# Request for Proposals Rate Study Services April 26, 2013



# **GENERAL INFORMATION**

### Introduction

The City of Sierra Madre invites interested professional civil engineering and/or government accounting firms, and/or firms specializing in fee studies, to submit written proposals to provide consultant services for the City. As Consultant, the selected firm or individual will be expected to provide a wide range of professional services to the City relative to the preparation of a water rate study and adoption of new water rates. The Consultant may also be expected to provide a similar range of services in association with a sewer rate study.

# Proposed Time Schedule

RFP Availability	April 26, 2013
Submittal Deadline	May 30, 2013, 5:30 p.m.
Review Process	June 1, 2013 to June 18, 2013
Consultant Interviews	June 13, 2013
Contract Approval	June 25, 2013
Preliminary Report and	September 24, 2013
Final Report	November 30, 2013

## Submittal Guidelines

Firms interested in submitting Proposals for Rate Study Consultant Services shall submit one (1) original unbound Proposal marked "ORIGINAL", one electronic version, in PDF format, on a CD, or "thumbdrive", and seven (7) bound copies, marked "COPY," on or before the Submittal Deadline for Proposals, with a proposed contractual agreement, in a sealed envelope marked, "City of Sierra Madre – Rate Study Proposal" and "Do Not Open With Regular Mail." The envelope shall be addressed to:

Bruce Inman, Director of Public Works City of Sierra Madre 232 W. Sierra Madre Boulevard Sierra Madre, CA 91024

Proposals may be submitted by US Mail, or delivered in person to the Public Work's office, but must be received in the Public Works Director's office by 5:30 PM on May 30, 2013. No oral, telegraphic, e-mailed, or faxed proposals will be considered.

The City reserves the right to modify the estimated Council contract approval date, or any of the dates in Section 1.B. of this Request for Proposals. Modification to the Schedule in Section 1.B will be posted on the City's website, along with other proposal related information. The City also reserves

the right to waive non-substantial irregularities in any proposal, reject any or all proposals, to request additional information for purposes of clarification, to accept or negotiate any modification to any proposal following the deadline for receipt of all proposals and to waive any irregularities if such would serve the best interests of the City as determined by the City Council. The City may modify, clarify, or interpret the RFP by sending an addendum to each firm that originally received or requested an RFP. Any such addendum shall become part of the RFP and of any contract awarded. The Proposer may make modifications to a proposal already submitted to the City, but must submit a written request to withdraw its proposal in order to make the modifications. It is the responsibility of the Proposer to ensure that modified proposals are resubmitted in accordance with the RFP submittal deadline.

The City requires all Proposers to comply with all applicable federal and state laws, and the firm selected to provide Consultant services shall be an independent contractor. All persons employed by a firm in accordance with a contract resulting from the RFP will be employees of the firm and not employees of the City.

The City is not liable for any costs incurred by the Proposer before entering into a formal contract. Costs for developing the proposal or any other such expenses incurred by the Proposer in responding to the RFP are entirely the responsibility of the Proposer, and shall not be reimbursed in any manner by the City.

A Proposer may withdraw its proposal by submitting an email or written request to Bruce Inman, Director of Public Works, to withdraw prior to 4:00 pm on May 30, 2013, in which event the proposal will be returned to the proposer.

Telephone questions regarding the RFP will not be accepted. The City will accept only written, emailed pre-submittal questions from Proposers. The Proposers are encouraged to cover all questions in one request so that City staff can provide timely and effective responses. All pre-submittal questions about the RFP will only be accepted by email until Tuesday, May 28, 2013 at 5:30 pm. Responses to all questions will be posted on the City's website. It is each Proposers responsibility to check the City's website for RFP updates and answers to pre-submittal questions. Any questions regarding the RFP should be directed to by email to Bruce Inman, Director of Public Works, at binman@cityofsierramadre.com.

## **City of Sierra Madre**

The City of Sierra Madre is one of twenty-nine cities in the San Gabriel Valley region of Los Angeles County. It is located approximately 17 miles northeast of downtown Los Angeles, at the base of the San Gabriel Mountains. The City is bounded by the cities of Arcadia to the east and south, Pasadena to the west, and the Angeles National Forest to the north.

