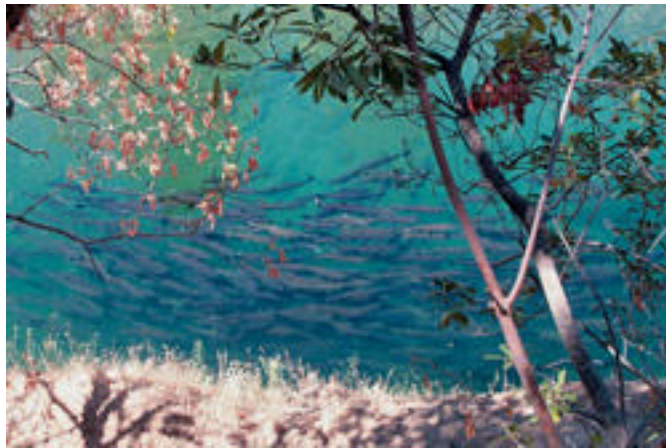




Municipal Utilities Department

**Request for Proposals to Provide
WATER RATE STUDY
Services for the**



**DELTA WATER
SUPPLY PROJECT**

Date Issued: November 15, 2006

Issued By:

City of Stockton
Municipal Utilities Department
2500 Navy Drive
Stockton, CA 95206

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1 GENERAL INFORMATION

1.1 Request for Proposal Process

The purpose of this Request for Proposal (RFP) is to request proponents to present their qualifications, capabilities and approach to provide Water Rate Study (Study) services to the City of Stockton, Municipal Utilities Department for the Delta Water Supply Project (DWSP).

1.2 Invitation to Submit a Proposal

Proposals shall be submitted no later than 4:00 pm on December 8, 2006.

Ten (10) copies and (1) one unbound original, signed by an officer who is authorized to execute legally binding agreements, shall be delivered to:

**City of Stockton
Municipal Utilities Department
Attn: Melissa Price, Program Manager III
2500 Navy Drive
Stockton, CA 95206**

In a separate sealed envelope, please provide the following:

- Fee Schedule showing staff hourly rates and the effective date for said rates in addition to any overhead rates not directly provided by proponent ;
- Cost Proposal identifying the number of hours and total cost associated with each deliverable task; and
- A “not to exceed” estimate for reimbursable expenses

Proposals must be clearly marked and labeled:

**PROPOSAL TO PROVIDE WATER RATE STUDY SERVICES
FOR THE CITY OF STOCKTON DELTA WATER SUPPLY PROJECT**

Any proposal received after the due date may not be accepted and may be rejected and returned, unopened, to the proponent.

2 Project Information

2.1 Project Background

The City of Stockton is embarking on a project titled the Delta Water Supply Project (DWSP) to divert water from the San Joaquin River for treatment and distribution to the Stockton Metropolitan Area (COSMA) by 2010. The DWSP will consist of a raw water intake and pump station facility, raw water pipeline, surface water treatment plant, and distribution pipelines. The DWSP will be a phased project with the first phase delivering 30 million gallons per day (MGD) to the COSMA with an incremental expansion to 160 MGD. It is anticipated that construction will begin by Summer 2008 with the first phase completed by Summer 2010.

The most recent capital cost estimate for Phase I of the DWSP is approximately \$172 million. However, the City is currently under contract with an engineering firm to prepare an engineer's estimate of probable construction costs in addition to a baseline operations and maintenance cost for the DWSP. In addition to this effort, the City will be contracting with a separate consultant (not part of this RFP) to prepare a Surface Water Split Analysis (SWSA). The SWSA will include a thorough evaluation to determine what portion of the cost of the DWSP will be borne by new development versus existing users. The determination of what constitutes replacement supply will be based on how much of the DWSP is needed to provide for future water supplies, and how much is needed to replace the potential loss of supplies currently provided, as well as meeting our target groundwater withdrawal limit of 0.60 acre-feet per acre per year.

