minimal rate impacts while achieving long-term revenue goals. For example, strategic timing of capital expenditures and the use of reserve funds can help mitigate rate fluctuations. As part of the financial plan, we will review and discuss reserves for operating, capital, rate stabilization, and emergency purposes. WRE understands the importance of developing a user-friendly, flexible model that the District can use for future financial planning. All our models include a financial plan dashboard as a standard feature with the following:

- Flexibility to change many assumptions such as CIP levels and the magnitude and timing of revenue adjustments
- Error flagging and problematic results such as: failure to meet debt coverage, below target reserves, etc.
- Sensitivity analyses and various "what-if" scenario assessments, so that impacts can be viewed instantaneously with built in-screen graphics

The dashboard is an effective tool to visually assess how each assumption or scenario impacts the financial plan so that decisions regarding revenue adjustments, capital financing through pay-go or debt, and reserve balances can be made quickly. WRE will hold up to four webinars to review assumptions and finalize the financial plan to be used to calculate rates. District staff will decide on one to three financial plan scenarios to present to the Board.

MEETINGS: • Up to four webinars with District staff to discuss the financial plan

DELIVERABLES: • Financial plan model(s) in Microsoft Excel

Task 3: Cost-of-Service Analysis

The cost-of-service analysis task provides the defensibility needed to meet Proposition 218 requirements. Our cost-of service analysis will be based on industry standards and methodologies consistent with the M1 Principles of Water Rates, Fees, and Charges Manual published by the American Water Works Association (AWWA). Cost allocations will be based on the AWWA-approved Base-Extra Capacity method, which focuses on different usage patterns (or peaking factors). Based on the revenue requirements identified in Task 2, the cost of service will be allocated to cost components and then to the associated rates.

Water Rate Study

Pico Water District

MEETINGS: • Up to four webinars to review the cost of service

DELIVERABLES: • Cost-of-service model in Microsoft Excel

Task 4: Rate Calculation and Customer Impacts

WRE will calculate rates based on the cost to serve each class derived in Task 2. Based on our understanding, the District would like to maintain its current uniform rate structure. Rate models typically consist of three modules: a financial planning module, a cost-of-service module, and a rate calculation module. The rate calculation module calculates rates that balance objectives for simplicity, fairness, conservation, and defensibility. We will discuss the desired level of fixed revenue from fixed charges. The model will be created using Microsoft Excel and will incorporate industry standard rate-setting methodology consistent with AWWA guidelines for the water rate study. During the project, we can provide staff with working copies of the rate model, if desired, so that they can review and provide input into the results. WRE will also determine the potential financial impact on customers that will result from the proposed rate structures. The model will include a series of tables and figures that show projected rate impacts on different types of customers at various use levels.

MEETINGS: • Up to four webinars to discuss rates

DELIVERABLES: • Rate model in Microsoft Excel

Task 5: Board Meeting

WRE will present study results to the Board at a workshop where we will discuss the financial plan, rate derivation, and solicit feedback from the Board. WRE will be prepared to answer any questions that the Board may have. Based on their comments, WRE will finalize the rates and develop the appropriate report.

MEETINGS: • One on-site Board meeting

DELIVERABLES: • Presentation materials in Microsoft PowerPoint

Task 6: Draft and Final Report Preparation

The report will highlight the major issues and decisions reached during rate development. It will describe the long-term financial plan and the CIP and will derive the rates. The report will serve as the District's administrative record to meet Proposition 218. The District's Attorney and staff will review and provide input on the draft report to be incorporated into the final report.

MEETINGS: • Webinars or phone conferences as needed to discuss the report

DELIVERABLES: • Draft and final reports

Task 7: Proposition 218 Public Hearing

WRE will present the finding of the study at one Public Hearing. WRE will develop the appropriate presentation material and be ready to answer questions. In addition, WRE will provide guidance on how to conduct the Public Hearing and best practices.

