

Meeting Date: 6/9/2015

Report Type: Consent

Report ID: 2015-00471

Title: Supplemental Agreement: Water, Wastewater, and Storm Drainage Rate Structure Study

Location: Citywide

Recommendation: Pass a Motion authorizing the City Manager, or the City Manager's designee, to execute Supplemental Agreement No. 2 to City Agreement No. C013-1094 with Raftelis Financial Consultants, Inc., for additional work on the Water, Wastewater, and Storm Drainage Rate Structure Study in an amount not-to-exceed \$19,534, bringing the agreement's total not-to-exceed amount to \$219,048.

Contact: Robert Armijo, Senior Engineer, (916) 808-1411; Susan Goodison, Business Services Manager, (916) 808-8995, Department of Utilities

Presenter: None

Department: Department Of Utilities

Division: Business & Integrated Planning

Dept ID: 14001661

Attachments:

1-Description/Analysis

2-Background

3-Agreement

City Attorney Review

Approved as to Form

Joe Robinson

6/2/2015 2:39:21 PM

Approvals/Acknowledgements

Department Director or Designee: Bill Busath - 5/27/2015 10:12:09 AM

Description/Analysis

Issue Detail: Raftelis Financial Consultants, Inc. (RFC) is working on an ongoing Rate Structure Study for the City's Department of Utilities (DOU). The proposed supplemental agreement is to compensate RFC for work requested by the City that was not included in the original agreement scope, nor in supplemental agreement No. 1.

Policy Considerations: Preparation of a Rate Structure Study is integral to keeping the City's billing practices fair, equitable, and consistent with industry best management practices, providing conservation and environmental sustainability incentives, and recovering revenue sufficient to meet regulatory, operational, and financial responsibilities.

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 has 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 wastewater and storm water.

Commission/Committee Action: Not applicable

Rationale for Recommendation: Approval of the proposed supplemental agreement will allow DOU to compensate RFC for additional services required for the Rate Structure Study. The Rate Structure Study provides an outside financial evaluation of the City's rate structures used to bill City Utilities customers.

Financial Considerations: The budget for this supplement will come from DOU's operating budget. The amount of the original agreement was \$169,514. The previously approved supplement was in the amount of \$30,000. The amount requested with this second supplement is \$19,534. The new total amount of the agreement after this supplement is \$219,048. Sufficient funding for this agreement exists within the Water Fund (6005) operating budget.

Local Business Enterprise (LBE): RFC is not certified with the City as a LBE.

BACKGROUND

The City of Sacramento, Department of Utilities (DOU) provides City residents and businesses with valuable water, wastewater, and drainage services. To adequately recover the revenue sufficient to meet the regulatory, operational, and financial responsibilities of the DOU, the City charges its customers rates for utility services rendered. It is common for utility providers to conduct a rate structure study periodically (e.g. every 5 years or so) to review billing practices.

In keeping with best industry practices, the DOU is currently conducting a Rate Structure Study. The City utilized a Request for Qualifications (RFQ) process to select Raftelis Financial Consultants, Inc. (RFC) to prepare the Rate Structure Study. The City Council approved a professional services agreement with RFC on December 4, 2013, in the amount of \$169,514, and supplemental agreement No. 1 on December 2, 2014 for \$30,000. RFC's Rate Structure Study provides a third-party evaluation and verification of the City's current rate structures and possible alternative rate structures.

The consultant has conducted several exercises (e.g. pricing objectives survey and a stake holder sensing session) and used models that will help the City consider current and prospective rates structures. The proposed supplemental agreement will compensate the consultant for services requested by the City to enhance the Rate Structure Study beyond the scope of the original contract and supplemental agreement no. 1.

SUPPLEMENTAL AGREEMENT

Project Title and Job Number: Water, Wastewater, & Storm Drainage Rate Structure Study Date: June 2, 2015

Purchase Order #: SACTO-0000026317

Supplemental Agreement No.: 2

The City of Sacramento ("City") and Raftelis Financial Consultants, Inc. ("Contractor"), as parties to that certain Professional Services Agreement designated as Agreement Number C013-1094, including any and all prior supplemental agreements modifying the agreement (the 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 as follows:

Contractor shall perform additional services, and shall perform reduced services for Item 7.1, as described in Attachment 2 to Exhibit A, attached hereto and incorporated herein.

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, and the Agreement's maximum not-to-exceed amount is amended as follows:

Agreement's original not-to-exceed amount:	<u>\$169,514</u>
Net change by previous supplemental agreements:	<u>\$30,000</u>
Not-to-exceed amount prior to this supplemental agreement:	<u>\$199,514</u>
<i>Increased</i> by this supplemental agreement:	<u>\$19,534</u>
New not-to exceed amount including all supplemental agreements:	<u>\$219,048</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:

Robert Armijo

Project Manager

Approved As To Form By:

Julia

City Attorney

Approved By:

[Signature]

Contractor

Attested To By:

Approved By:

City of Sacramento

City Clerk

ATTACHMENT 2 TO EXHIBIT A

Raftelis Financial Consultants, Inc.
Water, Wastewater, and Storm Drainage Rate Structure Study

PROFESSIONAL SERVICES AGREEMENT

SCOPE OF WORK

This Scope of Work describes the consulting services to be provided by Raftelis Financial Consultants, Inc. (“CONTRACTOR”) to the City of Sacramento Department of Utilities (DOU) for Financial and Business Services consulting as part of the ongoing Rate Structure Study project. Services will include the following tasks:

Task 1.5 – Continuing Consultation and Project Management

CONTRACTOR seeks to have complete understanding and buy-in from the City with regard to CONTRACTOR inputs, methodology, and results. To that end, CONTRACTOR has and will participate in a number of phone calls and email exchanges with City staff to date and anticipate several more before the conclusion of the project.

