EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
Greg Veliz, Asst. City Manager

FROM: John Paul Castro, Utilities Director

DATE: March 26, 2019

SUBJECT: **Approval of Task Order 02-2019-STM for FY 2020 Stormwater Rate Study by Arcadis U.S., Inc. in the Amount of $23,100.00**

Action statement:
This resolution will approve Task Order 02-2019-STM from Arcadis U.S., Inc in the amount of $23,100 to provide a rate study preparation of the City's stormwater billing. The task order is from the City's contract with Arcadis U.S., Inc. in response to RFQ 15-002, approved by resolution 15-162, extended by resolution number 18-167.

Background:
The City has established rate models for billing for our wastewater, stormwater, and solid waste accounts. This study will provide an independent analysis of our rate stormwater model.

We have worked with staff from Arcadis U.S., Inc. over the last several years for utility rate models, the firm has good knowledge of the City and its stormwater capital improvement plan. The consultant also has an extensive background with the financial standards for public utilities.

Purpose and Justification:
Arcadis U.S., Inc. will prepare a rate model as described in the attached scope of work:

- *Update Billing Information* – Arcadis U.S., Inc. will incorporate the last 12 months of historical billing information and the forecast stormwater usage.
- *Forecast of Revenues* – Upon loading the billing determinant information, Arcadis U.S., Inc. will apply the existing stormwater rates to forecast revenues.

Key to the Caribbean – Average yearly temperature 77° F.

- *Operating and Maintenance Expenses*– Arcadis U.S., Inc. will incorporate the forecast of operating and maintenance expenses for FY 2020
- *Capital Improvement Program*– Arcadis U.S., Inc. will incorporate the City's CIP to determine the financial implications of funding the plan over the forecast period.
- *Financial Plan* – The Arcadis U.S., Inc. team will review the financial forecast to determine the appropriate financial plan which is necessary to maintain the financial viability of the stormwater utility.
- *Present a Rate Recommendation* – The Arcadis U.S., Inc. team will present a rate recommendation to the City Commission and answer questions based on the financial plan decided by City staff.
- *Updated Rate Model and Recommendation* – Arcadis U.S., Inc. will provide the City with an updated stormwater rate model along with a summary letter documenting any recommended stormwater rate adjustments.

Rate models are created to recommend the most appropriate utility charges to the rate payer. These models consider a proposed budget, historical data, inflation, and future capital needs to provide forecasts that ensure the public utilities will maintain assets and proper operations for future years. The models allow the commission to use rates that flow consistently as they consider major future capital requirements.

Utility rate models are complex, lengthy, and time consuming. Current staffing is not adequate to prepare both budgets and rate models at the level of expertise made available by our financial consultants.

The rates proposed are consistent with the contract documents attached. The labor mix is reasonable for the level of effort necessary for this task.

Options:
1) The City may opt to not award the task order with Arcadis U.S., Inc. No 3rd party prepared rate model would be completed.

2) The City can hire Arcadis U.S., Inc. for a cost of $23,100.00. to provide an independent rate study to give further credibility to our stormwater rate model and billing structure.

Financial Impact:
The maximum price for this task order will be $23,100.00. It will be charged to the City's budget for line item, account Utilities/Stormwater/Administration/Professional Services 402-3801-535-31.

Recommendation:
Staff recommends option #2, approving task order 02-2019-STM from Arcadis U.S., Inc. Consulting to perform a stormwater rate study for a price of $23,100.00.