



Rich McLaughlin  
General Manager  
Gold Mountain Community Services District  
150 Pacific St. Suite B  
Portola, CA 96122

March 13, 2021

**Subject: Proposal for 2021 Water & Wastewater Financial Plan and Rate Update Study**

Dear Mr. McLaughlin,

In response to your request, Hildebrand Consulting, LLC. is pleased to submit this letter proposal to the Gold Mountain Community Services District (District) to conduct rate studies for the water and wastewater utility systems. We understand the most recent study was completed in 2006 and the last rate increase was in 2011. As such, the District's utilities are overdue for both revenue adjustments as well as a legally-compliant administrative records. This proposal includes a scope of services, example schedule, and price proposal for the study.

The study described herein will develop equitable water and wastewater rates to achieve full cost recovery of annual system expenses associated with both systems. The financial plans will identify annual water and wastewater rate revenue needs with consideration of operating and maintenance costs, debt service obligations (as applicable), capital program needs, and financial reserve policies.

The proposed rate structures will be based on clear and equitable cost allocation methodologies with cost bases that meet both the requirements of California state law (namely Proposition 218) and District policy objectives. Our review of the District's existing rates will consider California's evolving legal landscape, including recent relevant court decisions. We will ensure that the District's water and wastewater rates continue to be consistent with legal requirements for cost of service and proportionality (as required by the California Constitution).

Mark Hildebrand brings over 20 years of broad experience in California as a utility rate and management consultant to municipal utilities. He has performed hundreds of studies covering a diverse range of rate setting, cost allocation, and financial planning to more than 50 clients. As an independent consultant, Mark Hildebrand offers a distinctive value proposition: he will be *\*directly\** engaged in all facets of work and my services are provided at significantly more affordable rates than peers at larger consultancies. Mark Hildebrand will be fully committed to the project, including all meetings, communications, and deliverables. Mr. Hildebrand's resumes has been attached as Attachment A. A list of Hildebrand Consulting clients has been attached as Attachment B.

The remainder of this letter describes the scope of work, estimated cost, and schedule for the water and wastewater rate study.

## Project Understanding

The District is located in Plumas County, just west of the incorporated City of Portola, approximately 45 miles north of Truckee, CA. With an annual water and sewer operating budget of just over \$500k, the District has a part-time General Manager, a full-time Office Administrator, three full-time Operators, and a part-time Fire Manager.

Formed in 1996, the District provides water and sewer connections to over 401 planned connection but currently only supports 94 active connections. The current rate structure consists of user fees for active customers and non-user fees for undeveloped (but connected) lots. The rates include a consumption rate with a tiered rate structure. There are different rates for residential and commercial customers.

The District has three producing deep aquifer wells for domestic water, two (2) 140,000-gallon storage tanks, and seven lift stations to deliver water through 9 pressure zones at different elevations throughout the District. The District operates a Septic Tank Effluent Pumping (STEP) system for wastewater collection delivering wastewater to common leach fields totaling approximately 6 acres.

Major challenges for the district include aging infrastructure, increased cost of electricity, and the need for additional water and wastewater infrastructure to support community build out. As the rate of current construction is slow, the District's emphasis is on getting existing infrastructure in a state of good repair.

## Scope of Work:

The water and wastewater rates and financial plans will include the following tasks:

- **Project Initiation and Management** – Includes a kick-off conference call with staff and contract management and additional conference calls as needed.
- **Data Collection and Analysis** – Collect, compile, review, and analyze financial, budget, capital improvement plan (CIP), customer account, water use, and wastewater data and information, including policy goals and objectives.
- **Develop Multi-Year Financial Plan Models** – Develop water and wastewater financial plans reflecting operations, capital program, and debt obligations (as applicable). The planning horizon will match the time period covered by the District's CIPs. If needed, attention will be given to estimating the potential timing and sizing for debt issuance in order to finance planned capital improvement projects. The multi-year financial plans will be used to identify annual revenue requirements for the recommended financial strategy.
- **Cost-of-Service Analysis and Rate Design** – This task will include cost-of-service analyses and preparation of water and wastewater rate schedules. We will follow the requirements of Proposition 218, including new guidance provided by the recent court decisions, in determining water and wastewater rates and in allocating costs to each customer. Rate schedules will be developed for up to a 5-year period based on annual revenue requirements.