MEETINGS: • One Public Hearing meeting

DELIVERABLES: • Presentation Material

Water Rate Study

Pico Water District

Fee

WRE will conduct the above scope of service for \$40,000. WRE will invoice the District based on time and material. The two primary individuals working on this project are Sanjay Gaur, the Project Manager at \$275 per hour and the Lead Analyst at \$180 per hour.

Water Rate Study

Pico Water District

Resume

PROFILE

Sanjay Gaur has more than 25 years of financial and rate consulting experience with water and wastewater utilities and has served as a consultant to more than 100 agencies in Arizona, California, Nevada, and the Caribbean. He has provided his insight into utility rate and conservation-related matters through articles in *Journal AWWA* and other publications and served as an expert source on rates development quoted in the *Los Angeles Times* and *New York Times*. He has co-authored several industry guides, including *AWWA's Manual M1 Principles of Water Rates, Fees and Charges, 7th Edition*; *AWWA's Water Rates, Fees, and the Legal Environment, Second Edition*; and *Water and Wastewater Finance and Pricing: The Changing Landscape*. He is a member of AWWA's Rates and Charges Committee. Mr. Gaur was a Peace Corps volunteer in Bulgaria. He holds a master's degree in Applied Economics from UC Santa Cruz and a Master in Public Administration - International Development from the Kennedy School of Government, Harvard University.

TECHNICAL SPECIALTIES

Financial analysis	Capacity fee studies
Cost of service studies	Public Outreach
Conservation rate structure design	Prop 218 Logistics

PROFESSIONAL HISTORY

- **Water Resources Economics, LLC**, Principal Consultant (2021-present)
- **Raftelis Financial Consultants, Inc.**, Vice President (2015-2021); Senior Manager (2012-2014); Manager (2009-2012)
- **Red Oak Consulting**, Division of Malcolm Pirnie (2007-2009)
- **MuniFinancial** (2005-2006)
- **A & N Technical Services** (1999-2003)
- **United States Peace Corps**, Bulgaria (1995-1997)

EDUCATION

Master in Public Administration - International Development, Kennedy School of Government - Harvard University (2003)

Master of Science, Applied Economics - University of California, Santa Cruz (1994)

Bachelor of Arts, Economics and Environmental Studies - University of California, Santa Cruz (1992)

RECENT PROJECT EXPERIENCE

- | | |
|--|---|
| - Alameda County Water District (CA) - Financial Plan Study and Annual Updates, Conservation Tiered Rate Feasibility Analysis, Drought Rate Study, Water Cost of Service and Rate Study, and other Ad-hoc Support | - City of Buckeye (AZ) – Water Rate Study and Capacity fee |
| - Amador Water District (CA) – Water and Wastewater Rate Study | - Borrego Water District (CA) – Financial Planning Study, Groundwater Sustainability Plan, Water Rate Study, and Basin Management Evaluation |
| - American Water Company (CA) - Water Rate Study | - City of Calexico (CA) - Water and Sewer Rate Study |

