

**REQUEST FOR
QUALIFICATIONS**

FOR

Cost of Service Study

November 2, 2018

**DEADLINE FOR RECEIVING REQUEST OF QUALIFICATION
FRIDAY, NOVEMBER 16, 2018 BY 2:00 P.M. MST**

SCHEDULE OF STUDY ACTIVITIES

Issue Request for Qualifications (RFQ)	Friday, November 2, 2018
Submittal of Written Questions at 2:00 p.m.	Thursday, November 8, 2018
Responses to Written Questions to be Provided	Friday, November 9, 2018
Statement of Qualifications (SOQ) Due Date at 2:00 p.m.	Friday, November 16, 2018
Evaluation of RFQ's and possible Interview process	November 26-30, 2018
Results for SOQ (sent via email)	Early December
Final Scope with chosen Consultant	December
Cost of Service Study begins	January 2, 2019



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I. Background

The Southeastern Colorado Water Conservancy District (Southeastern District) is seeking statements of qualifications (SOQ) from individuals or firms (firm) to perform a water rate study and associated tasks, including review of previous historical and current information, analyzing existing and future revenue and expenditures, comparison of rates with other similar organizations throughout the western U.S., evaluation of risks and uncertainties associated with future revenue and expenditures, and recommendations for adjusting rates if determined necessary.

The Southeastern District was created under Colorado State Statutes on April 29, 1958, by the District Court of Pueblo, Colorado, for the purpose of developing and administering the Fryingpan-Arkansas Project. The Southeastern District extends along the Arkansas River from Buena Vista to Lamar, and along Fountain Creek from Colorado Springs to Pueblo, Colorado. The Southeastern District consists of portions of nine counties.

The Fryingpan-Arkansas Project (Project) is a transmountain diversion which supplies southeastern Colorado with improved supplemental water supply for irrigation, municipal and industrial uses, hydroelectric power generation, and recreational opportunities. The Project also provides flood control for the area and is designed to maintain or improve fish and wildlife habitats. The Project acquired its name from the fact that it imports approximately 55,124 acre-feet of water each year from the Fryingpan River basin on the western slope of the Continental Divide and delivers it via a system of tunnels and reservoirs along with the Arkansas River to the eastern slope. After deductions of elements such as evaporation and transit loss annual allocated water is approximately 42,058 acre-feet.

The Southeastern District is responsible for a portion of the repayment of the construction costs and annual operation, maintenance and replacement of the Project. Property within the Southeastern District boundaries and that benefit from the Project are assessed an ad valorem tax. In addition to administering this repayment responsibility, the Southeastern District allocates supplemental water from the Fryingpan-Arkansas Project for use by various private and mutual ditch companies, and for use by the many municipal and domestic water suppliers who directly serve the Southeastern District 's approximately 720,000 constituents.

The Southeastern District employs 10 full-time and 1 part-time staff members engaged in the operations, engineering, and administrative functions. Most work out of Southeastern District headquarters in Pueblo, Colorado; however, 2 employees are based in Denver, Colorado.

The Southeastern District boundaries encompass roughly 3,290,805 acres in portions of Bent, Crowley, Chaffee, El Paso, Fremont, Kiowa, Otero, Prowers, and Pueblo counties. The governing body of the Southeastern District is the 15-member Board appointed to four-year terms by the presiding Tenth Judicial Court Judge.

In addition to repayment of the Project, the Southeastern District also engages in water management and planning activities for the purpose of meeting present and future water supply needs of water users within its boundaries.

The Southeastern District functions under a governmental general fund and an Activity Enterprise fund. The fiscal year for the Southeastern District and its Enterprise is January through December.

The Southeastern District primary revenue streams include: i) receipts from 0.939 ad valorem property tax; ii) receipt from specific ownership tax; iii) reimbursement cost of services provided through numerous water enterprise activity throughout the fiscal year; iv) partnerships; and v) interest income.

The Southeastern District 's total revenue for fiscal year 2017 was \$16.3 million, with approximately 47 percent originating from property tax, 37 percent from partnership pass through, 6 percent specific ownership tax, 8 percent from charges for services and the less than 1 percent originating from interest and other.

