



City Council Staff Report

Date: May 13, 2009 CONSENT CALENDAR

Subject: APPROVAL OF AMENDMENT NO. 1 TO CONSULTING SERVICES AGREEMENT NO. 5572 WITH BARTLE WELLS ASSOCIATES FOR A WASTEWATER RATE STUDY

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

The City previously entered into a consulting services agreement with Bartle Wells Associates to perform preliminary analysis of the City's existing wastewater rates. Approval of Amendment No. 1 will allow staff to pursue a complete analysis of the City's wastewater rates to determine appropriate increases to fund future wastewater capital projects over the next 15 years.

RECOMMENDATION:

- 1) Approve Amendment No. One (1) to Agreement No. 5572 with Bartle Wells Associates, in the amount of \$33,000 for a total revised contract amount of \$38,000 for wastewater rate study services; and
- 2) Authorize the City Manager to execute all necessary documents.

STAFF ANALYSIS:

On October 26, 2007, the City Manager approved a consulting services agreement with Bartle Wells Associates to perform preliminary wastewater rate study services for the City. Those services included:

- Review the current and future funding requirements of the City's sewer enterprise, including capital needs identified in the new Wastewater Treatment Plant Capital Rehabilitation and Repair Plan;
- Develop 10-year financial projections estimating future revenues, expenses, and fund reserves; and
- Recommend sewer rates needed to meet the City's future annual revenue requirements.

PREP NO. Z.B.

At the time, staff was pursuing completion of a draft Wastewater Treatment Plant Capital Rehabilitation and Repair Plan for the wastewater treatment plant that focused on repairs to maintain the plant, estimated at nearly \$14 Million over the next 10 years. The original Bartle Wells Associates wastewater rate study determined that an increase to the existing wastewater rate fee of \$2.24 per month would be necessary to facilitate the original draft Wastewater Treatment Plant Capital Rehabilitation and Repair Plan.

However, as staff continued to focus on current as well as future major capital needs, it was necessary to re-evaluate the draft Wastewater Treatment Plant Capital Rehabilitation and Repair Plan to include major capital improvements that may be necessary over the next several years. The last major expansion of the WWTP was over 25 years ago in 1983. The original WWTP facilities constructed in 1960 are aging and require upgrading and/or replacement. Staff has been coordinating the final Capital Rehabilitation and Repair Plan with Carollo Engineers to identify the individual unit processes within the WWTP, their capacity and reliability. The final report is nearing completion and will identify a 20 year plan to upgrade the WWTP, with an estimated total capital cost of \$50 Million or more.

It is necessary to prepare an updated sewer rate study with Bartle Wells Associates, to identify the capacity of the City's current sewer fees to accommodate the capital costs of the updated Capital Rehabilitation and Repair Plan. The City's current sewer fee is \$10.36 per month per equivalent dwelling unit (EDU), or \$124.32 per year for a single family home. This fee has not been adjusted for over 15 years, since July 1, 1993, when the current fee was adopted. This fee is considered very low by regional and statewide standards, and is less than half the 2004 California average sewer rate of approximately \$24 per month. In order to fully address the aging infrastructure at the WWTP, it will be necessary to adequately increase the City's sewer fees to provide sufficient revenue to offset capital and financing costs. A complete study will determine what the appropriate wastewater rate should be to appropriately cover capital and operating costs for necessary upgrades. The services included in Amendment No. 1 are:

- Provide independent evaluation of the City's wastewater rates and finances;
- Evaluate financing alternatives for the City's wastewater capital improvement needs;
- Develop 10-year cash flow projections to determine annual revenue requirements for funding long-term wastewater enterprise operating, maintenance, and capital needs;
- Phase in any necessary rate adjustment over time, to the extent possible, to minimize the annual impact on customers;
- Draft the required Proposition 218 notice that must be mailed to all affected property owners and/or customers prior to adopting new and increased wastewater rates (to be provided only upon the City Council's adoption of the wastewater rate study indicating an increase to the existing wastewater rate is required); and
- Present findings and recommendations at City Council meetings, including the required Proposition 218 public rate hearing, to obtain input and help build public

acceptance to be provided only upon the City Council's adoption of the wastewater rate study indicating an increase to the existing wastewater rate is required).

Staff recommends that City Council approve the proposed amendment to the Bartle Wells Associates agreement.

FISCAL IMPACT:

Sufficient funding is available in account 420-6800-43200 (Contractual Services). This agreement is being funded from the Wastewater Fund.