Water Rate Study

Pico Water District

- **City of Camarillo (CA)** – Water and Wastewater Rate Study, Financial Plan Study, and Cost of Service Study,
- **Carpinteria Sanitary District (CA)** – Sewer Rate and Fee Study
- **Castaic Lake Water Agency (CA)** – Wholesale Water Rate Study, Drought Rates, Rate Analysis, and Facility Capacity Fees
- **Central Basin Municipal Water District (CA)** – Financial Plan
- **City of Chino (CA)** – Water Budget Rate Design, Financial Plan Study and Cost of Service and Rate Design
- **City of Chowchilla (CA)** – Water and Wastewater Rate Study
- **Coastside County Water District (CA)** – Water Rate Study
- **Contra Costa Water District (CA)** – Financial Plan Study, Water Rate Study and Drought Rates Study
- **City of Corona (CA)** – Water Budget Rate Study, Wastewater Capacity Fees Study
- **Cucamonga Valley Water District (CA)** – Financial Plan, Water Conservation Rate Study, and Drought Rates
- **East Bay Municipal Utility District (CA)** – Water and Wastewater Cost of Service and Rate Study
- **Eastern Municipal Water District (CA)** – Water Budget Study and Financial Plan Study
- **East Orange County Water District (CA)** - Water Budget Study, Sewer Capacity Fees Study, and Financial Plan Study
- **Elsinore Valley Municipal Water District (CA)** – Financial Model, Drought Rate Analysis, Water and Recycled Water Rate Study, Capacity Fee Study, and Wastewater Rate Study
- **El Toro Water District (CA)** – Water Budget Study and Recycled Water Financial Plan Study
- **City of Escondido (CA)** – Water and Wastewater Rate Study and Capacity Fees Study
- **Fallbrook Public Utilities District (CA)** – Water, Wastewater and Recycled Water Rate Study
- **City of Florence (AZ)** – Water and Wastewater Rate Study
- **City of Gilbert (AZ)** – Fire Financial Plan
- **City of Glendora (CA)** – Water Budget Feasibility Study
- **City of Gridley (CA)** – Water Rate Study
- **Helix Water District (CA)** – Water Rate and Cost of Service Study
- **Hi-Desert Water District (CA)** – Water Rate Study
- **City of Hollister (CA)** - Sewer Rate and Impact Fee Study, Water Rates Study, and Capacity Fee Study
- **City of Huntington Beach (CA)** - Sewer Rate Study, Water Budget Rate Study, and Financial Plan Study
- **Imperial County Gateway County Service Area (CA)** – Water and Wastewater Rate Study
- **Indio Water Authority (CA)** - User Fee Study and Water Rate Study
- **Inland Empire Utilities Agency (CA)** – Conservation Rate Structure Workshop and Financial Plan Study
- **Inyo County Water Department (CA)** – Water Rate Study
- **Irvine Ranch Water District (CA)** - Conservation Study
- **Jurupa Community Services District (CA)** – Water Budget Study
- **La Habra Heights County Water District (CA)** – Wheeling Rate Study and Financial Plan Study
- **La Puente Valley County Water District (CA)** – Water Rate and Fee Study
- **Las Virgenes Municipal Water District (CA)** – Water Budget Rate Study, Water, RW and WW Financial Plan and Rate Studies, Capacity Fees Study
- **City of Livermore (CA)** – Water Cost of Service Study
- **City of Livingston (CA)** - Water Rate Study
- **City of Lomita (CA)** - Water Rate Workshop
- **City of Long Beach (CA)** - Water, Recycled Water and Wastewater Financial Plan and Rate Studies
- **Los Alamos Community Services District (CA)** – Water and Wastewater Rate Study
- **Los Angeles Department of Water and Power (CA)** - Daily Demand Estimates
- **City of Lynwood (CA)** - Cost Allocation Plan

