RAFTELIS

May 15, 2024

Mr. Arturo Garcia, Jr., PE
Utility Director
City of Laredo
Via email: agarcia10@ci.laredo.tx.us

Subject: Proposal for Water and Wastewater Rate Study - REVISED

Dear Mr. Garcia,

We are excited to be selected as your rate consultant for the Comprehensive Water and Wastewater Rate Study. As mentioned in our project approach in the proposal, we are prepared to help the City of Laredo address its water supply challenges through appropriate pricing signals that encourage conservation and consider affordability. In addition, our team can help the city prioritize its capital needs, but that rate impacts are also considered. Communication with stakeholders, customers, and your City Council is important in all of this. Transparency is key when you are facing challenges. The scope of work includes the tasks for completing the Rate Study, as defined in our proposal, and an additional scope for completing a Strategic Communication Plan. Our scope of work outlines the tasks that will help the City meet all these objectives and those identified in the RFQ.

It is our practice to bill monthly based on actual time and expenses. Total fees and costs will be limited to the not-to-exceed amount unless specific approval for a scope adjustment is received. In the Communication Plan tasks, we have identified some optional tasks and budgets. These tasks, including the Spanish translation, will be provided upon request by the City.

We look forward to working with the City of Laredo to make this a successful rate study. Please let me know if you have any questions or concerns by contacting me at aflores@raftelis.com or 512-790-2108.

Sincerely,

Angie Flores

Angie Flores
Vice-President

WATER AND WASTEWATER RATE STUDY

Raftelis will complete the Comprehensive Water and Wastewater Rate Study in this phase. This includes developing a revenue requirement, financial plan, cost-of-service, and rate design. Below, we have identified the tasks for the study.

Task 1: Project Development and Management

The key outcomes for Task 1 are:

- A plan for project delivery that effectively and efficiently meets the needs of the City in a thorough, effective, and timely manner (Task 1.1)
- An in-depth understanding (on the part of the Raftelis team) of the operations of the utility and the receipt and review of the relevant data needed for the study (Task 1.2)
- Identify the pricing objectives of the City (Task 1.3)
- Quality and accurate deliverables provided on time and budget (Task 1.4)

Task 1.1: Project Initiation and Stakeholder Engagement

The project team will conduct a kick-off meeting with City staff to confirm the project approach, work plan, schedule, and priorities. A successful kick-off meeting ensures that City staff and the project team agree on the project's goals and expectations. We will develop a kick-off meeting package that contains the meeting agenda and presentation materials to guide the discussion. Following the meeting, we will provide a brief memorandum summarizing the discussion and any action items.

Task 1.2: Initial Data Request, Review and Evaluation of Data, and Supplemental Data Requests

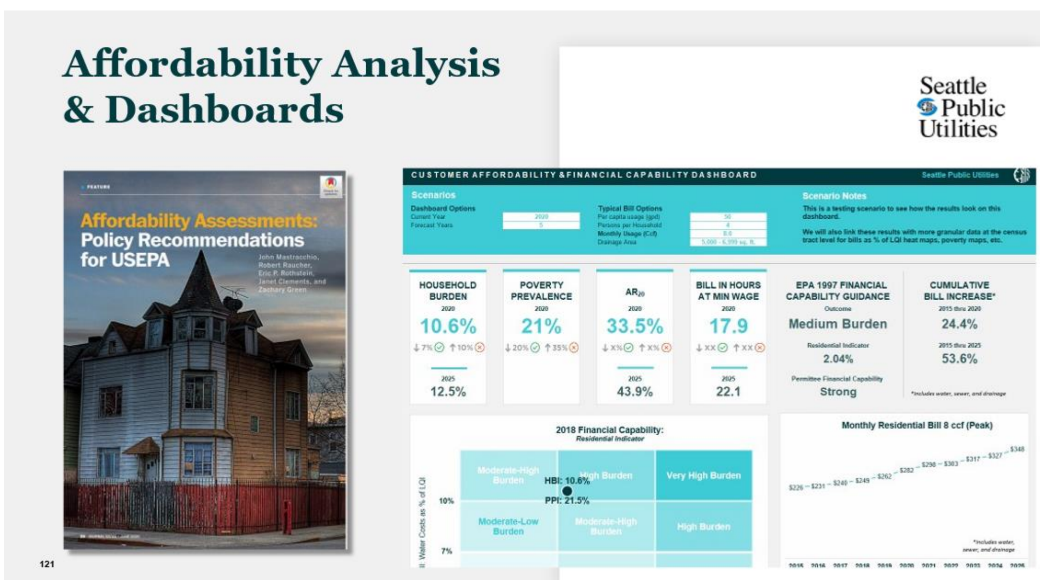
We will provide a data request upon receipt of notice to proceed from the City. Before the kick-off meeting, we will thoroughly review the data provided by the City. This review is critical for two reasons. First, it is critical to use the most accurate data possible appropriately. This means communicating the types of data we need from the City and ensuring we received what we requested and are using it appropriately. Disagreement regarding the data can cause significant deviations between expectations and actual results. Raftelis staff will work closely with the City's point person in each area (e.g., finance, operations, and customer service) to ensure that we all agree on the intended use of what is provided. Second, we have found that beginning to work with the data provided by our clients in advance makes for a much more productive kick-off meeting, as it allows us to begin framing preliminary analyses, formulate any questions, and come fully prepared to discuss any issues. Even though we may request additional data or clarification as the study progresses, we will minimize the additional data requests. We will strive to balance the time and effort required to provide the data and its relative impact on the analysis.