Prior to its settlement and development in the late 1800s, the land which is now Sierra Madre was part of the Santa Anita Rancho. The original plan was to develop the land as a health resort, but was eventually subdivided and sold to early settlers of the area. On February 2, 1907, the City incorporated as a 3.06 square mile, general law City, and operates under the City Manager/City Council form of government.

Comprised of approximately 11,099 residents, the City of Sierra Madre is primarily a residential community, comprised of single-family homes, with multi- family residential surrounding the limited business sector, which is located in the City's downtown business district at Sierra Madre Boulevard and Baldwin Avenue. Downtown Sierra Madre includes specialty shops, drug stores, boutiques, and restaurants. There are also a variety of professional services and other healthcare, businesses and education services in the City.

Sierra Madre is a full service City that provides most services in-house, including police protection, fire suppression and prevention, emergency medical response, recreation programs, senior services, local transportation, library services, planning and permit processing, public works, sewer and storm drain maintenance, street maintenance, and other general and administrative governmental services.

# Sierra Madre Water Department

Sierra Madre owns and operates its own Water Utility. Through its Public Works Department, in fiscal year 2011-12 the City produced 2,691 acre-feet (876,875,805 gallons) of groundwater. That water was treated and delivered to 3809 metered water services.

A water rate study was completed in May of 2010, and the proposed rates passed the Prop 218 requirements in July of that year. Following a community discussion of the proposed rates, a revised rate structure was adopted by the City Council in January 2011. The rates went into effect July 1, 2011.

Water revenue has not met the projections of the 2010 rate study. As a result water revenue is not adequate to cover operations, capital improvements, or debt coverage requirements. Therefore, the City Council has directed staff to seek proposals from qualified professional firms for the preparation of a new water rate study.

Additional information can be found on the City of Sierra Madre website: <a href="https://www.cityofsierramadre.com">www.cityofsierramadre.com</a>

# Proposal Submittal Deadline

May 30, 2013 at 5:30 pm in the office of Director of Public Works, Sierra Madre City Hall, 232 West Sierra Madre Bl. Sierra Madre, CA 91024

# I. Scope of Services

The anticipated basic Scope of Services will include but are not limited to the

# following:

## A. Basic Study Objectives – Water Rates

- 1. Develop a water rate structure that will allow the City to meet its financial obligations, specifically; ensuring long term financial stability of the Water Fund.
- 2. Assess the current rate structure's performance as a baseline for comparing recommended changes.
- 3. Assess the equity of recommended water rates for all types of property ownership to include multi-family units, agricultural, and commercial uses.
- 4. Assess the sensitivity of the interaction between the water conservation elements of the recommended tiered rate structures and their impacts on the ability to fund water operations as well as their impact on the economic wellbeing of the community.
- 5. Lower the Tier 1 threshold from the current rate structure, possibly as low as 12 units per bimonthly billing period.
- 6. Significantly increase the price difference between tiers, perhaps as much as 3-4 times the amount of the first tier for Tier 4.
- 7. Add a fourth tier to allow for finer gradation between tiers.
- 8. Break out cost components within billing structure in a manner similar to that used by other utilities. This could include separate billing line items for operations, bond financing, imported water costs, capital improvements, etc.
- 9. Establish a separate tier structure for multi-unit dwellings.
- Include a small surcharge that will be utilized for establishment of a fund to encourage replacement of high water use landscaping with water-efficient landscaping.
- 11. Maintain current low-income discounts

### B. <u>Study Requirements</u>

1. The tiered rate structures shall be based primarily on water consumption.

- 2. The recommended rate structure shall be based on cost of service and shall be sufficient to meet the short and long-term revenue requirements of the City of Sierra Madre Water Fund.
- 3. The study shall recommend rates that consider and make provision for the following factors:
  - a. Current and future cost of providing water in accordance with established and anticipated standards and regulations.
  - b. Projected demands, while considering goal of water conservation.
  - c. Age and condition of water system and the need to fund long-term capital improvement/replacements for supply, treatment, and distribution infrastructure.
  - d. Funding requirements for all current long-term liabilities and debt obligations.
  - e. Impact of current and future environmental regulations.
  - f. Other impacts as identified.
- 4. The recommended rate structures shall provide direct identification of revenues appropriated to major funded activities and infrastructure.
  - a. Operation & Maintenance (O & M) expenses
  - b. Capital expenses and capital financing
  - c. Bond coverage requirement.
  - d. Water purchase from outside sources, as needed
- 5. The benefits of any proposed modifications shall be weighed against the financial impacts on ratepayers.
- 6. The recommended rates shall result in no decrease in stability of the revenue stream to the Water Fund, as compared to the current rate structure.
- 7. Consideration should be given to funding past and future depreciation.
- 8. The recommended rate structure and report shall be easy to staff to administer and the customer to understand.

