

Meeting Date: 8/8/2013

Report Type: Consent

Report ID: 2013-00583

Title: Supplemental Agreement: Engineering Feasibility Study

Location: Citywide

Issue: Approve a supplement to the existing professional services agreement with Carollo Engineers, Inc. for additional work on the Engineering Feasibility Study conducted for the water and wastewater debt financing.

Recommendation: Pass a Motion authorizing the City Manager or the City Manager's designee to sign a Supplemental Agreement to Agreement No. 2012-1045 with Carollo Engineers, Inc., in an amount not-to-exceed \$28,161, bringing the total Agreement amount to \$223,850.

Contact: Jamille Moens, Integrated Planning & Business Operations Manager, (916) 808-5988; Robert Armijo, Senior Engineer, (916) 808-1411, Department of Utilities

Presenter: None

Department: Department Of Utilities

Division: Integrated Planning & Bus Ops

Dept ID: 14001661

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Contract Status Form
- 4-Exhibit A (Agreement)

City Attorney Review

Approved as to Form
Joe Robinson
8/1/2013 9:49:17 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
John Colville
7/25/2013 9:16:25 AM

Approvals/Acknowledgements

Department Director or Designee: Dave Brent - 7/31/2013 11:56:26 AM

Description/Analysis

Issue Detail: A feasibility report prepared by Carollo Engineers was a key component of the official statement (bond offering document) that was distributed for the recent Department of Utilities (DOU) revenue bonds issuance. The proposed supplemental agreement is to compensate Carollo for work requested by the City that was not included in the original agreement scope.

Policy Considerations: Preparation of an engineering feasibility study has improved the marketability of the proposed revenue bonds.

Economic Impacts: None

Environmental Considerations: The Community Development Department, Environmental Planning Services has reviewed the project and has determined that the action of approving a supplement to the professional services agreement is not a project as defined by the California Environmental Quality Act (CEQA) Section 15378. This action is an administrative activity that will not result in direct or indirect physical changes in the environment.

Sustainability: The proposed supplemental agreement and increases to the Capital Improvement Program (CIP) utilizing bond financing have been reviewed for consistency with the goals, policies, and targets of the Sustainability Master Plan and the 2030 General Plan. These efforts will advance these goals, policies, and targets by ensuring that the City continues to provide a safe, clean, and reliable water supply to its customers and that the City will continue to safely, reliably, and responsibly dispose of its sewage.

Commission/Committee Action: Not applicable

Rationale for Recommendation: Approval of the proposed supplemental agreement will allow DOU to compensate Carollo Engineers, Inc. for additional services required for the feasibility report. The feasibility report provided an outside engineering evaluation of the projects to be debt-financed and aided in the marketing of the revenue bonds.

Financial Considerations: The cost of this supplement was anticipated in the "cost of issuance" for the bond sale which was completed on June 19, 2013. There is sufficient capital in Fund 6320 (wastewater bond) to pay this supplement. This supplement is a cost associated with the issuance of the bond and, as such, it is permissible to reimburse this supplement from the proceeds of the bond sale. Therefore, the supplement will not be paid from a CIP or from the DOU's operating budget.

Emerging Small Business Development (ESBD): Carollo Engineers, Inc. is not certified with the City as an emerging/small business.

BACKGROUND

The City of Sacramento, Department of Utilities (DOU) provides City residents and businesses with valuable water, sewer and drainage services.

On March 27, 2012, City Council approved DOU's proposal to increase water and wastewater utility service rates for three years, consisting of an increase of 10% per year for three years for water rates, and an increase of 16%, 15% and 14%, respectively, for three years for wastewater rates. Such rate increases will enable the City to generate sufficient revenue to fund necessary infrastructure projects to ensure system reliability and sustainability, as well as move toward meeting industry best practices for infrastructure replacement and maintenance. The 3-year Capital Improvement Program (CIP) for the Water System and Wastewater System, for fiscal years 2013 through 2015, will require bond financing to fund most of the projects in the CIP.