Task 1.3: Pricing Objectives Workshop

Raftelis will hold a workshop to develop priorities related to pricing and rate design. This workshop can be conducted after the initial Kick-off Meeting. Attendees of this workshop should include key stakeholders who will have input into the proposed rate design. These often include city management, city staff, and sometimes, council members. The purpose of this workshop would be to determine whether modification to the City's water and wastewater rate structures is necessary. The results of this workshop provide direction regarding the adequacy of the existing structure and direction regarding potential modifications/enhancements to effectively and efficiently meet the most important objectives of the community. Depending on the needs of the community, the topics covered by Raftelis will include developing cost-of-service water rates using American Water Works Association (AWWA) ratemaking principles and wastewater rates using Water Environment Federation (WEF) ratemaking principles. Most importantly, there will be a discussion of the often conflicting financial and public policy objectives that must be evaluated by the City when considering potential modifications to its existing water and wastewater rate structures.

Affordability Considerations

The affordability of water/sewer service is the ability of a household to pay water/sewer bills. The "ability" to pay relates to a household having to forego other discretionary expenditures to pay water/sewer bills. Historically, customers must access funds from charitable organizations when needing assistance with paying bills. Some utilities have developed programs where customers donate money to fund assistance programs. Typically, these attempts to address affordability do not generate sufficient dollars to meet the community's needs, especially now that inflationary pressures have increased the income spent on basic needs like housing, food, utilities, healthcare, etc. Addressing water and sewer service affordability over the long term requires innovative solutions and community partnerships.



In this subtask, we will develop some metrics for affordability. We will develop metrics like those shown in the diagram above. Some factors we will consider include the Household Burden Indicator and Poverty Prevalence Indicator. This work will provide us with information to help us develop a rate design that addresses affordability.

Task 1.4: Ongoing Project Management and Quality Assurance/Quality Control

Effective ongoing project management ensures that City staff receive the support they need at all times. This means regular and responsive communication, timely provision of deliverables, and prompt communication of any issues or challenges. One of Raftelis' key project management objectives is to serve as an asset to City staff, enhancing their capabilities and bringing a broader industry perspective to bear on any challenges. Our project management team includes senior Raftelis staff who have successfully collaborated on numerous engagements of a similar size and complexity, including several prior studies for the City. This team is prepared to continue to leverage our institutional knowledge to support the critical work performed by the City going forward. Some of the key features of our project management approach for this engagement include:

- Senior-level participation and oversight with a Project Director and Project Manager, each with 20+ years of experience providing similar services to utilities throughout Texas and the United States
- Control of project budget and schedule through Deltek, our project management software
- Control of project team capacity through Raftelis' weekly and monthly workload planning meetings, which will ensure the project team has sufficient capacity to meet the City's needs
- Effective communication between the project team and City staff via scheduled check-in calls, meeting summary memoranda, and regular meetings with the project team.
- Leveraging, as needed, the broader Raftelis team, consisting of 160+ consulting professionals, to address issues and questions that may arise during the study

Quality assurance and quality control (QA/QC) is critical to the success of the project because errors undermine the credibility of the process and ultimate recommendations. Our QA/QC process is as follows:

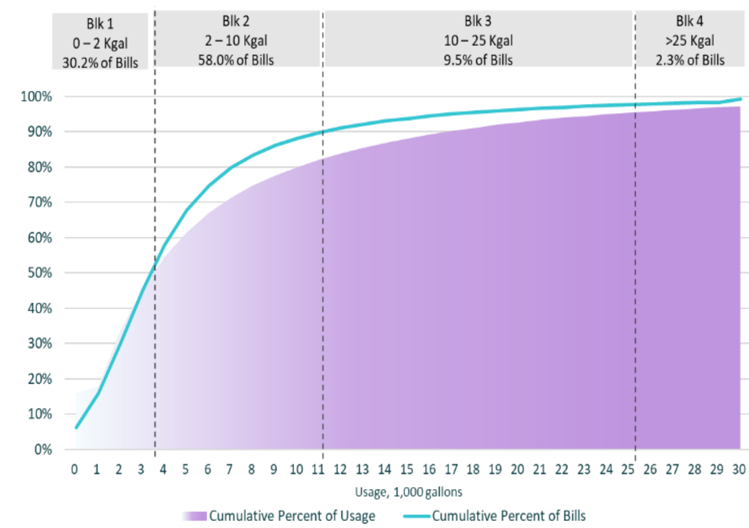
First, we verify the data used for the study. Verification is critical because the data, while accurate for its original intended purpose, may reflect adjustments or anomalies that we would not want to include in our projections. The opposite is also sometimes true in that manual adjustments are occasionally made, which are not reflected in the detailed data we receive. One example is detailed customer billing data, which may contain billing errors that are later manually corrected but may not be reflected in the detailed data we receive. One check on this issue involves calculating revenues for a recent historical period and comparing them against actual results. If the results are materially different, we can examine the data more closely to identify what may be causing the issue.

Verification also involves clear communication between the Raftelis team and City staff to ensure that we correctly interpret what we have received and are using it appropriately. We look to establish a staff "subject matter expert" on certain data sources. We will then work with this person to ensure that they understand what we have requested, that we have received what we requested, and that we're using it appropriately. This step is critical because data used for the wrong purpose, even if accurate, will compromise the results.

Second, we verify the accuracy of the calculations. Periodically throughout the project, we have an experienced consultant who is not involved in the project review the calculations. This reviewer can mark-up the rate model and schedule a call with the project team to review their findings. This is not a methodological review but a check on the calculations themselves. We will involve utility staff early in the process. We will provide copies of the rate calculations throughout the engagement to allow staff to review, ask questions, and identify any misinterpretation issues. Finally, we will create internal error checks within the rate model. Wherever something is summarized, allocated, or otherwise manipulated, we use conditional formatting to ensure the integrity of the calculations. This will also help avoid future issues with utility staff's model use.

Finally, we ensure the methodology used for the study is appropriate. In addition to the accuracy of the data and calculations, we want to ensure that the product delivered to the City meets industry standards and is defensible. To accomplish this objective, we will leverage the experience of our Project Director, Todd Cristiano, and our Project Manager, Angie Flores. Our QA/QC process, which ensures the appropriateness of the data, calculations, and methodology, will be critical to the study's success.

Task 2: Financial Plan Development



The financial plans identify the overall level of revenue necessary to fund operations and maintenance expenses (O&M), routine repair and replacement capital expenditures, and repayment of debt service (current and future) while achieving the City's financial management objectives. Determining the revenue requirement involves a detailed cash flow forecast, which compares projected baseline revenues to projected expenditures and identifies any adjustments to revenues that may be necessary to fund utility operations in a financially sustainable manner. This will involve the following subtasks: a projection of revenue under existing rates (Task 2.1), a projection of O&M expense (Task 2.2), a projection of routine and major capital expenditures (Task 2.3), and a projection of revenue adjustments based on a detailed cash flow analysis (Task 2.4).

The projections we typically develop include the balance of the utility's current fiscal year plus the following 5-10 fiscal years. To the extent that the City has identified major capital improvements or incremental increases in O&M that lie outside of the 5-10-year window, we can extend the plans to include the additional years at no additional cost to the City.

Task 2.1: Projection of Revenue Under Existing Rates

Raftelis will develop revenue projections under existing rates and projected customer usage by customer class, which will be developed in Task 2.2. This will serve as a revenue baseline if no adjustments to rate levels or structures are made. In Task 2.5, we will compare these baseline revenue projections to projected expenditures to determine the overall level of revenue necessary (including revenue increases) to fund these projected expenditures and achieve City's financial performance objectives.

Revenues typically consist of operating and non-operating revenues. Operating revenues consist principally of rate revenues derived from the services provided by the utility to customers. Operating revenues are directly affected by the level of rates and charges, the service levels provided, and purchased water costs, which are passed through directly to customers. We will forecast other operating revenues using a trend analysis with adjustments to reflect known changes historically experienced and anticipated changes during the forecast period.

We will compare these revenues to the operating and capital expenses forecast in Tasks 2.3 and 2.4 to understand the sufficiency of existing revenues to fund projected expenditures.