- 9. The City of Sierra Madre's utility billing systems must be able to implement the proposed rate structure.
- Analyze the current and historical revenue and billing data to estimate relative reliability of rate forecasts for the base fiscal year through five subsequent fiscal years.
- 11. Per City of Palmdale v. Palmdale Water District (PWD), the recommended rate structure shall comply with the provisions of Prop. 218. It shall be demonstrated that the rates do not exceed the proportionate cost of serving each class of customers. A sound rationale related to the cost of service is required.

# C. Study Elements

- 1. In making its rate structure recommendations, the Final Report shall explicitly include the following elements:
  - a. Current Rate Structure: Assess the current rate structure's performance as a baseline for comparing recommended changes.
  - b. Equity: Assess the equity of recommended water rates for all types of property ownership to include multi-family units, commercial, agricultural and institutional property owners.
  - c. Conservation Impacts: Assess interaction between water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations.
  - d. Sensitivity Analysis: Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water system costs and other costs under the impacts of future water quality and environmental regulations and standards. Assessment is to include a sensitivity analysis where the long-term revenue generated under each alternative as well as the current rate structure shall be illustrated when confronted with the impacts of growth, drought, extreme rain, mandated requirements under current and upcoming federal and state programs, and major water quality improvements.
  - e. Impact of Other Costs: Assess impacts on recommended rate structures due to potential need to purchase potable water from outside sources, such as the San Gabriel Valley Municipal Water District.
  - f. Comprehensive Summary of Recommended Rate Structure: Assess performance of each studied rate structure against current rate structure

- performance as baseline and provide recommendation on preferred rate structure.
- g. Supporting Data: Provide data supporting conclusions and observations made for each of the areas above and site within study.
- h. Provide a comparison of current water system costs (operations, capital improvements, bonded debt) against appropriate industry benchmarks.
- Provide a calculation of the bi-monthly water bill for the average Sierra Madre customer (as determined by water consumption) for each rate structure included in the analysis.
- j. Provide a comparison of San Gabriel Valley water agencies (public and private) water rates. Include in the comparison a sampling of water rates of other California water agencies that are similar in size to Sierra Madre. The comparison shall also include the cost of the same Sierra Madre average bill (Item i above) bi-monthly water bill at each agency's water rate.
- 2. It is of the utmost importance that the study methodology be fully transparent; understandable by the general public.

# D. <u>Services to be Provided by the Consultant</u>

- Conduct a detailed review of the existing water rates and status of the Water Fund and develop a general familiarity with the City of Sierra Madre's billing system as it relates to the Water Fund.
- 2. Meet or confer with staff as needed and attend four to six meetings with City Council at work sessions to present the interim status of the study and obtain their input.
- 3. Conduct analyses as required to address the scope of work.
- 4. Preliminary Report
  - a. Provide a preliminary report, for City review and comment, which summarizes the findings and recommendations of the study.
  - Prepare and make presentations of the preliminary report to Administration and Public Works Department personnel and to the City Council.

- c. Be available for any additional work, if required, subsequent to presentation of the final report.
- d. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to the City by November 30, 2013.
- 5. Provide assistance to City Council and city staff during the Proposition 218 process.
- 6. Provide a Final Report.
  - a. The Final Report shall summarize the completed action of the City Council, providing the final rates as adopted, the final rate structure, an explanation of how those rates were calculated, summary of the Prop 218 process and results of customer "voting," and projected revenue under the adopted rates and rate structure.

# E. Optional Additional Services to be provided by the Consultant

The City may choose to also undertake a sewer rate study. If so, it is intended that the Consultant follow much the same process used in the water rate study for development of new sewer rates. The consultant shall include in his/her proposal as separate fee for preparation of the sewer rate study.