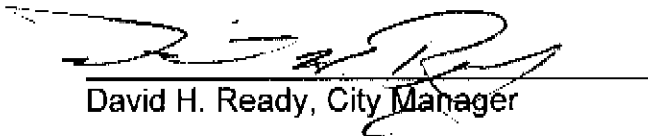
SUBMITTED:



David J. Barakian
Director of Public Works/City Engineer



Thomas J. Wilson
Assistant City Manager



David H. Ready, City Manager

Attachments:

1. Amendment No. 1 to Agreement No. 5572

AMENDMENT NO. 1 TO CONSULTING SERVICES AGREEMENT NO. 5572
WITH BARTLE WELLS ASSOCIATES
WASTEWATER RATE STUDY

The following articles of Agreement No. 5572 are hereby amended to read as follows:

3.1 Compensation of Consultant. For the services rendered pursuant to this Agreement, Consultant shall be compensated and reimbursed, in accordance with the schedule of fees set for in Exhibit "A", which total amount shall not exceed Thirty-Eight Thousand Dollars (\$38,000).

4.4 Term. The original termination date of November 16, 2007, is hereby retroactively extended. Unless earlier terminated in accordance with Section 9.5 of this Agreement, this Agreement shall continue in full force and effect until the required services are performed to the satisfaction of the City, or December 31, 2012, whichever occurs first.

The following attachment Exhibit "A": Exhibit "A" - Consultant's Scope of Services/Work including Schedule of Fees and Schedule of Performance, shall be replaced with the attached Consultant's Scope of Services/Work letter dated April 12, 2009.

Purchase Order Number(s):	0000530
Agreement Number:	5572
Original Approval:	October 26, 2007
Original Contract Amount:	\$ 5,000
Amount of Previous Increase(s)	\$ 0
Amount of This Increase	\$ 33,000
Amended Total:	\$ 38,000
Account Number(s):	420-6800-43200

SIGNATURES ON LAST PAGE

Except as specifically amended by this Amendment No. 1, all terms and provisions of Agreement No. 5572 remain in full force and effect.

ATTEST:

CITY OF PALM SPRINGS,
a California charter city

By: _____
City Clerk

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

CONSULTANT: Check one: Individual Partnership Corporation

BARTLE WELLS ASSOCIATES

Corporations require two notarized signatures: One signature must be from the Chairman of Board, President, or any Vice President. The second signature must be from the Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer).

By: _____
Notarized Signature of Chairman of Board,
President or any Vice President

By: _____
Notarized Signature Secretary, Asst Secretary,
Treasurer, Asst treasurer or Chief Financial Officer

Name: _____

Name: _____

Title: _____

Title: _____

State of _____ }

State of _____ }

County of _____ } ss

County of _____ } ss

On _____ before me, _____

On _____ before me, _____

personally appeared _____
who proved to me on the basis of satisfactory evidence) to be
the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

personally appeared _____
who proved to me on the basis of satisfactory evidence) to be
the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the
State of California that the foregoing paragraph is true and
correct.

I certify under PENALTY OF PERJURY under the laws of the
State of California that the foregoing paragraph is true and
correct.

WITNESS my hand and official seal.

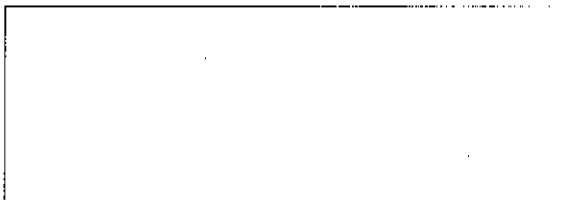
WITNESS my hand and official seal.

Notary Signature: _____

Notary Signature: _____

Notary Seal:

Notary Seal:





BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue
Berkeley, CA 94703
510 653 3399 fax: 510 653 3769
www.bartlewells.com

April 12, 2009

City of Palm Springs
PO Box 2743
Palm Springs, CA 92263

Attn: Marcus L. Fuller, Assistant Director of Public Works/Assistant City Engineer

Re: Proposal for Wastewater Rate Study

Bartle Wells Associates is pleased to submit this proposal to develop a wastewater rate study for the City of Palm Springs. BWA has 45 years of experience specializing in water and wastewater rates and finance. We have consulted for over 450 California water and wastewater agencies and completed over 1,000 utility rate and fee studies.