Water Rate Study

Pico Water District

- **City of Malibu (CA)** – Wastewater and Recycled Water Rate Study
- **Mammoth Community Water District (CA)** – Water Rate Study
- **City of Merced (CA)** - Water and Sewer Rate and Impact Fee Study
- **Mesa Consolidated Water District (CA)** – Financial Plan Study, Cost Comparison Study, Water and Recycled Water Cost of Service and Rate Design Study
- **Metropolitan Water District of Southern California (CA)** – Drought Allocation Model, Long Range Financial Plan, and Cost of Service Evaluation
- **Mill Valley - Tamalpais Community Services District (CA)** – Financial Plan Study
- **Mojave Water Agency (CA)** – Financial Plan Study, Financial Impact Analysis for Water Exchange and Leasing Programs and Water Reliability Rate Development
- **Modesto Irrigation District (CA)** – Stormwater Fee Study
- **Monterey Peninsula Water Management District (CA)** - Water Budget Study
- **Municipal Water District of Orange County (CA)** - Conservation Potential Study and Rate Study
- **City of Newport Beach (CA)** – Water Rate Study
- **City of Palo Alto (CA)** – Water Cost of Service and Rate Study
- **Pasadena Water and Power (CA)** - Water Cost of Service and Rate Design Study
- **Placer County Water Agency (CA)** – Cost of Service, Rate, and Financial Plan Study
- **City of Pomona (CA)** – Rate Study
- **City of Port Hueneme (CA)** - Water and Solid Waste Rate Study
- **City of Orange (CA)** – Water and Sanitation Rate Study
- **Rancho California Water District (CA)** – Water Budget Rate Study, Water Demand Offset Fees, Commercial Water Budget Revision Study, Alternative Water Supply Feasibility Analysis
- **City of Reno (NV)** – Wastewater Rate Study
- **City of Rio Vista (CA)** - Water and Sewer Rate and Impact Fee Study
- **Rubidoux Community Services District (CA)** – Rate Advisor
- **Salton Community Services District (CA)** – Sewer Rate Study
- **San Benito County Water District (CA)** – Water Rate Study
- **City of San Clemente (CA)** – Water and Wastewater Rate Study
- **San Diego County Water Authority (CA)** - Indexing Model and Wholesale Water Rate
- **San Geronimo Pass Water Agency (CA)** – Long Range Strategic Financial Plan
- **City of San Juan Capistrano (CA)** – Water Rate Study
- **Santa Clara Valley Water District (CA)** - Project Evaluation - Water Conservation Project
- **Santa Clarita Water District (CA)** – Retail Water Rate Study
- **City of Santa Cruz (CA)** - Financial Plan, Water Budget Feasibility Analysis, Cost of Service and Rate Study, Drought Rate Study, Capacity Fees Update and Water Demand Offset Fees Analysis, and Alternative Water Supply Feasibility Analysis
- **Scotts Valley Water District (CA)** – Water and Recycled Water Rate Study
- **City of Shasta Lake (CA)** – Water Rate Study and Water and Wastewater Capacity Fee Study
- **City of Sierra Madre (CA)** – Water and Sewer Rate Study
- **City of Signal Hill (CA)** – Water Rate and Cost of Service Study
- **City of Simi Valley (CA)** – Sewer Rate Study
- **Soquel Creek Water District (CA)** – Water Rate Structure Study
- **South Coast Water District (CA)** – Water Budget Assessment
- **South Mesa Water Company (CA)** – Rate Structure and Recycled Water Rate Study
- **City of South Gate (CA)** - Water Impact Fee
- **Sunnyslope County Water District (CA)** – Water Rates and Capacity Fees
- **Temescal Valley Water District (CA)** – Water and Sewer Rate Study and Capacity Fee Study
- **Trabuco Canyon Water District (CA)** – Water Rate Study

Water Rate Study

Pico Water District

- **City of Thousand Oaks (CA)** – Water and Wastewater Cost of Service and Financial Plan Study
- **City of Ventura (CA)** – Water and Wastewater Rate Study
- **City of Vista (CA)** - Sewer Rate and Connection Fee Study
- **Walnut Valley Water District (CA)** - Water Rate Study
- **City of Watsonville (CA)** – Utility Enterprise Rate Study
- **Western Municipal Water District (CA)** - Financial Plan, Capacity Fees, and Water Budget Rate Studies
- **Yorba Linda Water District (CA)** - Sewer and Water Budget Rate Study, Financial Plan Study, and Cost of Service Rate Study
- **Zone 7 Water Agency (CA)** – Cost of Service Study and Water Rate Study Update

