



San Miguel Community Services District Finance & Budget Committee Staff Report

November 21, 2016

AGENDA ITEM: V. 1

**SUBJECT: Review and Discuss Bids Received for Performing a Utility Rate Study
Analysis of Water and Wastewater Services**

STAFF RECOMMENDATION:

Review and Discuss bids received for performing a utility rate study analysis for water and wastewater services and make a recommendation to Board of Directors to selection interviews.

BACKGROUND

The District has completed a Loading Analysis Study which indicates the need to plan and organize resources for an expansion of the Machado Treatment Plant facility. Staff is working with State DWR officials and a 3rd party agent for DWR, Rural Communities Assistance Corporation for a Prop 1 grant funding to perform a required expansion design study. This funding is estimated at \$400,000. Ultimate construction of any plant expansion is initially estimated at \$3 million.

Recent water line breaks in 10th and 11th Street locations point to a need for significant investment in water and wastewater system infrastructure as replacement of an aging and deteriorating water and wastewater systems, much of which is older than 50 years and beyond end of life periods. Staff anticipates that a commitment to infrastructure replacement will be ongoing for the next 5-10 years and may cost an estimated \$2 million to complete system replacements.

These and other capital projects will need to be borne by a supporting rate structure that also pays for ongoing operating costs and debt service. The current rate structure is trending to negative net incomes from both enterprise funds. This situation has been somewhat mitigated by very modest growth in the community, but such growth is limited and unsustainable for any scenario involving revenue growth and higher operational costs.

The Board adopted a fiscal year budget with a requirement for initiating and completing a utility rate study. The last rate study completed was done in 2007, approximately 10 years ago. There have been significant changes in operating costs. Deferred maintenance issues that now must be addressed for restoring system operational integrity and function needs.

The purpose of this study is to assist and advise the Board of Directors in determining and setting new service charges for water and sewer services. The consultant shall provide the Board with

written report and analysis of the cost of services that meets the requirements of Proposition 218 for increasing property and non-property related fees or charges. To that end, the cost of services study shall provide analysis sufficient to demonstrate that the District is or can generate sufficient funds to meet operating costs, fund capital improvements and debt service costs and maintain reserves at adequate levels for emergencies and other unanticipated costs. Staff requested, for bidding purposes, that a 5-year term for any proposed rates be evaluated.

An RFP (Request for Proposals) was distributed to consulting firms on a direct mailing list, an announcement was posted on District's website, and also posted on the California Special District Association website as an opportunity announcement. This action was done September 21st, shortly after the fiscal budget was adopted.

Bid submittals were due to the District on or before October 31st. The direct mailings went out to 18 firms. Other firms contacted the District based on the RFP opportunity announcement found on the District's webpage or the California Special District Association webpage.

The F & B Committee, at its November 14th meeting, was advised that bid packages were ready for Committee review and discussions. A special meeting was set for November 21st.

Submitting firms are located outside of San Luis Obispo County. The firms have special district and/or municipal governmental finance advisory backgrounds and have sufficient staffing to provide the requested services. The firms that have submitted bid proposals are:

1. **Bartle Wells Associates**, Public Finance Advisors, Berkeley Ca
2. **Raftelis Financial Consultants**, Los Angeles Ca

The number of bids received should be deemed sufficient for bid responses and determined as qualified for requested scope of services. All bidders will have travel cost as a consideration in their bids. None of the bidding firms has an advantage or disadvantage because of travel costs.

Staff would point out that some proposed costs, such as travel, are subject to negotiation, if the Board elects to consider a specific firm. The Committee is responsible for reviewing the submitted bids and making a recommendation to Board.

Bartle Wells has 50 years' experience in advising local governments and providing professional services involving utility rate and fee studies, and project financing. Their firm has done recent work for Cambria CSD, South SLO Sanitation District, Cities of Paso Robles and Morro Bay as well as other agencies throughout California.

A project work schedule for this firm is included with the proposal. They propose completing a final report by April-May 2017. They do not propose use of technology to control costs and unnecessary travel for meetings, but are receptive to such use.

A cost pricing sheet is separately included, as required by RFP, for each firm and has been included with the firm's bid proposal.

Raftelis has 24 years' experience in advising and providing professional services involving utility rate and fee studies in California and across the nation. Their firm has done work for Phelon-Pinon Hills CSD, Elk Grove Water District City of Lompoc, Goleta West Sanitary District, Goleta Water District, City of Arroyo Grande and other agencies as listed in their proposal.

A project work schedule for this firm is included with the proposal. They propose completing a final report by April-May 2017. They also propose use of technology to control costs and unnecessary travel.

A cost pricing sheet is separately included, as required by RFP, for each firm and has been included with the firm's bid proposal.

Each bidding firm was asked to submit a scope of services, work schedule, hourly rate schedule, personnel qualifications, personnel assigned to perform professional services to District Board and General Manager, knowledge and experience with CSD's or Special Districts. Both firms have complied with this RFP requirement.

TENTATIVE SCHEDULE:

Tentatively, the schedule for selection could envision a special Board interviews on or about December 8th or 15th with an announcement of award. Contract award completed with a resolution and signed contract at the December 22nd Regular meeting.

STAFF RECOMMENDATION:

Staff recommends that Committee review the bids and make a recommendation to the Board to interview both qualified firms for purpose of making a selection. Committee should, if members determine a specific selection, also include that name in its recommendation to the Board.

Committee members may recall, during budget discussions, it was stated that an appropriate utility rate study could be estimated at \$50,000. Ultimately, this study cost would be included in District costs borne by any future rate changes.

Staff recommends that both firms be interviewed by the Board for a selection choice since qualifications and experience is very high for both firms.

PREPARED BY:

Darrell W. Gentry

General Manager

Attachments: Bid Proposals for: (these were distributed to Committee as a separate handout)

1. Bartle Wells Associated
2. Raftelis Financial Consultants