Task 2.2: Consumption

Projecting future demand and developing realistic per capita consumption estimates is one of the most difficult tasks a utility faces yearly. The reason for this is that several unforeseeable factors can affect consumption. For water, a particularly rainy or dry season and unforeseen population growth or decline will dramatically affect consumption. However, projecting consumption is also a utility's most important task. These projections directly affect user rates, which, in turn, determine how much cash a utility will collect. If a utility overestimates consumption, rates will be too low, leading to revenue under-recovery, a deficit, and decreasing fund balances. Yet, if a utility underestimates consumption, revenue over recovery occurs, which can be met with public scrutiny because of unjustly high rates.

Afterward, we will study the available historical consumption of the city's different customer types to determine a corresponding usage and growth rate for each type. As a result of these analyses, Raftelis will be able to develop consumption projections for the forecast period under various scenarios, resulting in an optimistic, pessimistic, and, most likely, projection. Raftelis will then calculate the revenues under current rates at projected consumption levels (optimistic, pessimistic, and most likely) to understand the potential realizable revenues. We will then compare these revenues to the revenue requirements forecast in the financial plan developed in Task 3 to understand the magnitude of the potential shortfall under the current rates. Through this analysis, Raftelis can create a graph like the one for each of the City's customer classes. This provides a picture of how its customers use water.

Task 2.3: Projection of O&M Expense

The City's budgets (for the current year and any available future years) will be the starting point for the projection of O&M expenses. We typically make three adjustments to project O&M expenses for the forecast period: budget performance adjustments, incremental expense adjustments, and inflationary adjustments.

Budget performance adjustments will be made based on a detailed review of budgeted O&M expenses compared to actual performance. To the extent that the utility tends to outperform in certain areas (i.e., spend less than budgeted), we will discuss potential adjustments so that the projection of baseline O&M (i.e., before any incremental expenses and inflationary adjustments) is a reasonable reflection of what is likely to occur.

The current budget may include one-time expenses that are not expected to be incurred in the future. In this case, the one-time expense will either be excluded from future years or, if it occurs periodically, normalized in future years. To the extent that the current year budget represents a snapshot plan for the year in question, **incremental expense adjustments** ensure future years carry forward the appropriate level of O&M expense. The current budget may also exclude incremental changes in operating expenses anticipated to occur in the future.

Inflationary adjustments account for expected future inflation in O&M expenses, after accounting for budget performance and any incremental expenses. Inflationary adjustments will be based on the best and most relevant data possible. Expenses driven by customer growth and usage will be adjusted based on the projections in Task 2.1. Personnel costs will be adjusted based on planned compensation adjustments from City. For expenses with less detailed data, we will rely on historical trends, discussions with City staff, and our experience working with similar utilities throughout the United States.

Task 2.4: Projection of Routine and Major Capital Expenditures

Task 2.4 involves developing a capital improvement financing plan that identifies the City's capital projects (routine and major) and the mix of cash and debt[1] used to finance them. The cash flow impact of the capital financing plan is incorporated into the cash flow analysis in Task 2.4 as annual cash outlays (i.e., PAYGO or revenue-funded capital) and new debt service. To develop the capital financing plan, we will review the City's approved capital improvement plan (CIP) and work with City staff to ensure that the appropriate level of investment is balanced against the potential rate implications. To the extent that the CIP is in current year dollars, we will include adjustments for future construction cost inflation based on an analysis of trends for the appropriate cost indices (e.g., Engineering News-Record). We will also incorporate any projects that the City already has in progress from prior approved CIPs that will be completed in the first few years of the forecast period.

The CIP financing plan we develop for the City will incorporate routine repair and replacement expenditures and major capital improvements. Raftelis will incorporate the City's policy for funding routine expenditures and major capital improvements with reserves. Debt-funding of capital improvements will be estimated based on the amount of reserves available. We will work with City staff to recommend CIP financing alternatives that will achieve the City's financial management objectives. The projected capital costs, including PAYGO and any new debt service, will be incorporated into the cash flow projections in Task 2.5.

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[1] *Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, all firms that provide debt issuance support services, including financial feasibility studies, must be registered with the SEC and MSRB to legally provide official opinions and related services. Raftelis' registration allows our clients to be confident that Raftelis is fully qualified and capable of providing financial advice related to debt issuances in compliance with the applicable regulations of the SEC and the MSRB.*

Task 2.5: Utility Cash Flow Forecasts and Revenue Adjustments

We will develop a detailed cash flow forecast for the multi-year planning horizon. This forecast will compare existing revenues (Task 2.1) to forecast expenditures (Tasks 2.3 and 2.4), identifying any deficiencies in funding under existing revenues. Throughout Task 2.5, we will discuss the City's existing financial policies and objectives (formal and informal). This will include a review of the utility's performance relative to key financial ratios (e.g., days cash, capital structure, and debt service coverage). Throughout these discussions, we will provide recommendations to ensure the City's financial management strategies align with industry best practices.