Publications

- Wittern, M., Gaur, S., “**Protecting Against Water Rate Challenges with the Equivalent of Bear Spray,**” *Journal – American Water Works Association*, March 2022, Volume 114, Issue 2
- Harmon, K., Mukherjee, M., Gaur, S., Atwater D., “**Evaluating Water Saving from Budget-Based Tiered Rates in Orange County, California,**” *Water Economics and Policy*, 2021, Volume 07, No. 2, 2150007
- Gaur, S., Smith, V., Kostiuk, K., “**Mandates and Messaging: How Californians Responded to the State’s Historic Drought,**” *Journal – American Water Works Association*, March 2019, Volume 111, Number 3.
- Gaur, S., Magu, D. “**California Water Rate Trends: Maintaining Affordable Rates in a Volatile Environment,**” *Journal – American Water Works Association*, September 2017, Volume 109, Number 9.
- Contributing Author to “**M1 Principles of Water Rates, Fees and Charges**” 7th Edition, American Water Works Association, 2017.
- Gaur, S., Giardina, R.D., Kiger, M.H., Zieburz, W., “**Committee Report: Ripples from the San Juan Capistrano Decision,**” *Journal – American Water Works Association*, September 2016, Volume 108, Number 9.
- Gaur, S., Alikhan, A., Kostiuk, K. “**The Drought is over – Now is the time to develop drought rates,**” *CSMFO Magazine*, July 1, 2016.
- Gaur, S., Alikhan, A., Crea, J. “**Developing Drought Rates: Why Agencies Should Prepare for a Not-So-Rainy Day,**” January 2016, Volume 108, Number 1.
- Gaur, S., Isaac, Habib “**There's Opportunity in the San Juan Capistrano Rates Decision,**” Source California-Nevada Section AWWA, Fall 2015, Volume 29, Number 4.
- Gaur, S., Atwater, D., “**California Water Rate Trends,**” *Journal – American Water Works Association*, January 2015, Volume 107, Number 1.
- Contributing Author to “**Water and Wastewater Finance and Pricing: The Changing Landscape,**” 4th Edition, 2015, CRC Press, Editor: George Raftelis.
- Gaur, S., Atwater, D., Cruz, J., “**Why do Water Agencies need Reserves?**” *Journal – American Water Works Association*, November 2014, Volume 106, Number 11.
- Gaur, S., Atwater, D., Lee, J., “**Conservation Rates Offer Options,**” CA/NV Section of American Water Works Association, Spring 2014, Volume 28, Number 2.
- Gaur, S., Lim, B., Phan, K., “**California Water Rate Trends,**” *Journal – American Water Works Association*, March 2013, Volume 105, Number 3.
- Contributing Author to “**Water Rates, Fees and the Legal Environment,**” 2nd Edition, American Water Works Association, 2010 Editor: C.(Kees) W. Corssmit.

Water Rate Study

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- Hildebrand, M. Gaur, S. and Salt, K. "**Water Conservation Made Legal: Water Budgets and California Law,**" *Journal of American Water Works*, 101:4 April 2009, p.85-89.
- Gaur, S. "**Policy Objectives in Designing Water Rates,**" *Journal of American Water Works*, 99:5 May 2007, p.112- 116.
- Gaur, S., "**Adelman and Morris Factor Analysis of Developing Countries,**" *The Journal of Policy Modeling*, Vol. 19, Issue 4, pp. 407-415, August 1997.



Solutions through Collaboration

Pico Water District
FY 2024 Financial Plan and Rate Study

Submittal Date:

August 18, 2023

Scope of Services

Pico Water District (District) requested services include developing a long-term financial plan and a comprehensive update to its water rates reflecting the cost of providing service to its customers. The detailed scope below describes each task and sets forth how we envision working through this engagement.

TASK 1: DATA COLLECTION AND KICK-OFF MEETING

As part of project initiation, we will meet with staff to discuss the District's current financial position and corresponding rates, an initial timeline for completion, and identify key milestones for developing the long-term financial plan and proposed rates. To ensure a productive kick-off meeting, we will first provide a data request of the items required for updating the financial plan, cost-of-service analysis, and corresponding rates. Ideally, the kick-off meeting will be scheduled two weeks after providing the data request to allow ample time to compile and review the data. During our meeting, we will discuss the following items:

1. Current financial position.
2. Existing debt and bond covenants (including debt service coverage).
3. Capital needs with funding options.
4. Reserve policies and if any adjustments should be made.
5. Rate alternatives to evaluate while complying with Proposition 218.