For this assignment we will a) develop wastewater rate recommendations adequate to support the City's projected operating and capital needs, and b) assist the City with complying with the procedural requirements of Proposition 218. Key objectives include:

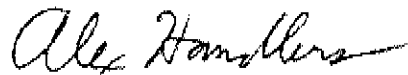
- Provide independent evaluation of the City's wastewater rates and finances;
- Evaluate financing alternatives for the City's wastewater capital improvement needs;
- Develop 10-year cash flow projections to determine annual revenue requirements for funding long-term wastewater enterprise operating, maintenance, and capital needs;
- Phase in any necessary rate adjustment over time, to the extent possible, to minimize the annual impact on customers;
- Draft the required Proposition 218 notice that must be mailed to all affected property owners and/or customers prior to adopting new and increased wastewater rates;
- Present findings and recommendations at up to two Council Meetings, including the required Prop. 218 public rate hearing, to obtain input and help build public acceptance.

Bartle Wells Associates has a well-earned reputation for providing our clients with straightforward, practical advice. We have substantial experience presenting our findings and recommendations to non-technical audiences. And we have a strong track record of building consensus for our final recommendations. All of our lead consultants are Certified Independent Public Finance Advisors.

I have enjoyed working with the City on our prior assignments and look forward to assisting the City with the wastewater rate study. Please contact me if you have any questions or would like additional information.

Sincerely,

BARTLE WELLS ASSOCIATES

A handwritten signature in cursive script that reads "Alex Handlers".

Alex Handlers, MPA, CIPEA
Vice-President

BARTLE WELLS ASSOCIATES

Bartle Wells Associates is an independent financial advisor to public agencies with expertise in water and wastewater rates and finance. Our firm was established in 1964 and is owned and managed by its principal consultants. We have over 45 years of experience advising local governments on the complexities and challenges in public finance. We have advised over 450 public agency clients in the western United States and completed over 2,500 assignments. We have the diversity of experience and distinctive abilities to evaluate all types of financial issues faced by local governments and to recommend the best and most-practical solutions.

Bartle Wells Associates has a stable, well-qualified professional team. Our education and backgrounds include finance, civil engineering, public administration, public policy, and economics. The firm is owned and managed by its principal consultants who have been with the firm for many years.

Bartle Wells Associates specializes in three professional services: financial plans, utility rate & fee studies, and project financing. We are the only independent financial advisor providing *all three* services to public agencies.

PROFESSIONAL SERVICES

- Financial Plans
- Rate & Fee Studies
- Project Financing

Our *financial plans* provide agencies with a flexible roadmap for funding long-term operating and capital needs. We evaluate the wide range of financing options available, develop a plan that recommends the best financing approach, and clearly identify the sources of revenue for funding projects and repaying any debt. We also help agencies develop prudent financial policies, such as fund reserve targets, to support sound financial management. BWA has developed over 1,000 water and wastewater enterprise financing plans to help public agencies fund their operating and capital programs and maintain long-term financial health.

Our *rate and fee studies* employ a cost-of-service approach and are designed to maintain the long-term financial health of a utility enterprise while being fair to all customers. We develop practical recommendations that are easy to implement and often phase in rate adjustments over time to minimize the impact on ratepayers. We also have extensive experience developing impact fees that equitably recover the costs of infrastructure required to serve new development. BWA has completed hundreds of water, wastewater, and recycled water rate and fee studies. We are familiar with virtually every type of water and sewer rate structure and are knowledgeable about the legal requirements governing water and sewer rates and connection fees. We develop clear, effective presentations and have represented cities and special districts at hundreds of public hearings to build consensus and public acceptance for our recommendations.

Our *project financing* experience includes over 300 bond sales, bank loans, lines of credit, and state and federal grants and loans. We generally recommend issuing debt via a competitive sale process to achieve the lowest interest rates possible. To date, we have helped California agencies obtain over \$4 billion of project financing. We work only for public agencies; we are independent financial advisors and do not buy, trade, or resell bonds. Our work is concentrated on providing independent advice which enables our clients to finance their projects on the most favorable terms—lowest interest rates, smallest issue size, and greatest flexibility.

Bartle Wells Associates is a charter member of the National Association of Independent Public Finance Advisors (NAIPFA), which establishes strict criteria for independent advisory firms. All of our consultants are Certified Independent Public Finance Advisors (CIPFAs).

Bartle Wells Associates is committed to providing value and the best advice to our clients. Our strength is *quality* the quality of advice, service, and work we do for all our clients

SCOPE OF SERVICES

This section presents a proposed scope of services that Bartle Wells Associates believes will form a sound basis for completing this assignment. We can work with the City to develop a final scope that meets the City's objectives. Our general approach is to work closely with staff, identify objectives, set milestones, have frequent communication, and remain flexible to resolve unanticipated issues.

