January 17, 2018

ADDENDUM NO. ONE

SUBJECT: RFP# 17-142: Water and Sewer Enterprise Cost of Service Study

The following changes/clarifications have been made to the request for proposal of the subject project:

Questions:

1. Question: When Does the City intend to implement a new rate structure?

   Response: The intent of the study is to present the City Council with rate structure options that would take effect July 1, 2019.

2. Question: When does the City intend to have the cost of service report complete?

   Response: The cost of service report should be complete by September 2018.

3. Question: Could you clarify what is meant by item 2 under the Description of Work on page 1 of 6 of the Scope of Work? Perhaps this another way of saying project future O&M costs? The text is: “evaluate existing department operations and budgets and identify the current level of service and estimate the future level of service.”

   Response: There are two components here. The first is simply cost; the Consultant will evaluate existing O&M costs and project future O&M costs (likely based on current levels). The second component of this analysis is described as “level of service”. The Consultant, in coordination with City staff, will determine if existing O&M costs/expenditures is delivering an appropriate level of service to the community and determine if future O&M cost/expenditure projections should be adjusted up or down to meet a desired level of service.

4. Question: Page 3 of 6, II B 6, Can you confirm miscellaneous fees are not included? Only the rates and charges shown on the right side of your rate schedule?

   Response: The intent of Item 6 is not to analyze the value of the various water and sewer miscellaneous fees but to instead confirm the validity of the existence of the existing fees and to recommend the implementation of additional fees, charges, etc. that would be
appropriate and proper to compensate the enterprises for services rendered. In addition, consultant shall review the rate structure itself (fixed and variable components) and recommend modifications, if any.

5. Question: Are we to calculate drought rates as well? Drought rates would be implemented by City Council during each stage of a drought response plan.

Response: Drought rates were not specifically identified as a requirement in the RFP scope but would be welcomed as a “value added” component responses. Proposals which include the development of drought rates as an option shall make it clear in the fee schedule as to the cost associated with this option.

6. Question: Does the City currently have a pass-through rate?

Response: The City currently has a pass through rate formula as defined in the 2015 Proposition 218 notices.

7. Question: In your rate schedule, what costs does the below commodity rate cover? Are OCSD charges billed on the tax rolls?

<table>
<thead>
<tr>
<th>Sewer Service Charge - Commodity</th>
<th>County of Orange at 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Units</td>
<td>8333</td>
</tr>
<tr>
<td>Per Unit of Water</td>
<td>$0.19</td>
</tr>
</tbody>
</table>

Response: Please disregard the table, the listed charges are not active charges assessed by the City. OCSD charges are billed on tax rolls.

8. Question: Does the page limit include table of contents and blank pages to facilitate double-sided printing?

Response: No, also refer to response to Question 10.

9. Question: Does the font size limit apply to the header, footer, table, charts, and graphics?

Response: No

10. Question: Are the Statement of Qualifications and Scope of Services & Schedule two different sections? If so, does the Scope of Services & Schedule not count towards the page limit?

Response: The 10 double sided page limit shall apply to the Statement of Qualifications Section which is comprised of the following:

- Cover letter
- Agreement statement
- Firm and Team Experience
- Understanding of need
- Relevant Project Experience
- References
11. Are there any specific concerns about the water and sewer rate structures or cost of service issues that need to be addressed in this study?

Response: The City expects the consultant to evaluate the balance of fixed versus variable components of the rate structure and recommend adjustments if necessary and prudent. The City expects the Consultant to propose a 5 year rate plan that provides for O&M, Capital and debt service needs in a manner that minimizes financial impacts to our customers to the greatest extent possible and allocates costs equitably.

12. Is the intention of Item 6 in Section II B of the Scope of Work (on page 3 of 6) for the consultant to evaluate and analyze user fees for services such as turn on / shut off, meter installation, and review of development plans and permits?

Response: Refer to the response to Question 4.

13. How many recycled water customers does the City have?

Response: 26

14. Given that the infrastructure for recycled water is owned and maintained by OCWD, how are costs for OCWD’s transmission and distribution system recovered in recycled water rates? Are these costs included in Santa Ana’s rate and passed on to OCWD?

Response: OCWD’s costs for production, transmission and distribution are calculated by OCWD and noticed to the City every Spring to take affect on July 1 of that year. OCWD bills the City for the volume of recycled water consumed by City customers on a regular basis. These costs are included in Santa Ana’s recycled water rates to our customers.

15. Would you like to evaluate drought surcharges, that would allow the water utility to meet revenue requirements going forward, if conservation increases in the future?

Response: Refer to the response to Question 5.

16. How many comparison agencies would you like the City’s current and proposed rates compared to (per Section III B of the Scope of Work, page 4 of 6)? We notice the 2014 Water and Sewer Rate studies compared the City’s rates to 30 other agencies. Should we plan for the same number of comparison agencies in this study?

Response: Consultant shall plan to compare the City’s rates with all Orange County retail water providers (31).

17. Will the City mail the Proposition 218 Notices for this process?

Response: The City will be responsible for mailing notices.

18. Does the City have a translator that the consultant should use, to translate the Proposition 218 notices to Spanish and Vietnamese, or do you need the consultant to find one for this process?

Response: It shall be the responsibility of the Consultant to provide for translation services.
19. The RFP states that the proposal shall be a maximum of 10 double-sided pages. Is this intended to mean the equivalent of 20 single-sided pages?

Response: Yes.

20. The font size shall be minimum 11 point Arial. Are we required to use Arial font or would another font (Times or Calibri, for example) be acceptable as long as the size is 11 point?

Response: The main text in your proposal shall be at minimum 11 point size and shall be Arial font.

21. Would you like an electronic copy of the fee proposal included on the usb drive?

Response: Yes.

All other terms and conditions remain the same.

FOR THE CITY OF SANTA ANA

Rodolfo Rosas, P.E.
Senior Civil Engineer