We will structure rate adjustments to achieve the City's strategic financial management objectives and maintain alignment with best financial management practices regarding debt service coverage ratios and reserve balances. Where possible, revenue adjustments will be smoothed, mitigating the impact on customers in any given year. The ultimate outcome of Task 2.5 will be identifying the overall level of revenue required (including any adjustments to revenue) to fund the provision of safe and reliable service in a financially sustainable manner. This revenue requirement will be used to support the development of the proposed rates in Task 3.

Task 3: Water and Wastewater Cost-of-Service Analysis and Rate Calculation

We will tailor the City's utility's cost-of-service analysis to incorporate the unique attributes of system operations, operating and capital spending. This tailored cost of service will be premised on the principles set forth in state and local laws, the AWWA's *Manual M1, Principles of Water Rates, Fees, and Charges,* the WEF's *Manual of Practice No. 27, Financing and Charges for Wastewater Systems,* and other legal precedents.

The first step of a cost-of-service analysis is to complete a cost functionalization to allocate costs to the various functions within the utility. For example, in the water utility, these categories may include source of supply, treatment plant, transmission, and distribution. The next step is the classification of costs based on cost-causative parameters. In water, these parameters would be average day demand, maximum day demand, maximum hour demand, meters, and customer service. Finally, the cost of serving each customer class will be determined based on each class's usage characteristics. Raftelis will discuss with the City whether this task and allocation analysis is necessary for each utility.

In this task, Raftelis will provide an appropriate calculation for the City's wholesale rate. Through discussions with staff, Raftelis will determine the methodology for the calculation based on industry-accepted methods. Based on the City's input during the kick-off meeting, Raftelis will work with the City to make any necessary modifications or changes to the selected rate calculation approach. The details of the rate calculation will be documented in a simple, straightforward manner for ease of understanding.

Task 3.1: Rate Calculation

After the revenue requirements have been functionalized, classified, and allocated, we will use the consumption analysis performed in Task 2 and combine it with the new revenue requirements to calculate user rates reflecting the City's specific rate goals and objectives. In identifying these goals and objectives, Raftelis will evaluate the City's current rate structures and discuss how they compare to industry standards. At this point, we will discuss and evaluate the need for new customer classes, such as senior citizens or irrigation/sprinkler rates. Raftelis has worked with many customers to evaluate existing and new customer classes. This evaluation will be based on existing data and the outcomes of the pricing objectives workshop.

We will project these rates for the forecast period to ensure that all covenant requirements are met and to ensure that customer impacts of rate increases do not lead to rate shock. At the end of this task, we will conduct a meeting with City staff. Raftelis will review the entire cost-of-service and rate-setting process at this meeting and present preliminary rates. Prior to the meeting, City staff will be provided with the draft rate model and preliminary rates so that they will be able to review our methodology and suggest changes. We will discuss all suggested changes and then work with the City to develop final rate recommendations to incorporate into the City's rate ordinances.

Task 3.2: Comparison of Costs by Customer Class

Based on the rate structures identified in this task, we will compare the cost of service to rate recovery under the new and existing rates. This will allow the City to understand any inequities in the existing rate structure as well as how any proposed changes to the rate structure address those inequities.

Task 4: Rate Model Development

At the heart of any successful cost-of-service and rate study is the computer model that is used to develop revenue requirements; perform cost functionalization, classification, and allocation; and calculate rates. The model must be sophisticated enough to perform the complex calculations involved in a comprehensive cost-of-service and rate analysis and yet still be simple enough to allow for future updates by City staff. The model will incorporate the rate structures and rate calculation methodologies d during Task 4. During the project, City staff will be provided with working copies of rate model drafts in Microsoft Excel so that they will be able to provide input into the development of the model. Once the project is complete, the City will be provided with fully functioning copies of the model and Raftelis personnel will train members of the City staff in its use.

Task 5: Reports and Presentations

Rate Comparison

Raftelis will prepare a comparative analysis of the City's current and proposed water and wastewater rates to comparable peer utilities. This comparison will be used in the reports and presentations of the study's findings to provide a frame of reference for stakeholders and decision-makers.

Draft Report

The draft report will document the rate development process, describe any recommended changes to the existing rate structures and the reason for such changes, and present the cost-of-service and rate study results. An electronic copy of the draft report will be presented to City staff for their review and comment.

Final Report

Raftelis will incorporate the City staff's comments on the draft report into a final report. Upon finalization of the report, the City will be provided with an electronic copy of the report. In addition to the final report, the City will also be provided with electronic copies of the final rate model in Microsoft Excel. Raftelis will also deliver a model training workshop for City staff.

Presentations

We will prepare a PowerPoint presentation summarizing the rate study process, findings, and recommendations in a clear and concise manner. We will provide a draft of this presentation to City staff for their review and comment prior to delivering the final version.