2.2 Project Financing

It is anticipated that the DWSP will be financed by a combination of existing enterprise fund revenues and future bond proceeds (the form of which is currently unknown.) While not certain, it is anticipated that current water enterprise fund revenues are sufficient to support a portion of the preliminary design and engineering costs associated with the project. However, it will be necessary to have a new rate structure in place prior to the financing of construction costs and operation of the DWSP to provide adequate debt service coverage. Long-term debt issuances will more than likely be spread over a period of time to coincide with timing of project expenditures. The City is also pursuing alternative funding sources as described below.

State Funding

The City of Stockton Municipal Utilities Department is currently pursuing Integrated Regional Water Management Plan (IRWMP) Proposition 50 Grant funding from the California Department of Water Resources and State Water Resources Control Board. While unsuccessful during the initial round of funding in its request for \$50 million, the City intends to apply for future funding during Round 2 in 2007.

In addition, the City is pursuing \$20 million in Safe Drinking Water State Revolving Loan Funds (SDWSRF) through the California Department of Health Services (DHS). A Pre-Application has been submitted and is under consideration by DHS.

Federal Funding

The City is pursuing Water Resources Development Act (WRDA) funding through the legislative appropriations process. In 2005, the U.S. House of Representatives passed Section 219 of WRDA which included a \$33 million authorization for water treatment and distribution infrastructure in Stockton. In 2006, the Senate passed its version of the bill. The differences between the two bills will need to be reconciled before any progress can be made and the outcome of which could likely be delayed due to future election activities. Pending an authorization, any appropriation of WRDA funds would not take place until the following year.

2.3 Existing Water Supply

The COSMA currently meets its water needs by conjunctively using a combination of surface and groundwater supplies. The COSMA relies on surface water supplied through the Stockton East Water District (SEWD) and produced from New Hogan and New Melones Reservoirs, and interim water transfers from Oakdale Irrigation District (OID) and South San Joaquin Irrigation District (SSJID) to meet its existing water demands.

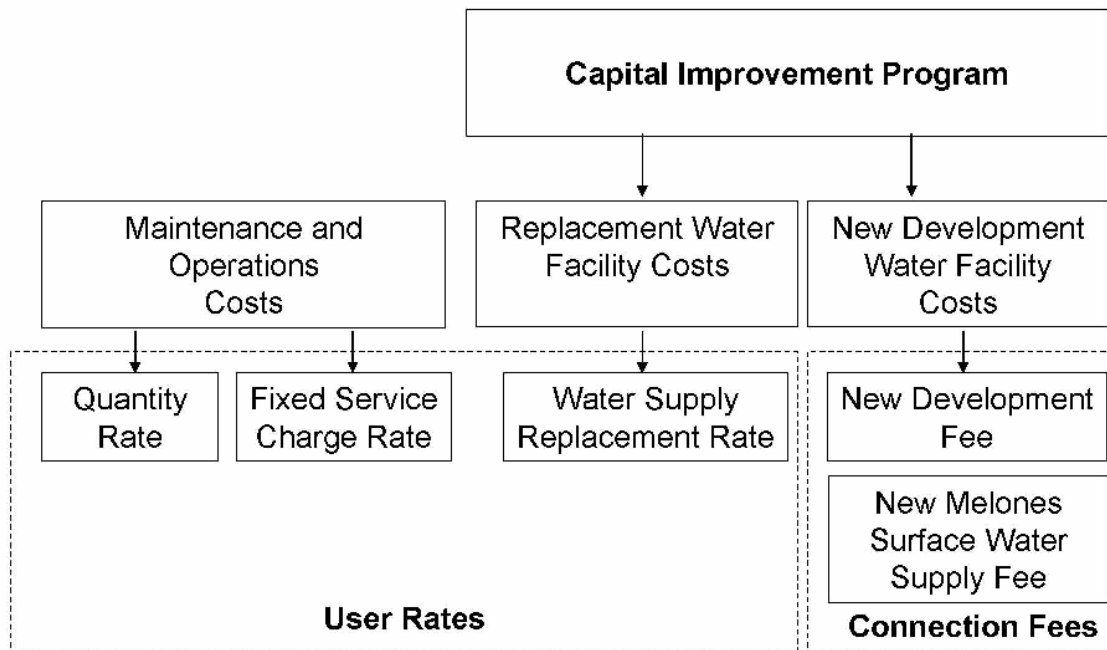
The DWSP will decrease groundwater reliance by further enhancing the City's conjunctive use program by providing a supplemental, more reliable supply of surface water for Stockton in the event the current water transfer contracts are unable to be extended beyond their expiration in 2009.