A. Wastewater Rate Study

Bartle Wells Associates will perform the following services in connection with preparation of a wastewater rate study for City of Palm Springs, working at all times in close cooperation with City staff and other consultants and advisors as needed.

1. Project Kickoff

To initiate our work, hold a conference call with City staff, and others as appropriate, to accomplish the following:

- Identify members of City staff and others who will participate in the project.
- Determine the roles and responsibilities of all project participants.
- Establish project schedule and key milestone dates.
- Confirm the key goals, objectives, and expectations of the project team.

2. Investigation & Data Collection

Assemble the information necessary to understand and describe a) the current financial condition of the City's wastewater enterprise as well as b) the enterprise's future funding requirements for operating and maintenance expenses, capital improvements including repairs and replacements, and maintaining an adequate level of fund reserves. We will need a variety of information from the City, including the following:

- Revenue and expense detail for recent years
- Current budget and/or any preliminary budget data for the upcoming fiscal year
- Fund balances as of the beginning of the current fiscal year
- Current rate schedule
- Future operating & maintenance cost projections or escalation rates
- Capital improvement cost projections and/or major alternatives
- Conservative estimate of future growth rate in the City's customer base
- Any other information relevant to current or future wastewater enterprise finances

3. Develop Forecasts and Projections

Based on evaluation of the data assembled and input from City staff and other members of the project team, prepare forecasts and projections to be used in development of long-term cash flow projections. Projections will include, but are not limited to:

- Cost escalation factors for operating, maintenance, and capital costs
- Estimated future growth rates to include in financial projections
- Estimates of future repairs and replacement costs
- Other future funding needs, such as new staffing needs, etc.

4. Evaluate Financing Alternatives for Capital Improvements

Review the City's capital improvement program, engineering Master Plans, and other projections of future capital needs. Work with City to identify future capital needs to incorporate into the financial projections. Evaluate financing alternatives for the City's wastewater capital needs, including long-term repairs and replacements. BWA often recommends agencies phase-in an adequate level of funding for replacements over time. If debt is required, discuss options with City and identify the lowest-cost financing options.

5. Recommend a Minimum Fund Reserve Target

Recommend prudent fund reserve target(s) for the City's wastewater enterprise. Develop a plan to help the City achieve and maintain the recommended target(s) over time.

6. Develop Long-Term Cash Flow Projections & Rate Projections

Develop cash flow projections showing the financial position of the City's wastewater enterprise over the next 10 years. The cash flows will project fund balances, revenues, and operating and capital expenses, and will incorporate forecasts developed with staff input. After developing a base-case cash flow scenario, we can develop alternatives for evaluation and identify the impact on rates. Based on the annual revenue requirements identified by the cash flow projections, develop long-term sewer rate projections.

7. Prepare Report Summarizing Findings & Recommendations

Submit a report clearly and concisely explaining key findings and recommendations and identifying key alternatives when applicable. Receive input on draft report from the City's project team and prepare a final report incorporating input received.

8. Present Findings & Recommendations

Develop a PowerPoint presentation summarizing key findings and recommendations. Present recommendations at a City Council meeting and receive input. Rate increases are often controversial. BWA has extensive experience developing clear presentations that facilitate public understanding of the need for rate increases. We understand the importance of building consensus and public acceptance for our recommendations. BWA can take the lead in presenting the rate recommendations at public meetings unless directed otherwise by staff.

B. Proposition 218 Noticing & Rate Adoption Process

In conjunction with completing a wastewater rate update, Bartle Wells Associates will assist the City in complying with the procedural requirements of Proposition 218 for adopting any necessary wastewater rate increases. Proposition 218 establishes requirements for adopting or increasing property-related fees and charges. For water or wastewater rates, Proposition 218 requires that the City:

- mail notification of proposed rate increases – as well as the date, time, and place of public hearing at which the rate increases will be considered – to all affected property owners (and potentially also any ratepayers who are tenants and not property owners),
- hold a public hearing not less than 45 days after the notices are mailed, and

- subject the rate increases to majority protest; if written protests are received by more than 50% of all affected parcels, the proposed rate increases cannot be adopted. Water and wastewater rates do not require voter approval provided rates do not exceed the cost of providing service.

BWA will assist the City with the following tasks related to Proposition 218.