- **Prepare Water and Wastewater Financial Plan and Rate Update Study Report** – Study recommendations on the financial plan and water/wastewater rates will be documented in a report including all underlying assumptions, proposed financial strategy, cost of service analysis, rate structures, and policy recommendations. This task will include preparing an administrative draft, final draft, and final report. An administrative draft report will be prepared for staff and legal review. Comments on this draft will be incorporated into a final draft, which will be presented to the District Board. The final report will be prepared consistent with rates contained in the Notice of Public Hearing.
- **Assist District Staff with Proposition 218 Compliance** – Assist staff by providing a draft public notice. It is assumed that the District will be responsible for finalizing the notice (i.e., formatting) and will be responsible for printing the notices, mailing the notices, and receiving any applicable protest ballots.
- **2 Presentations to the Board** – We will present the study recommendations to the District at two meetings and incorporate any changes resulting from their comments into the preparation of the final report.
- **Public Hearing** – We will prepare for, and present, the proposed rates during a public hearing.

### Price Proposal

The total estimated cost to perform the water and wastewater rate study is \$46,620 as detailed in the table below.

		<b>Hildebrand Consulting</b>	<b>Cost by Task</b>
		Hourly Rate:	\$210
Task 1	Project Initiation and Management	6	\$1,260
Task 2	Data Collection and Analysis	10	\$2,100
Task 3a	Water Multi-Year Financial Plan	40	\$8,400
Task 3b	Wastewater Multi-Year Financial Plan	40	\$8,400
Task 4a	Water COSA and Rate Design	32	\$6,720
Task 4b	Wastewater COSA and Rate Design	32	\$6,720
Task 5	Water and Wastewater Report & 218 Notice	48	\$10,080
Task 6	Board Meetings	14	\$2,940
		<b>Total Hours:</b>	<b>222</b>
		<b>Direct &amp; Travel Expenses:</b>	<b>\$0</b>
		<b>Proposed Fee:</b>	<b>\$46,620</b>

It is our practice to bill clients monthly for actual time and expenses incurred during the prior month. Mark Hildebrand's hourly billing rate for this study will be \$210. Hourly rates are subject to change every January 1.

Our price proposal for this study gives special consideration to the District's small size and limited ability to afford standard pricing for rate studies. In order to achieve this lower price, the follow assumptions have been made:

- 1) We will consider up to three iterations of the District's CIP (three per utility) in order to model the impact on rate revenue requirements.
- 2) The rate structure will be a simple uniform rate (not tiered rates) given that (1) the District's current tiered rates do not appear to be particularly effective and (2) tiered rates are significantly more complicated and difficult to defend. We anticipate that the rate study will "right-size" the District's usage revenue in order to better reflect the District's incremental cost of water/sewer service.
- 3) We assume that the District's financial data and billing data will be relatively clean and available in editable (Excel) format.
- 4) We will hold up to three (3) meetings with the District's Board.
- 5) District staff will be responsible for finalizing and mailing the Proposition 218 notice.
- 6) We will provide electronic versions of the draft and final reports but no printed deliverables.
- 7) All meetings will be held via video conference or phone call.

### Schedule

An example timeline for the project is listed below. The timeline could be accelerated if necessary.

Data request and kick-off meeting	June
Financial plan analyses	June / July
Cost of Service Analysis and Rate Design	Late July
Initial presentation to the Board	Early August
Submit and review Administrative Draft Report	August
Final Presentation to the Board	September
Finalize Report & Mail Notice of Public Hearings	Late September
Public Hearing on Water Rates	November / December
Implement New Rates	January 1, 2022

Hildebrand Consulting is grateful for the opportunity to be of service to the District. Please let me know if you would like to discuss this proposal in greater detail.

Sincerely,



Mark Hildebrand  
Hildebrand Consulting, Inc.

