



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2026-4769

Agenda Date: 3/11/2026

Agenda Item No: 6.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

COMPREHENSIVE COST OF SERVICE RATE STUDY, SPECIFICATION NO. CS-2025-711BD

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve a Professional Consultant Services Agreement with HDR Engineering, Inc. to perform a Comprehensive Cost of Service Rate Study, Specification No. CS-2025-711BD, for a total amount not to exceed \$254,280; and
- B. Approve a contingency of \$25,428 (10%).

BACKGROUND

Since 2002, the Orange County Sanitation District (OC San) has completed a rate study every five years to determine customers' fair and equitable share of collection, treatment, and disposal costs, developed an accurate rate model, and established a new five-year rate schedule which ensures full cost recovery and supports Proposition 218 notifications.

For the 2026 rate study, staff has requested a comprehensive rate study on all fees and charges including annexation fees and urban runoff fees.

This comprehensive rate study allocates costs to Flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS) for the purpose of billing different customer classes, including high flow and high strength dischargers.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Stable rates, no large unforeseen rate increases

PROBLEM

OC San's current five-year rate schedule will end as of June 30, 2028. To assess rates on the newly incorporated customers under the IRWD Agreement, approved in 2025, a new rate study and resulting rate schedule needs to be adopted by the OC San Board of Directors.

PROPOSED SOLUTION

Approve the Professional Consultant Services Agreement with HDR Engineering, Inc. to complete a comprehensive cost of service rate study to establish the next five-year rate schedule.

TIMING CONCERNS

To meet the legal requirements of Proposition 218 so the new Ordinances are adopted and the rate schedule is effective July 1, 2027, the rate study should begin no later than the beginning of April 2026.

RAMIFICATIONS OF NOT TAKING ACTION

The rate study would be delayed, which could potentially affect the implementation of the new rate schedule and hinder OC San’s cost recovery.

PRIOR COMMITTEE/BOARD ACTIONS

November 2025 - Approved initiating the rate setting process a year early to allow Orange County Sanitation District to assess rates across the service area including new customer bases.

ADDITIONAL INFORMATION

On December 1, 2025, OC San issued a Request for Proposals (RFP) and on January 5, OC San received two proposals. The proposals were evaluated in accordance with OC San’s policies and procedures and by a team consisting of the Director of Finance, Finance Manager, Accounting Supervisor, and an Engineering Supervisor. A Purchasing representative chaired the team as a non-voting member and legal counsel reviewed the proposals for process and adherence with Proposition 218 requirements.

Proposals were individually scored based on the following criteria:

CRITERION	WEIGHT
Qualifications of the Firm	30%
Staffing and Project Organization	20%
Work Plan	30%
Cost	20%

The evaluation team first reviewed and scored the proposals based on the criteria listed above, excluding the cost criterion.

Rank	Proposer	Criterion 1 Max (30%)	Criterion 2 Max (20%)	Criterion 3 Max (30%)	Subtotal Max (80%)
1	HDR Engineering. Inc.	26.4%	17.8%	27.9%	72.1%
2	HF & H Consultants	21.0%	12.0%	19.5%	52.5%

A sealed cost proposal accompanied all proposals. Only the cost proposal for the highest ranked firm was opened. OC San requested a Best and Final Offer.

The final scores for the proposers were as follows:

Rank	Proposer	Subtotal Before Cost (Max 80%)	Cost (Max 20%)	Total Weighted Score (Max 100%)
1	HDR Engineering. Inc.	72.1%	20.0%	92.1%
2	HF & H Consultants	52.5%	N/A	52.5%

Based on these results, staff recommends approving a Professional Consultant Services Agreement to HDR Engineering, Inc.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted (Budget Update FY 2025-26, Page 23, Professional & Contractual Services) and is proposed to be incorporated in the FY 2026-27 budget.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Professional Consultant Services Agreement