The Enterprise's primary revenue streams include: i) water sales and surcharges as a result of an annual allocation process; ii) partnerships, iii) participant cost of service; and iv) interest income and other.

The Enterprise's total revenue for fiscal year 2017 was \$1.6 million, with approximately 68 percent originating from water sales and surcharge, 6 percent for partnerships, 18 percent participant cost of service, and 8 percent for interest income and other. ¹

Water assessments are collected based on the annual allocation process from municipal and irrigation entities for project water, return flow water, and assessed surcharges. There are four surcharges; i) well augmentation surcharge, ii) safety of dam surcharge, iii) water activity enterprise surcharge; and iv) environmental stewardship surcharge.

Below is the current project water and surcharge rates:

2018 Water Rates and Surcharges						
Description	Rates and Surcharges					
	Water Rate	Safety of Dams	Water Activity	Environmental Stewardship	Augmentation	Total Charge
Project Water Sales						
Irrigation	\$ 7.00	\$ 0.50	\$ 0.75	\$ 0.75	\$ -	\$ 9.00
Municipal	\$ 7.00	\$ 0.50	\$ 1.50	\$ 0.75	\$ -	\$ 9.75
Project Water Sales used for Well Augmentation						
Irrigation used for Well Augmentation	\$ 7.00	\$ 0.50	\$ 0.75	\$ 0.75	\$ 2.60	\$ 11.60
Municipal used for Well Augmentation	\$ 7.00	\$ 0.50	\$ 1.50	\$ 0.75	\$ 2.60	\$ 12.35
Storage Charges						
Winter Water Storage	\$ 2.80	\$ 0.25	\$ -	\$ 0.75	\$ -	\$ 3.80
Carry-Over Project Water	\$ -	\$ 1.00	\$ 1.25	\$ 0.75	\$ -	\$ 3.00
If & When Storage						
In District	\$ -	\$ 0.50	\$ 0.50	\$ 0.75	\$ -	\$ 1.75
Out of District	\$ -	\$ 2.00	\$ 4.00	\$ 0.75	\$ -	\$ 6.75
Aurora	\$ -	\$ 2.00	\$ 8.00	\$ -	\$ -	\$ 10.00
Project Water Return Flows						
Return Flows	\$ 6.00	\$ 0.50	\$ -	\$ 0.75	\$ -	\$ 7.25

The Southeastern District undertakes an annual budgeting process that considers the expected annual revenue and expenditures for the upcoming fiscal year (January - December). The Board is provided a proposed budget in October, a public presentation regarding the proposed budget is provided in November, and in December the Board acts to

¹ Additional information on the Southeastern District, including the 2017 Southeastern Colorado Water Conservancy District Annual Financial Report, can be found on the Southeastern District 's website at: www.secwcd.com

adopt the budget for the following year.² In addition to the annual adopted budget the Southeastern District and its Enterprise have a two-year forecasted budget. This serves as a forward-looking document for strategic planning.

II. Scope-of-Services

The purpose of this study is to analyze Southeastern District 's current financial status, future financial needs, and water allocation characteristics to provide recommendations to the Board on future water assessment rate adjustments (if necessary). It is the Southeastern District 's desire to use industry standard methods (e.g. AWWA Manual of Water Supply Practices M1, *Principals of Water Rates, Fees and Charges*), adjusting the methods for the uniqueness of the Southeastern District and its stakeholders. Tasks may include, but are not limited to, the following:

1. Capital Improvement and Capital Project Plan: Development of a 20-year Capital Improvement and Capital Projects Plan with the assistance of Southeastern District staff. The plan should be a functioning and editable model for providing future forecasting of expenditure needs of the District and the Enterprise.
2. Revenue Requirement Analysis - With the assistance of Southeastern District staff, compare existing and future revenues to existing and future operating and capital costs to determine the adequacy of the existing rates to recover costs over the next 20 years. The analysis should consider the following:
 - a. Existing and future Southeastern District and Enterprise revenues, including property and specific ownership tax, water assessments, charges for services, and other operating and non-operating revenue.
 - b. The Southeastern District and Enterprise's 20-year capital improvements and projects plan.
 - c. New and expanded programs such as the water quality monitoring program and the forest health/wildfire preparedness program.
 - d. Risk and impact of uncertainties in federal budgeting for Reclamation to fund its share of joint-works O&M.
 - e. Appropriate reserve budget requirements based on the age and condition of the Project facilities and other risks as identified in conjunction with Southeastern District staff.
3. Cost-of-Service Analysis – Analyze the revenue requirements to the annual allocation process in a fair and equitable manner. The analysis should consider the following:
 - a. Regional-level ability-to-pay (i.e. irrigation, municipal/domestic and industrial).
 - b. Effects of fixed-rate assessments on customers and stakeholder.
 - c. Consider and evaluate potential alternative revenue sources, including special assessments and water activity enterprise.
4. Rate Design Analysis - Develop, recommend, and adjust as necessary (following input from the Board and/or staff) a specific multi-year rate design that will recover the revenue required from customers to meet the revenue requirements determined in previous tasks. The analysis should consider and include the following:
 - a. Comparison of Southeastern District's current rates to other similar water utilities in the Western U.S.

² Additional information on the Southeastern District Budgeting, including the 2018 Adopted Budget, can be found on the Southeastern District 's website at: www.secwcd.com

- b. Recommendations to the Board regarding phasing and implementation of the final rate structure.
 - c. A “roadmap” with “signposts” for use by the Board in future rate adjustments that address changes in risk and uncertainties.
 - d. Templates (likely in the form of spreadsheets) that Southeastern District staff can utilize for future rate adjustments.
 - e. Development of Strategic Reserves.
5. Workshops and Meetings – consulting services shall include with facilitating workshops and meetings with executive management and stakeholders. The District anticipates holding four focused workshops designed to integrate understanding of the available data, the facilities, divisions of responsibility, and future financial requirements, as follows:
- Workshop 1: Preparing the Long-Term Financial Plan
 - Workshop 2: Establishing Appropriate Reserves
 - Workshop 3: Allocating Costs of Service
 - Workshop 4: Water Rates and Surcharges
 - Board Meeting: Rates, Surcharges, and Fees Hearing
 - Board Meeting: Rates, Surcharges, and Fees Adoption
- Workshops will be open to the public and conducted with a special committee of the District dedicated to this cost of service study. Board meetings will be held with the full Board, during regularly-scheduled sessions which are held on the third Thursday of each month.
6. Other general consulting services related to financial aspects of the Southeastern District and Enterprise.

The scope-of-services will include preparation of a final report, presentations to staff, Board, customers, stakeholders, other project meetings, and typical project management activities.

A final scope-of-services will be negotiated with the selected contractor.

III. Schedule

The Southeastern District’s goal is to complete this study and workshops no later than May 31, 2019. This schedule will give the Board adequate time to take possible action June through August. This timeline would allow the Budget Officer the ability to incorporate this possible action in the 2020 budgeting process. Thus, it is anticipated that presentation of the study findings and recommendations will be made June through August 2019, with the final report completed no later than August 31, 2019.

IV. Content of Statement of Qualifications

Responses to this RFQ should include a description of the following:

1. Description of how the firm plans to carry out this project (i.e., your project approach), including any recommended changes to the scope-of-services identified in item II.
2. Discussion of the firm's experience to perform the scope-of-services as evidenced by projects in the State of Colorado and the Western U.S., especially with water Districts

or utilities similar to the Southeastern District.

3. Relevant experience and education of the individual(s) to be assigned to this work, with particular emphasis on the project manager and lead technical staff.
4. Aspects of the work, if any, that will be performed by sub-consultants, and information relative to the sub-consultants' qualifications for performing the specific tasks assigned.
5. Information relative to the firm's current workload and its ability to perform the work on this project within the time frames shown, including a commitment that the firm can complete the work per the schedule described in item III.
6. Disclosure of potential conflicts-of-interest.
7. Contact information for three client references for projects performed by the firm and staff assigned to this work.
8. Hourly rate sheets (by individual or position) and other direct costs and/or markups proposed for use in developing the fees for this project. **(Do not propose a total project fee at this time.)**

Statement of qualifications (SOQ) shall be limited to 20 pages, not including the front and back cover or individual resumes.