2.4 Existing Rate and Fee Structure

All water services within the COSMA are metered. There are currently three water purveyors that retail water in the COSMA and include the City of Stockton, Cal Water and San Joaquin County. Water utility customers for the COSMA total approximately 154,000. The City of Stockton's current monthly rate structure was established by Council Resolution 93-0138 and includes a fixed-service charge rate based on meter size and a quantity rate based on actual quantity of water delivered. The typical meter size for a single-family home is ¾ inch with a current fixed rate of \$15.60 per month. The current quantity rate is \$0.77 per 100 cubic feet for the first 30,000 cubic feet. The City is currently authorized to apply an annual cost of living adjustment to these rates each July 1.

For new customers, connection fees are charged based on size of meter and size of building. Currently, for a typical single-family home, the new development fee portion of the connection fee is \$1,723. An additional \$2,253 per single family home is assessed for payment of bonds used to construct surface water capacity in the New Melones surface water delivery system to SEWD. The New Melones surface water fee portion of

the connection fee will be assessed until the bonds are paid in full in 2029. Rates and fees are based on the conceptual rate design shown in the diagram below:



Currently, the three water purveyors that retail water in the COSMA self-supply groundwater, and surface water is purchased from SEWD. For COSMA rate payers, user fees and connection fees pay for new water facilities and for SEWD facilities. Cal Water rates are similar to the City's.

2.5 Purpose

The purpose of the Water Rate Study requested herein is to develop a rate structure and new surface water supply fee for the COSMA which will provide sufficient revenue to finance the costs associated with the DWSP.

2.6 Scope of Work

Assuming a uniform rate and connection fee will be applied to the three retail water providers, proponents shall:

- Conduct a detailed review of the existing water rates and water utility fund and develop a recommended rate structure which will provide sufficient revenue to fund DWSP costs. The rate structure shall include both a water rate adjustment to existing users and a new surface water supply fee for future new service locations and shall be equitable in nature, reflect the cost of services and take into consideration any existing and/or future reserve fund and rate stabilization policies and practices.
- Supply a project schedule for developing the recommended rate structure with identifiable deliverables including any preliminary and final reports.
- Provide an easy-to-use electronic rate model in MS Excel which may be readily controlled to take into account alternative scenarios.
- Prepare any and all necessary reports required by law or otherwise (including but not limited to requirements set forth in California Government Code Section 66001) for adoption of the recommended rate structure and issuance of municipal bonds.
- In cooperation with the City's Financial Advisor, Public Outreach Consultant and City staff, provide information and assistance as it pertains to any applicable requirements set forth in Proposition 218.
- Considering the existing and final recommended rate structure, provide a comparative analysis to at least 10 other comparable communities in Northern California particularly the San Joaquin Valley.
- Meet or confer with staff and other consultants as needed and attend all public meetings, hearings and/or work sessions with the City Council and/or its Committees to present interim recommendations in an effort to obtain input.

2.7 Study Requirements

- The recommended rate structure shall be consistent with industry practice for utility rate making in California and comply with all government codes and regulations. In addition, the recommended rate structure shall adhere to the principles of water rates, fees and charges established by the American Water Works Association (AWWA).
- The recommended rate structure shall be based on actual cost of service and shall be sufficient to meet the revenue requirements of the DWSP including the capital costs and ongoing operations and maintenance costs for at least 10 years – ideally 20 years.
- The recommended rate structure shall result in no decrease in stability of the revenue stream to the existing water utility, as compared to the current structure.
- The recommended rate structure shall be easy to administer and understand and take into consideration the City of Stockton's automated billing system capabilities.

- The recommended rate structure shall take into consideration the City's existing and proposed reserve fund policies for the water utility in addition to the usage of a rate stabilization fund.
- The study shall include an assessment of the revenue stream generated by the recommended rate structure and its ability to continue to fully fund DWSP costs under the impacts of future water quality and environmental regulations and standards.