# Attachment A: Resume

**MARK HILDEBRAND**

FOUNDER AND PRINCIPAL



Owner and founder of Hildebrand Consulting, LLC., Mark Hildebrand is a finance and management consultant to local governments who bridges the disciplines of financial analysis and organizational effectiveness. He has performed scores of financial plans, fee studies, cost allocation plans, and water and wastewater rate studies. Mr. Hildebrand is an expert in Proposition 218 and California's legal requirements regarding utility finances and cost allocation principles. He has been published by the AWWA Journal for articles addressing the challenges of utility service pricing in California.

**AREA OF EXPERTISE**

- » Financial Planning
- » Utility Rate/Fee Studies
- » Strategic Business Planning
- » Capital Facility Financing
- » Alternative Project Delivery

**PROFESSIONAL HISTORY**

- » Hildebrand Consulting, LLC., Owner, 2018 - present
- » MWH / STANTEC Consulting, Inc., Principal, 2014-2018
- » ARCADIS / Malcom Pirnie, Senior Consultant, 2004 - 2014
- » Clipper Windpower, 2003 - 2004, Researcher
- » IT Corp, Analyst, 2000 - 2002
- » Peace Corps, 1998 - 2000, Madagascar

**EDUCATION**

- » B.S., Ecology, University of California, Berkeley, 1998
- » M.S., Management, University of California, Santa Barbara, 2004

**CERTIFICATION**

- » Change Management (PROSCI)
- » Certified Document Technologist (DBIA)

**PUBLICATIONS & PRESENTATIONS**

**"M1 Manual – Principal of Water Rates, Fees and Charges"** Editor and contributing author

**"Conservation Rates Made Legal: Water Budgets and California Law,"** Journal of the American Water Works Association, Vol. 101, No. 4, April 2009 (lead author).

**"Water Rates, Fees, and the Legal Environment,"** American Water Works Association, 2nd Edition, 2010. ISBN 978-1-58321-796-2 (contributing editor).

**"Affording Conservation Revenue Challenges Facing Utilities,"** Proceedings, International City Management Association, October 17-20, 2010. (Co-presenter).

**"California Finance Law: Water Budgets and California Law,"** Proceedings, Utility Management Conference, February 17-21, 2009 (Presenter).

**"Defining Latest Trends in Conservation Rate Design: Creating a Nexus Between Cost of Service Principles and Rate Structure,"** Utility Management Conference, February 17-20, 2009 (Co-presenter).

## SAMPLE PROJECT EXPERIENCE

Mark Hildebrand has conducted over 50 rate studies for utilities that are similar to UVRGA. The following is a sample of some of those projects.

### **Coachella Valley Water District, Comprehensive Rate Study**

Project Manager for a multifaceted rate study to a wholesale State Water Contractor that provides domestic water, sewer, recycled water, canal (irrigation) water, and replenishment program services.

### **City of Santa Ana, Comprehensive Water, Sewer and Recycled Water Rate Study**

Project Manager in delivering a comprehensive cost-of-service analysis and rate design project to address significant reductions in water sales. Examined a variety of scenarios to provide a cost-basis for tiered rates, consistent with the requirements of Prop 218.

### **Moulton Niguel WD Water/Sewer Rate Study**

Project Manager in delivering a water, sewer and recycled water financial plan, cost-of-service analysis, and water budget-based rate design project. Work included conforming large volumes of billing data for water budget-based rates, developing financial models, debt and bond issuance evaluation (financial strategy), long term financial forecasting, drought rate policies.

### **City of Fullerton, Water Rate Study**

Current Project Manager in delivering a comprehensive water cost-of-service analysis and rate design project to address the City's epidemic of water main ruptures. Spent extensive time with a citizen advisory committee in order to determine the proper level of capital reinvestment in the City's underground infrastructure.

### **Soquel Creek Water District, Santa Cruz County**

Project Manager in delivering a comprehensive water cost-of-service analysis and rate design project to address significant reductions in water sales. Examined a variety of scenarios to provide a cost-basis for tiered rates, consistent with the requirements of Prop 218.

### **Ross Valley Sanitation District, Sewer Rate Study**

Delivering a comprehensive wastewater financial plan, cost-

of-service analysis and rate design project for this relatively small special district in Marin California. The scope of work may include a consolidation assessment of two local systems.

