

RFP - SARI Financial Model

Pre-Proposal Meeting

August 7, 2009

ATTENDEES:

Alberto Morales
Steve Vuoso
Sanjay Gaur
Kurt Karlsgodt
Jonathan Posner
Robert Grantham
Craig Hoshijima
Karen Williams
Rich Haller
David Ruhl
Regina Patterson

REPRESENTING:

Black & Veatch
Raftelis Financial Consultants, Inc.
Raftelis Financial Consultants, Inc.
Glenn M. Reiter & Associates
CDM
FCS Group
The PFM Group
SAWPA
SAWPA
SAWPA
SAWPA

Introductions

The Pre-Proposal Meeting for the Santa Ana Regional Interceptor (SARI) Financial Model commenced at 10:02 a.m. at the Santa Ana Watershed Project Authority located at 11615 Sterling Avenue, Riverside, California. Introductions were made.

SARI Overview

Rich Haller presented the SARI service area map and described the boundaries of the member agency service areas reporting that everything within the counties of San Bernardino and Riverside is owned and operated by SAWPA. There is an agreement between SAWPA and Orange County Sanitation District (OCSD) for a portion that they own and operate. The pipelines within San Bernardino and Riverside Counties are approximately 73 miles. Major dischargers include brackish groundwater desalters, power plants, state prisons, various industries, domestic and truck. The operations and maintenance is contracted out to Western Municipal Water District (WMWD).

Mr. Haller discussed current rates stating that there is no additional pipeline capacity for sale at this time. Treatment and disposal capacity is purchased by SAWPA from OCSD which establishes the price at the time of purchase. The rate is set as a “pass through” rate. Truck “brine rate” has low BOD and TSS strength. The “trip point” is 100 mg/L; if less than 100 mg/L it is considered brine and if more than 100 mg/L non-brine. A methodology is needed to test some of the trucks coming in. O&M rates for direct connects have a fixed component and variable component. We want to make sure we are distributing costs appropriately and fairly. We want to validate the assumptions used to develop the lease rate.

Question: Are there plans to change rate structure?

Response: Mr. Haller stated SAWPA is seeking recommendations from the consultant. We think some changes would be appropriate to recommend. Rate evaluation will focus on O&M, capital component is pass-through, sold at cost and we are not anticipating that would change.

Contracts do not allow peak flows. The peaking charge in the rate structure is what would be charged if the maximum daily flow is exceeded. We want to look at those assumptions also.

Revenue is approximately \$8M per year. There are existing contracts with WMWD and IEUA for the operation and maintenance of the SARI system.

Potential changes include surcharges for excess BOD and TSS and establishment of shrinking fund for OCSD O&M rates and OCSD CIP costs. An annual payment per year would be made to OCSD which would draw their cost out of that fund.

Question: When is the model required to be finalized?

Response: Mr. Haller said the new rate model will be used to recommend a new rate by Spring 2010 for adoption prior to July 1, 2010. Big changes in rates are challenging and would likely be phased in over a 5-year period. These things have always been phased in over a period of time.

Scope of Work Summary

Mr. Haller said the objective is to create a new SARI Financial Model that is easy to use for updating assumptions and incorporating changes and accepted recommendations. A long term planning effort, the "Salinity Management Program" is underway. It looks at other options such as a treatment plant to concentrate flow and we want to be able to analyze that concept in this financial model. He reviewed the Tasks. (see presentation)

Proposal Requirements

Proposals are limited to 20 pages. Requirements also include information from Section VII of the RFP. The Fee Proposal, Section VI, is required to be submitted in a separate sealed envelope. Proposal Authorization in Section XI of the RFP must also be submitted. Seven (7) paper copies and one (1) electronic copy are required.

Evaluation Criteria and Selection Process

Proposals will be evaluated by a selection committee comprised of SAWPA and member agency staff.

Available Documents

Mr. Haller reviewed the following list of available documents stating they could be accessed from SAWPA's FTP site. Contact Regina Patterson at rpatterson@sawpa.org to receive instructions.

- SARI Planning Study, 2002
- SARI Business Plan, 2006
- Sanitary Sewer Management Plan, 2009
- SARI Rate Model, 2009

- Capital Improvement Program, 2009 (currently being update)
- Salinity Management Program Scope of Services
- SAWPA Resolution Nos. 295, 487 and 513
- Pre-Proposal Meeting Presentation, 8/7/09

Schedule

- Proposals are due at SAWPA by 4:00 p.m. on August 28, 2009
- Interviews will be held on September 18, 2009
- Recommend award to SAWPA Commission is scheduled for October 20, 2009

Questions / Responses

Question: What is the budget range?

Response: Mr. Haller said the budget is \$50,000.

Question: How difficult would it be to go beyond the \$50,000?

Response: Mr. Haller said it could be considered if there are strong value points brought forward in the proposal. It would ultimately have to be justified to the Commission for their consideration.

Question: Why not use Glenn M. Reiter & Associates?

Response: Mr. Haller stated that SAWPA's policy is to issue RFPs to select consultants. The model was first created in 2004 and preparation of a new model is contemplated.

Question: Is the current model available to proposers?

Response: Mr. Haller said yes. It is on SAWPA's FTP site in an Excel spreadsheet format. It was our first electronic model so we currently looking to take it to the next level of capability.

Question: Who comprise the SAWPA Commission?

Response: Mr. Haller said each member agency has one representative:

- Eastern Municipal Water District - Ron Sullivan
- Inland Empire Utilities Agency - Terry Catlin
- Orange County Water District - Phil Anthony
- San Bernardino Valley Municipal Water District - George Aguilar
- Western Municipal Water District - Don Galleano

Question: Would SAWPA agree to consider the model proprietary and not transfer the developed model to another firm? Would licensing be considered?

Response: Mr. Haller requested the question be submitted in writing so it can be properly evaluated. We have not thought about it.

Question: When will the OCSD negotiations be complete?

Response: Mr. Haller stated it is unknown. A completed model is required by March based upon the information know at the time.

Question: Does the agency own a share of the pipeline?

Response: Mr. Haller said SAWPA owns the SARI pipeline in San Bernardino and Riverside County. SAWPA has in turn sold capacity rights to its member agencies.

Question: Are there any perceived conflicts if a firm works for a SAWPA member agency?

Response: Karen Williams said she does not see a problem because each individual member agency will have a vote.

Mr. Haller stated that any additional questions following this meeting should be directed to Karen Williams at kwilliams@sawpa.org.

Question: Would it be possible that when the model is developed, would there be a need for ongoing support, or tasks that could be done outside of the scope?

Response: Mr. Haller said we envision the tasks to be covered by the \$50,000 budget and for the tasks contained in the RFP. If there is follow-on activity, we would be subject to a future task order. We do not anticipate it to stretch out over an extended period of time. It is not anticipated that that would be a part of the \$50,000 budget.

Question: How many firms will be interviewed?

Response: Mr. Haller said it depends on the number of proposals. Three are typically interviewed, but if more outstanding proposals are received we could interview more.

The Pre-Proposal meeting for the SARI Financial Model ended at 10:50 a.m.