2.8 Proposed Project Schedule

It is anticipated that the City of Stockton's current rate structure is sufficient to support the financing of preliminary design and engineering activities. However, it will be necessary to have a new rate structure in place prior to the financing of construction costs and operation of the DWSP. Therefore, a new rate structure will need to be adopted no later than January 1, 2008.

3 Proposals

3.1 Proposal Format

The City of Stockton uses a qualifications based selection process in obtaining these services. All requirements set forth in this RFP must be addressed. Proposals shall be concise and shall not exceed thirty (30) pages, excluding covers, cover letter, tabs, references, resumes and financial statements. Preprinted and prepared general company advertising literature such as color brochures are discouraged unless they are specifically related to the services requested and referenced as such.

Please submit ten (10) copies and one (1) unbound original of your proposal. Postmarked or facsimile materials will not be accepted.

All proposals must be signed with the full name of the proponent, if an individual; by an authorized general partner, if a partnership; or by an authorized officer, if a corporation.

When proposals are signed by an agent other than an officer of a corporation or a member of a general partnership, a power of attorney authorizing the signature must be submitted with the proposal.

The original proposal must have wet ink signatures. Modifications to a proposal after the proposal submittal deadline will not be accepted by the City.

3.2 Proposal Content

Proposals shall include, at a minimum, the following information:

- **Cover Letter**

A cover letter on company letterhead addressing the proposal. The letter should be signed by an officer of the firm authorized to bind the firm to all comments made in the proposal, and shall include the name, address, and phone number of the person(s) to contact who will be authorized to represent your firm. In addition, the cover letter must acknowledge receipt of any and all addenda issued in association with this RFP.

- **Minimum Experience Qualifications Summary**

Sufficient evidence as to the proponent's qualifications to perform the work. This information shall disclose and include all pertinent facts as may be appropriate and shall include at least a description of past performance on projects of similar type, scope and size; project team members who worked on each project and their roles and percentage commitment of time on the project; and any other pertinent information to demonstrate experience on similar assignments. In addition, please provide a statement regarding proponent's ability to complete the work in a timely and professional manner.

- **Management/Method of Operation**

Indication that the proponent has a clear understanding of this project. This should include a description of how the project tasks will be accomplished, the challenges that are expected to be encountered and how the proponent will address these challenges. Highlight innovative ideas and/or unique capabilities your firm may have to provide to the City and describe your procedures and management techniques.

- **References**

Provide a list of references with current contact person, e-mail address and phone number who may be contacted regarding firm performance.

- **Financial Statement**

The most current and available presentation of the true condition of the proponent's assets, liabilities and net worth. This report should include a balance sheet and income statement. If the proponent is a new partnership or joint venture, individual financial statements must be submitted for each general partner or joint venture thereof. If firm is a publicly held corporation, the most current annual report should be submitted.

- **Corporate Structure/Organization**

Describe how your firm is organized, noting major divisions and any parent/holding companies. Provide the proposed organization structure under which the proponent will provide the requested services to the City including the designation of the Principal in Charge and other key personnel. Provide the name, project responsibilities, experience and resumes (including subconsultants) of designated personnel that will be assigned to work on the project, the amount of time they can be expected to give to the project, and their availability to the City.

- **Cost Proposal**

A cost proposal (under separate cover) listing your standard professional hourly rates, a cost estimate by deliverable task(s) for the scope of work outlined above, and a not-to-exceed estimate for reimbursable expenses (including method for charging). Please note the final scope of work and compensation will be negotiated with the selected proponent.

- **Other**

A description of all projects which the proponent is currently working on which could pose a potential conflict of interest with this project. Please also provide a description of assumptions regarding City staff responsibilities as it pertains to the proposed scope of work.

4 Acceptance or Rejection of Proposals

4.1 *Reservation of Rights*

The City reserves the right to select the successful proposal and negotiate an agreement as to the scope of services, the schedule for performance and duration of the services with proponents whose proposals is/are most responsive to the needs of the City. Further, the City reserves the right to reject any and all proposals, or alternate proposals, or waive any informality or irregularity in the proposal as is in the City's best interest.