Meetings/Conferences: At least four (4) phone consultations

Deliverables: Phone, email and other communications as necessary

Task 4.3.1 – Drought Rate Surcharge Alternative and “Comparables”

CONTRACTOR to provide an additional option for a Drought Rate Surcharge (i.e. develop a rate structure that has a separable charge for Residential and Non-Residential Customer Classes). Additionally, the CONTRACTOR to research comparable local agencies with a drought rate surcharge (e.g. City of Roseville).

Meetings/Conferences: none

Deliverables: Report Revisions as part of Deliverables noted in Task 6 of the original scope of work.

Task 4.4 – Hybrid Storm Water Rate Structure Analysis

CONTRACTOR to analyze one additional blended option that would consider the Single Family Home property as Customer Class with a rate structure charged on a flat fee basis (with five tiers based on lot size and impervious coefficient assumptions). The other customer classes would be charged on a basis of impervious area.

CONTRACTOR will calculate and analyze a minimum charge and/or a base charge, in addition to the other cost structure elements. CITY proposed a rough rate structure with CONTRACTOR providing analysis and refinements to the rate structure. CONTRACTOR has prepared another model for this alternative.

Meetings/Conferences: none

Deliverables: Report Revisions as part of Deliverables noted in Task 6 of the original scope of work. One (1) electronic copy of the rate model.

SUPPLEMENTAL AGREEMENT

Task 4.5 Additional Rate Base Characterization

CONTRACTOR performed additional analyses to best characterize properties (to support the rates structure noted in Task 4.4) of the following premise types: DUPLEX, TRIPLEX, FOURPLEX, and MULTIUSE. CONTRACTOR also reviewed a sample of properties categorized as 'Industrial' in the tax data to determine whether a separate premise category was appropriate. CONTRACTOR provided documentation of MULTIUSE type review and documentation of a previous review of MULTIFAMILY type. This additional characterization does not include previous review of other property types to arrive at the initial assumed impervious area percentage assumptions in initial rate structure analyses.

Meetings/Conferences: none

Deliverables: Report Revisions as part of Deliverables noted in Task 6 of the original scope of work. One (1) electronic copy of the two Technical Memoranda.

Task 6.1 Report Sections on Drought Rate Analysis and Hybrid Storm Water Rate Structure

CONTRACTOR will update the report with the results and analysis noted in Tasks 4.3.1, 4.4, 4.5, and 6.1 under this amendment.

Meetings/Conferences: none

Deliverables: Report Revisions as part of Deliverables noted in Task 6 of the original scope of work.

Task 7.1 Public Outreach Services (Scope Reduction)

The CONTRACTOR will be required to attend fewer meetings. The fees from these unused meetings will be credited against the Total Fees and Expenses from the other tasks in this supplement.

Meetings/Conferences: Reduce the scope of work by five (5) meetings leaving one (1) meeting.

Deliverables: Deliverables per Task 7 of the original scope of work.

Task 9 On Call Services

The CONTRACTOR will provide on-call services, as requested, for a sum (of Fees and Expenses) not to exceed \$5,000. The CONTRACTOR will not perform any work without written authorization.

Meetings/Conferences: As Required

Deliverables: As Required

SUPPLEMENTAL AGREEMENT

Water, Wastewater, and Storm Drainage Rate Structure Study

Task Description	No. of Meetings	Hours Requirements							Total Fees & Expenses
		SP	SG	SGa	HL	JF	Admin	Total	
1.5 Continuing Consultation and Project Management	4	8		6	10	8		32	\$ 7,160
4.3.1 Drought Rate Surcharge Alternative and Comparables		4		14				18	\$ 3,980
4.4 Hybrid Stormwater Rate Structure Analysis		8		2	16	30		56	\$ 12,080
4.5 Additional Rate Base Characterization		1			8	20		29	\$ 6,020
6.1 Sections on Drought Rate Analysis and Hybrid Stormwater Rate Structure		4		14	4	16		38	\$ 8,030
7.1 Public Outreach Services Scope Reduction	-5	-7	-45			-20		-72	\$ (22,736)
9 On Call Services									\$ 5,000
HOURLY RATES		\$ 260	\$ 230	\$ 185	\$ 185	\$ 185	\$ 60		
SP = Sudhir Pardiwala SG = Sanjay Gaur SGa = Steve Gagnon									
FC = Steve Gagnon/Jennifer Fits/Elaine Vastis/Henrietta Locklear									
								TOTAL FEES & EXPENSES (NOT TO EXCEED)	\$ 19,534