The sewer rate study will include but not be limited to:

- Conduct a detailed review of the existing sewer rates and status of the Sewer Fund and develop a general familiarity with the City of Sierra Madre's billing system as it relates to the Sewer Fund.
- 2. Meet or confer with staff as needed and attend four to six meetings with City Council at work sessions to present the interim status of the study and obtain their input. These may be the same meetings previously listed regarding the Water Fund.
- 3. Conduct analyses as required to address the scope of work.
- 4. Preliminary Report and Final Report
  - a. Provide a preliminary report, for City review and comment, which summarizes the findings and recommendations of the Sewer rate study.
  - Prepare and make presentations of the preliminary report to Administration and Public Works Department personnel and to the City Council.

- c. Be available for any additional work, if required, subsequent to presentation of the final report.
- 5. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to the City by November 30, 2013.
- 6. Provide assistance to City Council and city staff during the Proposition 218 process.
- 7. Provide a Final Report.
  - a. The Final Report shall summarize the completed action of the City Council, providing the final rates as adopted, the final rate structure, an explanation of how those rates were calculated, summary of the Prop 218 process, and projected revenue under the adopted rates and rate structure.

The current sewer rate is a flat rate charged to each 'sewered' property, with the basis of charges being the number of dwelling or commercial units on each property. It is envisioned that a new sewer rate would be based on potable water consumption, with appropriate allowances made for irrigation water use.

# F. Services to be Provided by the City of Sierra Madre

- 1. Furnish all reasonably available records and information, including financial reports, budgets, and water production and consumption data.
- 2. Provide staff support and assistance as required and agreed to in advance of study.

# G. Proposal Form and Content

- 1. Proposal Submittal
  - a. All pages of the proposal must be numbered consecutively. The proposal must be organized in accordance with the list of proposal contents. The proposal must provide specific and succinct responses to all questions and requests for information.
  - b. Proposers must address the Scope of Services in Section II. Proposals and the fee schedule must be valid and binding for 120 days following the proposal due date and may become part of the agreement with the City.

### Letter of Transmittal

Include a cover letter signed by a duly authorized representative of the firm. The cover letter must include name, address, telephone number and e-mail address of the Proposer submitting the proposal. In addition, the name, title, address, telephone number, fax number and e-mail address of the person or persons who are authorized to represent the Proposer and to whom correspondence should be directed shall be included.

### Table of Contents

Include a clear identification of the submitted material by section and by page number.

# 4. Summary

Summarize key provisions of the proposal. Provide a statement describing why the Proposer is qualified to perform this work, the names of individuals who would serve as the Project Manager and the City's primary Point of Contact with the proposing firm.

# 5. Statement of Understanding

Include a detailed statement of understanding of the professional services to be provided for Sierra Madre, and acknowledge the City's priority of maintaining transparent communications between the City and its residents and businesses. If there are services listed in the RFP that the Proposer will not be able to provide, please address such in your responses.

### 6. Background and Experience

- a. Official name and address, and specify the type of entity (partnership, LLC, corporation, etc.)
- b. Describe your firm's background and history; include number of years in business. Describe the expertise your firm is able to provide the City. If your firm has a recognized area of expertise, please describe that expertise.
- c. Describe your firm's experience advising municipalities regarding bond covenants and complying with bond covenants.
- d. List the location of the office that would serve the City of Sierra Madre.
- e. Identify support staff services available (clerical support, engineers, municipal finance experts, Proposition 218 expertise, and other staff.)

## H. Approach to Water Utility Rate Study

1. Describe your view of the role of the Consultant in developing a water rate

- study and supporting City Council and City staff through the requisite Proposition 218 rate increase approval process.
- 2. Describe how you track and manage the contact costs.
- 3. Describe how as Consultant you would work with the City Council and participate in City Council, community information meetings, and meetings with City staff.
- 4. Describe your firm's practices regarding professional development, training, and keeping current in the law and legal matters the development and adoption of new utility rates.
- 5. Describe the methodology used to determine the water/utility rates for individual water customers.
- 6. List specialty services relative to a municipal water rate study which you do not provide. For any specialty services you do not directly provide, describe how you propose the City receive such services. If you propose to use a subcontractor, please name the firm if possible and the principal individual(s) from the firm who would provide service to the City.