Raftelis will also present our findings using this presentation for City Council.

Strategic Communications Plan – Optional Only

Changing your rate structure, and rate increases in particular, can be a challenge to communicate to customers and an even greater challenge to gain their support in the best of conditions. Add to that the intertwining needs of conservation and infrastructure renewal against a backdrop of inflation and its impact on households, and the communications challenge can seem insurmountable. But this is what our team does.

Most of the time, lack of support for a rate increase stems from a lack of understanding or a misunderstanding about how the rates are used and the value of the services they fund. In the absence of that understanding comes rejection. On the flip side, people tend to support what they help build. That's why our team recommends a robust communications and engagement strategy that doesn't just tell them what you are doing but brings them along in the process.

When it comes to water source sustainability, you have two main tools – a rate structure that incentivizes conservation and conservation messaging and marketing. While the rates team will design a rate structure that balances the need for conservation signaling with infrastructure investment, our strategic communications team will help develop a plan to build community awareness, understanding, and the behavioral changes you need to be successful.

Typical conservation marketing messages are often not enough to get appreciable results. We recommend a formal conservation plan with dynamic messaging that targets specific audiences and activities for results.

Strategic Communications Plan

Kickoff Meeting

In addition to the project kickoff meeting, our communication team would like to have a separate kickoff meeting just for communications. This could be a virtual meeting to save time and money, where we would review existing and recent communications efforts, communications goals and deliverables. We will confirm the scope and work plan for communications, as well as yor preferences, schedules, milestones, budget, and resources available. At this time, we will also seek to identify your vision of success and we will begin building our understanding of key stakeholders by conducting a prioritization exercise. This meeting is intended to be held immediately following a project kickoff meeting. Following the meeting, we will generate a memo summarizing the conversation.

Research -- In-Depth Interviews (IDIs)

When it comes to effective communications and outreach, a little bit of market research on the front end goes a long way. Taking the time before we begin to understand and explore current levels of understanding, attitudes about your agency, and the motivating factors or assumptions behind water-using behaviors will ensure we appoint the right resources towards the most effective activities. This will save us time and money over the course of the engagement. The research activity we're recommending will help us uncover:

- What's happening right now in your community that has influence over your success?
- Who are the most influential members or groups of your community?
- How do people hear about local news?

- What do they think of the City's utility services, such as water
- How are community members receiving your messages?
- What do they believe about water conservation and the City's management of water resources?
- How do they value safe, reliable water services?

While surveys and focus groups are effective ways to obtain this type of information, these techniques take more time than we believe this engagement allows. We've added them to the Optional Task section in case you'd like to consider them. Instead, we're recommending IDIs to get insights from a representative group of your most influential community members. This may include local group leaders, other city officials, business leaders, and/or residents who just seem to have the ear of the community. Our estimate assumes we conduct eight, one-on-one interviews of 45 minutes each by phone or virtual (Teams or Zoom) meeting. We will capture all insights into one summary memo, which along with our kickoff call with you, will serve as the basis for the plan.

Plan Development

Using what's learned in the kickoff meeting and the IDIs, we will develop a plan that builds public understanding, trust and confidence in the rates and that also builds awareness of, and changes behaviors related to, water conservation. The plan will seize past successes and strengths and integrate with any existing communications that have been effective while also identifying new opportunities across many different channels for messaging to ensure all community audiences are reached. The elements of the Strategic Communications Plan we develop for you include:

Plan Goals and Measurable Objectives

The goals will signal the overall aim of our work while measurable objectives will provide specific focus and way to measure success.

Stakeholder Identification and Mapping

To prioritize audiences and customize outreach activities, we will identify and map key stakeholders to strategies and messages during the kickoff meeting and share the findings in this section of the plan.

External Communication Strategies

Using the research, this part of the plan will offer a list of the strategies we think is best suited for reaching your stakeholders where they are, paying close attention to (and ensuring we reach) traditionally underserved portions of your population. These strategies may include electronic communications (web, social media, email, text); paid media (print, online, broadcast, outdoor, etc.); media relations; public engagement (community events, open houses, etc.); and partner relations (working with other city agencies and community groups.

Messaging Platform

A comprehensive message platform will be developed to provide clear, compelling, and consistent information across all channels and materials. Messaging will aim to improve your visibility, transparency, knowledge, and engagement; it will be targeted to specific audience segments; meet communications objectives for each group; be inclusive to all audiences; and counter misconceptions about the work you do. To ensure accessibility, we will review the Flesch-Kincaid reading level of the messages to keep them as close to the national average of 8th grade level. Staff can use this message platform to create materials, talking points, web copy, and FAQs. We include the development of these items in the Optional Task.