The kick-off meeting will conclude with an initial framework of the study, clear lines of communication between us and staff, and specific dates for scheduled meetings.

Meetings: One (1) kick-off webinar with staff.

Deliverable: Data request, agenda for kick-off discussion, and meeting minutes.

TASK 2: FINANCIAL PLAN DEVELOPMENT

Financial planning incorporates numerous considerations besides projecting operating expenses. Utilities need to account for changes in water demand driven by variations in usage. In addition, system reinvestment, reserves, and debt compliance also influence revenue needs in future years. Therefore, a comprehensive financial plan reviews various aspects of a utility.



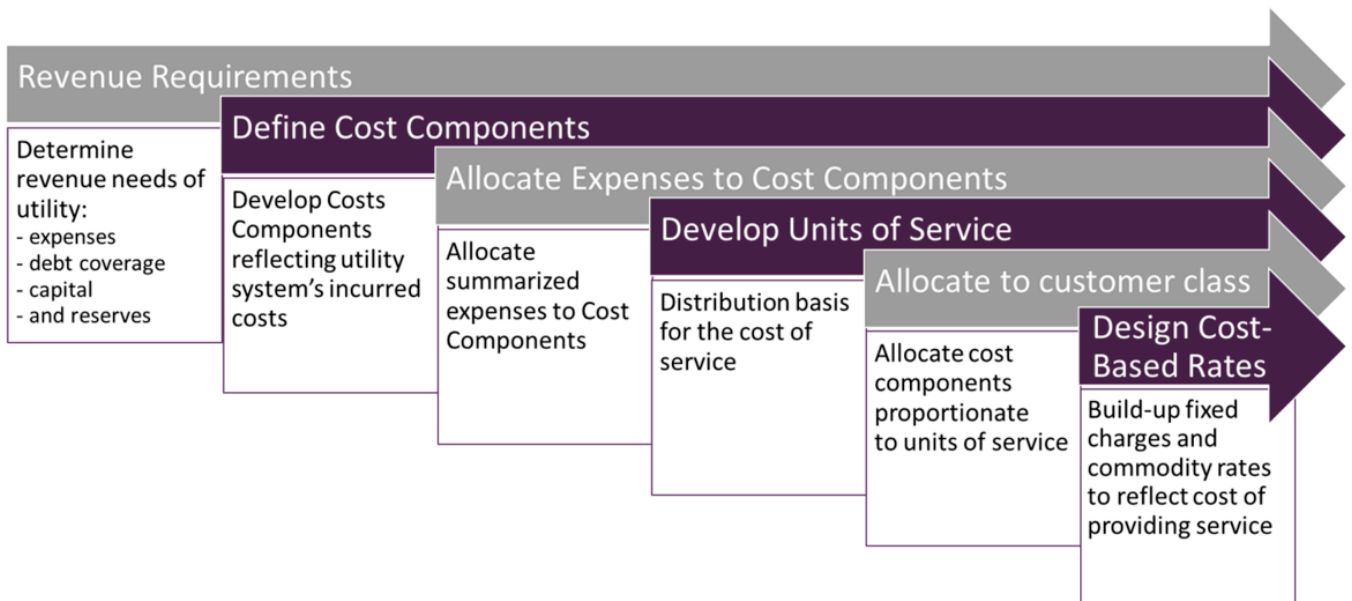
We will review the District's revenue requirements to ensure all costs are captured, including debt coverage and reserve funding. We will develop a financial plan model with available actuals, and FY 2024 adopted budget. We will incorporate the District's capital plan with options to generate different scenarios that may vary by how capital projects are scheduled. With various capital plan scenarios developed, our models include the ability to select a different capital plan scenario to determine annual revenue recovery, identify remaining fund balances, and smooth out rates over multiple years.