The disclosure counsel to the City (Stradling, Yocca, Carlson & Rauth PC), on the water and wastewater bond issuances, recommended that the City utilize a private engineering firm to serve in the role of an engineering feasibility consultant on the water/wastewater bond issuances. The City acted on this recommendation and utilized a Request for Qualifications (RFQ) process to select Carollo Engineers, Inc. to prepare the engineering feasibility study. The City Council approved a professional services agreement with Carollo Engineers on September 4, 2012, in the amount of \$195,689. Carollo's feasibility report provided third-party evaluation and verification of the details of projects to be bond-financed, thereby providing greater transparency and accuracy. The proposed supplemental agreement will compensate the consultant for services requested by the City to enhance the feasibility study beyond the scope of the original contract.

Such verification and improved transparency has been of mutual benefit to the City (to include utilities rate payers who finance the cost of the debt), as well as to bond purchasers and rating agencies. Greater transparency through third-party feasibility analyses of projects to be bond-financed has led to higher ratings assigned by the nationally recognized rating agencies. In turn, this has led to greater interest by potential institutional purchasers of City Utilities bonds, resulting in downward pressure on bond yields and the cost of borrowing for the City and its ratepayers.

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SUPPLEMENTAL AGREEMENT

Project Title and Job Number: Engineering Feasibility Study #2012-1045
Purchase Order #: SACTO-0000019873

Date: June 17, 2013
Supplemental Agreement No.: 1

The City of Sacramento ("City") and Carollo Engineers, Inc. ("Contractor"), as parties to that certain Professional Services Agreement designated as Agreement Number 2012-1045, including any and all prior supplemental agreements modifying said agreement (said agreement and supplemental agreements are hereafter collectively referred to as the "Agreement"), hereby supplement and modify the Agreement as follows:

1. The scope of Services specified in Exhibit A of the Agreement is amended to add additional services as follows:
 - a. Instead of a single combined report for the Water and Wastewater Enterprises, Contractor shall develop and separate reports for the Water and Wastewater Enterprises.
 - b. Contractor shall participate in additional meetings and phone calls to review the Water and Wastewater System Reports (Reports), exceeding the number of meetings/phone calls anticipated in the original scope of services.
 - c. Contractor shall collect additional information identified in each of the review meetings/phone calls.
 - d. Contractor shall prepare and revise additional draft Reports, exceeding the number of drafts anticipated in the original scope of services.
 - e. Contractor shall further develop and finalize the Wastewater System Report according to the revised financing schedule, which includes:
 - i. Final editing of the draft Wastewater System Report according to the edits/comments received during the near-final and due diligence reviews and collection and inclusion of other relevant information, and
 - ii. Final formatting of the Wastewater System Report.
2. In consideration of the additional and/or revised services described in section 1, above, the maximum not-to-exceed amount that is specified in Exhibit B of the Agreement for payment of Contractor's fees and expenses, is increased by \$28,161, and said maximum not-to-exceed amount is amended as follows:

Agreement's original not-to-exceed amount:	<u>\$ 195,689</u>
Net change by previous supplemental agreements:	<u>\$0</u>
Not-to-exceed amount prior to this supplemental agreement:	<u>\$0</u>
Increase/decrease by this supplemental agreement:	<u>\$28,161</u>
New not-to exceed amount including all supplemental agreements:	<u>\$223,850</u>

3. Contractor agrees that the amount of increase or decrease in the not-to-exceed amount specified in section 2, above, shall constitute full compensation for the additional and/or revised services specified in section 1, above, and shall fully compensate Contractor for any and all direct and indirect costs that may be incurred by Contractor in connection with such additional and/or revised services, including costs associated with any changes and/or delays in work schedules or in the performance of other services or work by Contractor.
4. Contractor warrants and represents that the person or persons executing this supplemental agreement on behalf of Contractor has or have been duly authorized by Contractor to sign this supplemental agreement and bind Contractor to the terms hereof.
5. Except as specifically revised herein, all terms and conditions of the Agreement shall remain in full force and effect, and Contractor shall perform all of the services, duties, obligations, and conditions required under the Agreement, as supplemented and modified by this supplemental agreement.

Approval Recommended By:

Approved As To Form By:

SUPPLEMENTAL AGREEMENT

Project Manager
Approved By:

City Attorney

Contractor
Approved By:

Attested To By:

City of Sacramento

City Clerk