Internal Communication Strategies

Recognizing the powerful role your employees have as ambassadors of your work in the community, we will develop some strategies to ensure all key internal groups are plugged into communications efforts. We will ensure there is awareness and alignment across all departments and provide employees with the training and talking points needed to serve as ambassadors for specific projects and programs. This includes creating talking points for employees and providing clear guidance on proper messaging and outreach when departments engage with the public.

Media Relations and Social Media Plan

If it is determined these strategies will be effective for you, we will develop a media relations and a social media plan for the duration of the engagement that aligns your messaging and communication efforts. It will include media pitch recommendations, social media post recommendations and timing for each. Development of these materials is included in the Optional Task.

Implementation Plan

We will provide a "Gantt-like" chart that specifies each task, the lead and support roles, timing, and due dates for the duration of the engagement.

Success Measurement

The final section will offer a way to measure success by identifying key outputs and outcomes. The specificity of the outcome measures is dependent upon how much baseline data we're able to obtain at the start.

DELIVERABLES

- Kickoff Meeting agendas and summary memo
- In-depth interview questions and a script for warm introductions from your staff
- IDI summary memo
- Draft and final Strategic Communications Plan
- Optional PowerPoint of plan for presentation to your leadership

Conservation Plan, Messaging and Materials

Typical conservation marketing messages you might see used across the nation are often not enough to get significant results. Mandated two-or three-day lawn watering schedules can backfire and generate more water use not less.

Conservation Plan and Materials

We recommend a more strategic approach with conservation. That includes developing a formal conservation plan that's rooted in data and targets specific audiences and activities for results. It will be important to understand what the goal is (e.g. reduce demand by half? Which months? Which customers?). This strategic effort also means pinpointing who the high users are and how many – so we can target them with information specifically. It means taking a critical look at what Laredo has been saying and doing to date – and being willing to drop efforts that have not been effective, adopt some new ideas, and/or go all-in on activities that are working for you.

Workshop

To start, we'll host a virtual workshop with your team to answer a number of questions so we have shared understanding of the precise problem, what's working, what isn't, and desired solutions. Addressing these challenges will require intensive and dynamic messaging to show customers where demand is with respect to supply and the goal. It may also require specific communication to a subset of customers and community-based social marketing techniques to change behavior, like pledges, prompts (billing notices) and social norms (yard signs).

If Laredo is going to enforce mandatory restrictions, it will be necessary to ensure all customers are aware of the specific restrictions and enforcement parameters so no one is surprised.

Irrigation Outreach

Automated lawn irrigation systems of course play a starring role in excessive water use. We recommend examining the results of the mandated watering schedule and adjusting if needed. In addition, we recommend a thoughtful and coordinated effort to work with the irrigation and landscape contractors that serve your area to empower them to deliver information and messages to your customers. This connection is win-win-win, as it gives customers a chance to water more responsibly, and save money while doing so; it gives irrigation professionals and added excuse to talk to customers and credibility when talking about smart controllers and other proven devices; and it's likely to get Laredo the reduced – or smarter – water use they need.

DELIVERABLES

- Workshop agenda and summary memo
- Draft and final Conservation Plan with measureable success indicators
- Marketing materials (mailings, yard signs, bumper stickers, etc.)
- Environmental/outdoor messaging (marquees, electronic signage, posters, billboards)
- Web page
- Social posts (8)
- Infographics (6)
- Animated explainer video (1)
- Fact sheet/Mailer
- Irrigation/Landscape professional outreach memo

OPTIONAL SERVICES

Additional Research Techniques for Communications Plan

Survey

An online, fully anonymous survey to tease out the key data points in a quantitative way. In addition to developing the survey, we will also suggest ways to promote it to your service area, such as using the media, your website, social media, and partners in the community who can share the link. Raftelis would handle all items in the deliverables. The city would handle promoting the survey and sharing the survey link.

Focus Groups

Focus groups of customers can help us understand better the thinking behind the survey results and/or they can offer us a chance to test new messaging or outreach ideas. Typically, we would assemble three groups (virtually if needed) of 8-12 people. Raftelis would handle designing and leading the focus groups, plus the deliverables. The city would be in charge of recruiting customers for the focus groups

DELIVERABLES

- Draft and final survey
- Press release to promote the survey
- 2 Social media posts to promote the survey
- Survey memo
- Focus group discussion guide
- Focus group memo

Communication Materials Development

Key messages developed as part of the strategic communications plan come to life when woven together into powerful communications pieces by our creative services team. Visual representation of proposed changes in an easy-to-understand and accessible format significantly improves customer understanding of rate structure changes that may impact customer bills.

We can develop a suite of communications pieces to assist with communicating the rate structure changes in print, online, or in person.