Expenses will also be projected over the planning period and will incorporate separate inflationary categories including, but not limited to, salaries, benefits, PERS/OPEB, energy, and water supply costs. We will also calculate existing rate revenue using the raw billing data and compare it to actual revenues within the latest audited financials. Doing so will provide an initial quality assurance check that the raw billing data and units of service driving the updated models are fundamentally sound for forecasting future revenue needs. This will also allow us to model "what-if" scenarios with changes to water demand and projected usage between customer classes. As part of this task, we will also model existing reserve policies and identify any recommended adjustments to reserves based on the District's projected expenses and financial needs.

Meetings: Webinars as needed to review long-term financial plan.

Deliverable: Financial plan model including total accounts by customer classes, consumption analysis, and current fixed/variable revenue profile.

TASK 3: COST OF SERVICE / RATE ANALYSIS



The cost of service analysis is a critical component of any rate study and directly ties to how rates will adjust, which ultimately impacts customer bills and provides a sound nexus between costs incurred and proposed rates. With variable rates, discussion points will include whether or not tiers should be incorporated and determine revenue recovery between fixed charges and variable rates. A consumption analysis will be conducted to capture new units of service related to total accounts by meter size and usage through the financial plan and rate model. We will dive into these issues as we design new rates that are cost-based through a systematic approach.

Expenses will be summarized based on functional categories which would then be allocated to cost components to show the make-up of the proposed fixed charges and commodity rates. The end result will clearly and succinctly show the cost components that make up the rates and their percentage of total charges.

Meetings: Webinars as needed to review the cost-of-service & rate analysis and finalize proposed rates for a rate workshop.

Deliverable: Rate model including consumption analysis based on changes to the rate structure, pro forma reflecting new revenue recovery profile between fixed and variable.

TASK 4: RATE WORKSHOP

With the proposed rates completed and thoroughly discussed through the model development with staff, a rate workshop will be conducted with the District Board and the public. The new rate structure will be discussed and how updated rates will impact customer bills across different usage levels.

Meetings: Webinars with staff to review presentation material and in-person rate workshop with the Board.

Deliverable: Presentation material and rate model.

TASK 5: RATE STUDY REPORT

Once the analysis is completed and rates finalized, we will draft a Rate Study Report in compliance with Proposition 218 to serve as part of the administrative record. Our Report will document assumptions, describe the methodology, and walk the reader through the underlying calculations that derive the updated water rates. We will also include an Executive Summary highlighting the primary drivers of any necessary revenue adjustments, financial plan review, and corresponding rates.

Meetings: Conference calls as needed to finalize Report.

Deliverable: Preliminary Report and Final Report.

TASK 6: NOTICE AND PUBLIC HEARING

We will assist the District with drafting the Proposition 218 Notice by reviewing the notice to ensure it ties to our analysis and Report. We will provide any required tables and incorporate graphics showing customer impacts. We will also attend the Public Hearing to answer technical questions.

Meetings: 1 meeting to attend Public Hearing.

Deliverable: PowerPoint for Public Hearing, if requested.

Budget

Our Project Budget includes a not-to-exceed amount based on our billable rates and travel costs for in-person meetings. We identify the number of hours by personnel for each task. Any adjustments to our fee will be based on changes requested to the proposed scope.

Tasks	Description	In-Person Meetings	H. Isaac Principal \$235	A. Boehling Principal \$235	L. Demine Sr. Consultant \$200	Estimated Hours	Labor Cost	Travel Expenses	Total Cost
1	Data Collection and Kick-Off Meeting		6	6	12	24	\$5,220		\$5,220
2	Financial Plan Development		8	16	32	56	\$12,040		\$12,040
3	Cost-of-Service / Rate Design Analysis		8	8	12	28	\$6,160		\$6,160
4	Rate Workshop	1	12	8	-	20	\$4,700		\$4,700
5	Rate Study Report		32	4	4	40	\$9,260		\$9,260
6	Notice and Public Hearing	1	12	4	4	20	\$4,560		\$4,560
	Direct Travel Expenses							\$1,942	\$1,942
Total		2	78	46	64	188	\$41,940	\$1,942	\$43,882

Hourly Rate Schedule		\$
Principal		\$235 / Hr
Sr. Consultant		\$200 / Hr