### **City of Santa Rosa, Water and Sewer Rate Studies**

Performing rate studies for Santa Rosa Water, which include detailed cost of service analyses, refinement of current rate structures, development of a five- and ten-year financial plans, and review of financial policies and practices. The study is complicated by the effects of the recent Tubbs Fire.

### **Casitas Municipal Water District, Water Rate Study**

Project Manager in delivering a comprehensive water financial plan, cost-of-service analysis and rate design project for this mixed agricultural community. One of the project challenges was the California drought that ended in 2017 for most of the state but persisted hydraulically isolation community. The scope included numerous Board workshops.

### **Indian Wells Valley WD, Water Rate Study**

Current Project Manager for a comprehensive water rate study financial plan update that will ensure that rates are sufficient and consistent with the requirements of Proposition 218. The study includes fire service charges, pumping elevation charges, and bulk rates. The study is examining SGMA costs and funding mechanisms for the lead agency of their GSA.

### **Indio Water Authority, Cost Allocation Plan & Fee Study**

Lead consultant for a cost allocation plan project in association with a Comprehensive Service Fee Study. The project developed a comprehensive list of Service Fees that were set at levels to reflect the true cost of providing the services and in compliance with OMB Circular A87. The scope included identification of new Service Fees and calculation of the maximum-justifiable rates. This study also examined anticipated GSP costs and rate structures.

### **City of Norco, Financial Planning**

Project Advisor in this water utility financial planning, cost-of-service analysis and rate design project.



# Attachment B: California Client List

# Attachment B: California Utility Rate Study Client

	Financial Planning	Cost of Service	Rate Structure	Wholesale Rates	Capacity Charges	User Fees	Cost Allocation Planning	Public Engagement	Privatization	Other
CA Alameda (City)	•	•	•		•					
CA Bakersfield (City)	•	•								
CA Berkeley (City)	•						•			
CA Casitas Municipal Water District	•	•	•				•	•		
CA Central Marin Sanitation District										•
CA Coachella Valley Water District	•	•	•	•	•			•		
CA Cotati (City)	•									
CA Coachella (City)	•	•	•		•	•	•	•		
CA Corona (City)	•	•	•					•		
CA Delta Stewardship Council	•									•
CA Fullerton (City)	•	•	•					•		
CA Greenfield (City)	•	•	•					•		
CA Healdsburg (City)		•	•							•
CA Huntington Beach (City)	•	•	•		•	•	•	•		
CA Indian Wells Valley Water District	•	•	•					•		
CA Indio Water Authority	•	•	•		•	•	•	•		
CA Jackson (City)	•	•	•				•			
CA Merced (City)	•	•	•					•		
CA Mesa Water										•
CA Mill Valley (City)		•		•			•			•
CA Moulton Niguel Water District	•	•	•					•		
CA MWD of Orange County				•						•
CA Norco (City)	•	•	•			•	•			
CA North Marin Water District	•	•	•	•			•	•		
CA Oakland (City)	•						•			
CA Ontario (City)	•	•					•			
CA Port of Oakland										•
CA Pomona (City)	•	•	•			•	•	•		
CA Presidio Trust of San Francisco									•	•
CA Ridgecrest (City)	•	•	•		•	•	•	•		
CA Ross Valley Sanitary District	•	•	•	•					•	•
CA San Diego (City)	•	•	•							
CA San Diego County Water Authority	•									•
CA San Francisco PUC										•
CA San Jose (City)										•
CA San Juan Water District (Sacramento)					•	•				
CA Sanitation Agency of Southern Marin										
CA Santa Ana (City)	•	•	•				•	•		
CA Santa Clara Valley Water District	•									•
CA Santa Rosa (City)	•	•	•							
CA Soquel Creek Water District	•	•	•		•			•		
CA Sutter Creek (City)	•	•	•	•				•		
CA Ukiah (City)	•	•	•	•			•	•		•
CA Ukiah Valley Sanitary District	•	•	•	•			•	•		•
CA Upper Russian River Water Agency	•	•	•	•						•
CA Upper Ventura River Ground Water Authority	•	•	•					•		•
CA West Basin Municipal Water District										•
CA West Valley San District of Santa Clara	•	•			•					•
CA Windsor (City)	•	•	•					•		