The City reserves the right to reject any and all proposals, or portions thereof, received in response to the RFP or to negotiate separately with any source whatsoever, in any manner necessary, to serve the best interests of the City. Additionally, the City may, for any reason, decide not to award an agreement(s) as a result of this RFP.

Non-acceptance of any proposal shall not imply that the proposal was deficient. Rather, non-acceptance of any proposal will mean that another proposal was deemed to be more advantageous to the City or that the City decided not to award an agreement as a result of this RFP.

4.2 Product Ownership

Any documents or drawings resulting from the contract will be the property of the City of Stockton.

4.3 Proposal Development Costs

The cost of preparing and submitting a proposal is the sole responsibility of the proponent and shall not be chargeable in any manner to the City.

5 General Terms and Conditions

5.1 Licensing Requirements

Any professional certifications or licenses that may be required will be the sole cost and responsibility of the successful proponent.

A City of Stockton Business License may be required for this project. Please contact the City of Stockton Business License Division at (209) 937-8313.

5.2 Insurance Requirements

Proponent, at proponent's sole cost and expense and for the full term of the resultant agreement or any extension, shall obtain and maintain at least all of the insurance requirements of the City.

All policies, endorsements, and certificates shall be subject to approval by the Risk Manager of the City of Stockton as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. Proponent agrees to provide City with a copy of said policies, certificates, and/or endorsements.

The proponent shall satisfy these insurance requirements concurrently with the signing of the contract prior to commencement of work. Please contact City of Stockton Risk Management at (209) 937-8629.

Proof of insurance coverage for personal injury and property damage, including commercial general and automobile liability and contractual liability shall be provided in the amount of not less than \$1,000,000 and in a form acceptable to the City. The City of Stockton shall be named an additional insured by separate endorsement. Carrier shall provide notice to the City of any change in or limitation of coverage or of cancellation no less than 30 days prior to the effective date. Proof of worker's compensation coverage pursuant to statutory requirements shall also be provided.

In addition, Professional Liability (Errors & Omissions) coverage will be required at \$1,000,000 per claim.

All coverage shall be provided by a carrier authorized to transact business in California and shall be primary.

6 Selection Process

6.1 Selection Criteria

Members of the City's DWSP Finance and Accounting Team will evaluate all proposals received and based on the qualifications presented, will recommend a short list of no more than three firms to the Selection Committee to interview for final consideration.

Proposals will be evaluated on, but not limited to, the following criteria:

- Technical competence and comparable experience of project team members.
- Experience of the firm on similar projects.
- Approach to scope of work and understanding of the project.
- Adequacy and availability of staffing and in-house or sub-consultant resources.
- Satisfactory record of performance on similar projects.
- Ability to meet the identified schedule.
- Conformance with the proposal guidelines and format outlined in this RFP.
- Cost of services to be provided.

6.2 Selection Schedule

The tentative schedule for selection of a consultant to perform the Water Rate Study for the Delta Water Supply Project is as follows:

ACTION ITEM	DATE(S)
Issue Request for Proposals	November 15, 2006
Receive Proposals	December 8, 2006
Issue Short List of Firms to Interview	December 15, 2006
Conduct Oral Interviews	December 18-22, 2006
Select Firm	December 29, 2006
Complete Contract Negotiations	January 12, 2007
City Council Award of Contract	January 30, 2007
Execute Contract	February 6, 2007
Notice to Proceed	February 9, 2007

7 Contact Information

Questions regarding this RFP shall be directed to:

Melissa Price, Program Manager III
City of Stockton, Municipal Utilities Department
Delta Water Supply Project
2500 Navy Drive
Stockton, CA 95206
(209) 937-8782 FAX (209) 937-8708
E-Mail: Melissa.Price@ci.stockton.ca.us

Any and all questions regarding this RFP must be submitted in writing (e-mail is acceptable) to the contact person identified above no later than **November 27, 2006**. Any addenda (including answers to questions) will be posted on the City's website by **November 30, 2006**.