# 7. Proposed Project Manager(s)

- a. Name the persons who will be designated as the Project Manager and Point of Contact. Provide the following for each designee:
  - i. Certificates or licenses.
  - ii. Description of education, including names of educational institutions, degrees conferred, and year of each degree.
  - iii. Professional background and professional associations.
  - iv. Experience with and knowledge of the law relating to the development and adoption of municipal utility rates.
- b. Specific areas of expertise and training.
- c. Provide names and qualifications, including years of experience, of other members in the firm who would be able to provide professional services in support of the Project Manager and Point of Contact.
- d. Provide contact information for five municipal clients for which services have been provided by the designated project team in the last three years, so reference checks can be conducted. Please include the contact person's name, agency, phone and e-mail

address.

- e. List all public clients for whom your firm currently provides or has provided services for in the past ten years. Indicate the services provided. Compensation and Reimbursement
- f. Describe how the firm intends to charge for additional services such as attendance at additional community meetings or preparation of additional rate scenarios.
- g. If an hourly rate basis is used for additional services, please state the hourly rates for each of the project team members. Provide this information in a table format.
- h. If a separate individual or firm is proposed as a subcontractor to Proposer, specify the hourly rates for each type of service to be provided as well as the rates for any items which would be billed separately. Also provide information regarding the principal attorney(s) and firms that would provide such service(s).
- i. Specify which items, if any, are billed separately and at what rate. Such items might include postage, duplicating/printing, etc. Specify if any overhead or administrative charge is added to billings for these items.

### 8. Agreement

- a. The successful Proposer is expected to enter into a "not to exceed" agreement with the City that will be acceptable to the City Attorney. A copy of the City's standard Professional Services Agreement is attached to this RFP. Please provide any proposed changes in that form agreement along with your proposal.
- In addition to indemnification and hold harmless language, the agreement also includes a requirement for professional errors and omissions insurance in an amount of not less than \$2,000,000 per occurrence and
- c. \$2,000,000 aggregate, general liability insurance in an amount of not less than \$1,000,000 per occurrence and \$2,000,000 in aggregate, automobile liability insurance in an amount of not less than \$1,000,000 per accident, and workers' compensation insurance as required by State law. The firm chosen will name the City as a

Certificate Holder for all of the above named insurance policies. The City shall be named as Additional Insured for the general liability as well as the automobile liability (including Non- owned Auto) insurance coverage. All coverage must be provided by an insurance company authorized to do business in the State of California, with a rating of at least A:VII in the latest edition of Best's Insurance Guide.

### 9. Additional Information

a. In this section, provide any other information the Proposer believes is applicable to the evaluation of the proposal or your qualifications for providing the proposed legal services. You may use this section to address those aspects of your services that distinguish your firm from other firms.

## I. REVIEW AND SELECTION PROCESS

### 1. Process

- a. A review of all submitted proposals will be conducted by an initial review team (two City Staff members, the City Manager and the City Council Subcommittee.) The initial review will be comprised of a review of submitted proposals and may involve interviews with one or more firms.
- b. After this review, a firm will be selected to proceed in the process. Attendance by the firm's representative is recommended when the City Council is considering award of the contract.

### 2. Evaluation Criteria

- a. The following information will be considered during the evaluation process. These are not listed in order of importance or priority:
- b. Experience and qualifications identified in the Proposal.
- c. Complete and clear response to requested matters in the Proposal.
- d. Adequate local availability, support to the Council and staff, and range of services offered.
- e. Demonstration of workload capacity and level of experience of the designated Project Manager and Point of Contact.
- f. Professional reputation for providing high-quality services and ability to work cooperatively with the City Council and staff.
- g. Service orientation and creativeness in finding solutions to difficult

- or complex issues.
- h. Demonstrated understanding of Sierra Madre.
- i. Communication skills.
- j. Depth and breadth of experience and expertise in the practice of developing municipal water and sewer rates.
- k. Demonstrated sound judgment, integrity, and reliability as determined by the references provided.
- I. Capability to perform professional services promptly and in a manner that permits the City Council and staff to meet established deadlines and to operate in an effective and efficient manner.
- m. Demonstrated overall quality of work product as evidenced by quality of proposal.
- n. Cost of providing services. Note that while cost is important, it is not necessarily the most critical factor in evaluating a Proposal.
- o. Other qualifications/criteria as deemed appropriate by the City Council.