SOQs in response to this RFQ should be directed to: Mr. James Broderick, Executive Director, Southeastern Colorado Water Conservancy District, 31717 United Avenue, Pueblo, Colorado, 81001 no later than 2:00 p.m. Mountain Standard Time on Friday, November 16, 2018. SOQs received after this deadline will be returned unopened. The submittal shall include four (4) hard-copies and one electronic copy of the SOQ.

V. Selection Procedure

Based on the qualifications and information provided by the respondents, The Southeastern District may invite 3-5 respondents to an interview with Southeastern District staff, likely to occur between November 26-30, 2018. Additional materials may be requested from the invited respondents prior to or at the time of the interview.

Contract negotiation with a selected consultant, including development of the final scope-of-services and fees, is anticipated to begin following interviews. Work on the project is anticipated to begin in January 2, 2019.

This will be a quality-based selection process designed to identify the "best fit" for the Southeastern District and the firm, taking into consideration a variety of criteria including but not limited to the following:

- Qualifications and experience.
- Project approach.
- Ability to meet project schedule.
- Ability to demonstrate "value".
- Past project references.
- Quality of presentation, as evidenced by the SOQ materials and interview.
- Consultant fee as evidenced by the proposed rate schedule **(do not propose a**

total project fee at this time).

During the final selection process, the Southeastern District will discuss potential conflicts-of-interest with the consultant to determine if the potential conflicts are significant and whether they can be avoided or mitigated in an acceptable manner.

VI. Rights of the Southeastern District

The Southeastern District reserves, holds, and may exercise, at its sole discretion, the following rights and options with regard to this RFQ and selection process in accordance with the provisions of applicable law:

- To transmit the RFQ to and invite a SOQ from any firm at any time during the selection process.
- To determine that any SOQ received complies, or fails to comply, with the terms of this RFQ.
- To waive any technical non-conformance with the terms of this RFQ.
- To change or alter the schedule for any events called for in this RFQ upon the issuance of notice to all prospective respondents who have received a copy of this RFQ.
- To conduct investigations of any or all of the respondents, as Southeastern District deems necessary or convenient, to clarify the information provided as part of the SOQ, and to request additional information to support the information included in any SOQ.
- To suspend or terminate any portion of or all of the selection process described in this RFQ at any time (in its sole discretion). If terminated, Southeastern District may commence a new selection process or exercise any other rights provided under applicable law without an obligation to the respondents.
- To eliminate from further consideration any respondent who communicates with Southeastern District Board director or staff regarding this RFQ, other than the designated contact person listed herein.

VII. Cost of Qualification Statement Preparation

Each SOQ and all information required to be submitted pursuant to the RFQ shall be prepared at the sole cost and expense of the respondent. There shall be no claims whatsoever against Southeastern District for reimbursement for the payment of costs or expenses incurred in preparing and submitting a SOQ, or for participating in this process.

VIII. Other Information

Inquiries

Inquiries about this RFQ should be directed to Mrs. Leann Noga at the following e-mail address: leann@secwcd.com. All questions must be received no later than 2:00 p.m. on Thursday, November 8, 2018. It is anticipated that responses to questions will be provided to all respondents by close-of-business on Friday, November 9, 2018. If any additional

information is provided at any time prior to the due date for SOQ's, the same information will be provided to all respondents at the same time.

Officials not to Benefit

No Member of the Delegation to the Congress, Resident Commissioner, or official of the District shall benefit from the RFQ other than as a water user or landowner in the same manner as other water users or landowners.

Equal Employment Opportunity

- (a) The District will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, or national origin. The District will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The District agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.
- (b) The District will, in all solicitations or advertisements for employees placed by or on behalf of the District, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, or national origin.
- (c) The District will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant. This provision shall not apply to instances in which an employee who has access to the compensation information of other employees or applicants as a part of such employee's essential job functions discloses the compensation of such other employees or applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the contractor's legal duty to furnish information.
- (d) The District will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the District's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (e) The District will comply with all provisions of Executive Order No. 11246 of Sept. 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (f) The District will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

- (g) In the event of the District's noncompliance with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be cancelled, terminated, or suspended in whole or in part and the District may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of Sept. 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

- (h) The District will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The District will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the District becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the District may request the United States to enter into such litigation to protect the interests of the United States.