DELIVERABLES (draft and final of each)

- Talking points
- FAQs
- Website copy and infographics
- A fact sheet and/or mailed bill insert
- A presentation slide deck for community meetings
- Social media posts
- An animated explainer video
- Media pitches or news releases

Community Engagement Activities

Communications is only half of the equation. The City would also benefit greatly from customer participation in the rate study process. Participation techniques can be used to test values and understanding; get consensus or buy in on pricing objectives; and general input to rate structures and timing of the rate change. Customers may still not like the outcome, but they will appreciate the opportunity to be involved in the process, and the City will establish or fortify its reputation as being an empathetic and trustworthy agency and gain some valued message ambassadors in the process! We can accomplish this a variety of ways, which may include:

- An advisory panel that meets monthly with the rates staff
- A series of Open Houses to share information and obtain input
- An online survey for community members to complete

DELIVERABLES

- Panel meeting agendas, facilitation guide, facilitation, and meeting summaries (5 total)
- Open House logistical planning, materials development, and participation (3 total)
- Survey development and implementation
- Recommendations Memo

Spanish Translation Services

Raftelis sub-consults with UNO Translations (www.unotranslations.com) for its translation service needs. UNO is an established and proven linguistic partner located in Virginia with 25 years of experience providing services in over 250 languages. The UNO team of linguists ensures when working across cultures, your message is delivered appropriately. Different cultures have different value systems and see the world differently. So UNO's translations are not just word-appropriate, they're culturally correct. UNO and Raftelis have worked together for more than two years.

Budget and Timeline

We have provided the budget by the Rate Study in the RFQ and the additional proposed work for Communications.

Rate Study

Tasks	Web Meetings	In-person Meetings	Hours TC	Hours AF	Hours BV	Hours SV	Hours SW	Hours Total	Total Fees & Expenses
1. Project Development and Management (includes Kick-off Mtg)	1	1	2	40	8	4	8	62	**$21,217**
2. Financial Plan Development	1			24	16		40	80	**$21,000**
3. W/WW Cost-of-Service Analysis and Rate Calculation	1			24			40	64	**$15,720**
4. Rate Model Development	1			24			40	64	**$15,720**
5. Reports and Presentations	1	2	2	40	8		32	82	**$26,614**
Total Meetings / Hours	**5**	**3**	**4**	**152**	**32**	**4**	**160**	**352**	
Hourly Billing Rate			**$320**	**$320**	**$320**	**$295**	**$185**		
Total Professional Fees			**$1,280**	**$48,640**	**$10,240**	**$1,180**	**$29,600**	**$90,940**	
								Total Fees	**$90,940**
								Total Expenses	**$9,331**
								Total Fees & Expenses	**$100,271**

TC - Todd Cristiano
AF - Angie Flores
-
BV - Brandon Vatter
SV - Samantha Villegas
SW - Sarah Wingfield
-
-

The Rate Study includes three (3) in-person meetings to be attended by the Project Manager, Angie Flores, and five (5) virtual meetings. The budget estimate includes travel expenses.

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Communication Plan

Tasks	Web Meetings	In-person Meetings	Hours			Total Fees & Expenses
			AF	SV	Total	
Strategic Communications Plan	1	1	16	42	58	**$20,127**
Conservation Planning			4	80	84	**$25,720**
Optional Tasks					0	**$0**
Additional Research				21	21	**$6,405**
Materials Development				68	68	**$20,740**
Community Engagement		5	32	72	104	**$42,705**
Translation Services		**$50 set-up fee, 20 cents per work**			0	**$0**
Total Meetings / Hours	**1**	**6**	**52**	**283**	**335**	
		Hourly Billing Rate	**$320**	**$295**		
		Total Professional Fees	**$16,640**	**$83,485**	**$100,125**	
- *AF - Angie Flores* - - *SV - Samantha Villegas* - - -					**Total Fees**	**$100,125**
					Total Expenses	**$15,572**
					Total Fees & Expenses	**$115,697**

The Communication Plan is estimated at $20,127 and includes one (1) in-person meeting. The Conservation Planning is estimated at $25,720. The optional tasks are priced at $69,850 and can be decided upon when developing the Strategic Communications Plan.

The timeline assumes that the kickoff meeting will be held in early June and that data is received on time. These rate studies can take four to six months depending on staff availability. This can be modified as needed.

	2024				
TASKS	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**
1. Project Development and Management (includes Kick-off Mtg)					
2. Financial Plan Development					
3. W/WW Cost-of-Service Analysis and Rate Calculation					
4. Rate Model Development					
5. Reports and Presentations					
Strategic Communications Plan					
Conservation Planning					

In-person Meetings

Web Meetings

Deliverables