1. **Draft Proposition 218 Wastewater Rate Notice**
Work with City to identify a preferred format for the Prop. 218 notice. Develop a draft Prop. 218 notice and distribute to the City for staff and legal review. Based on input received, develop a final notice. In order to facilitate public acceptance of any recommended rate increases, BWA recommends the notice go beyond the minimum legal requirements by providing clear and concise explanation of the reasons for any rate adjustments.
2. **Work with City & County to Obtain Data List for Mailing the Prop. 218 Notices**
Work with City staff and/or Riverside County to obtain a list of property owners and their addresses of record. Based on input from the City's legal counsel, also consider mailing notices to wastewater customers who are not property owners.
3. **Coordinate Printing & Mailing of Proposition 218 Notice**
As directed by staff, coordinate the printing and mailing of the Prop. 218 notices. Legally, the notices must be mailed at least 45 days prior to the public hearing at which City Council will consider adoption of any wastewater rate increases. However, BWA recommends setting a target to complete the mailing a couple of weeks prior to the legal deadline.
4. **Attend Proposition 218 Public Rate Hearing & Present Rate Study Recommendations**
Attend the required Proposition 218 public hearing. As directed by staff, give a presentation summarizing key findings and recommendations. Answer questions from Council and be prepared to respond to questions or comments from citizens, as directed by Council or staff. BWA will assist the City in establishing a clear procedure for the public hearing including receiving public comments, tabulating the number of written protests against the proposed wastewater rates, and adopting proposed wastewater rates.

Additional Services

BWA will remain available to provide additional consulting service as requested by the City.

AVAILABILITY & FEES

Bartle Wells Associates will perform the following services in connection with the wastewater rate update, working at all times in close cooperation with the City's staff and its other consultants and advisors.

1. BWA is prepared to begin work upon acceptance of this proposal. The study will be completed in accordance with a schedule established jointly with the City.
2. All work will be performed by Bartle Wells Associates. Alex Handlers, Vice President and Principal, will be assigned as project lead and will devote time and effort toward successfully completing the project on schedule and on budget. Alex may be assisted by other BWA consultants.
3. The fee for professional services for the wastewater rate study will not exceed \$25,000 plus direct expenses. The fee for the Proposition 218 noticing and rate adoption process will not exceed \$8,000 plus direct expenses, which among other things may include costs for printing and mailing the Prop. 218 notices. The fee is payable monthly on a time and materials basis as work proceeds according to our Billing Rate Schedule 2009 and is based on the following conditions:
 - a. Availability of all necessary information from the City in a timely manner.
 - b. Attendance at up to four meetings or presentations at the City including up to two progress meetings and two City Council presentations.
 - c. Two draft submittals and one final submittal of financial model tables. Time and expenses involved in revising tables and assumptions due to changes in information or in preparing additional tables may constitute additional services if not possible to accomplish within the proposed budget.
 - d. One draft submittal and one final submittal of the report, presentation, and Prop. 218 notice. Time and expenses involved in additional revisions or drafts may constitute additional services if not possible to accomplish within the proposed budget.
4. In addition to the services provided under this proposal, the City may authorize BWA to perform additional services for which the City will compensate BWA based on our hourly rates at the time the work is performed, plus direct expenses. Additional services may include: additional meetings or presentations, and changes in project scope.
5. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance in the amounts and coverage as provided in the Schedule of Insurance attached.
6. If the project is terminated for any reason, BWA is to be reimbursed for professional services and direct expenses incurred up to the time BWA receives notification of such termination.
7. This proposal may be withdrawn or amended if not accepted within 60 days of its date.
8. BWA will not require a formal contract and will accept a letter from an appropriate City official as authorization to proceed.

BARTLE WELLS ASSOCIATES
BILLING RATE SCHEDULE 2009

Rates Effective 1/1/2009

Professional Services

Financial Analyst I.....	\$95 per hour
Financial Analyst II.....	\$125 per hour
Senior Financial Analyst.....	\$165 per hour
Senior Consultant	\$195 per hour
Principal Consultant.....	\$225 per hour

The professional time rates include all overhead and indirect costs. Bartle Wells Associates does not charge for secretarial support services and internal computer time. Expert witness, legal testimony or other special limited assignment will be billed at one and one-half times the consultant's hourly rate.

The above rates will be in effect through December 31, 2009 at which time they will be subject to change.

Direct Expenses

Subconsultants will be billed at cost plus ten percent. Word processing and computer-assisted services related to official statement production are charged as direct expenses at \$60 per hour. Other reimbursable direct expenses incurred on behalf of the agency will be billed at cost plus ten percent. These reimbursable costs include, but are not limited to:

- Travel, meals, lodging
- Long distance telephone and fax
- Printing and report binding
- Special statistical analysis
- Outside computer services
- Bond ratings
- Automobile mileage
- Messenger services and mailing costs
- Photocopying
- Graphic design and photography
- Special legal services
- Legal advertisements

Insurance

Bartle Wells Associates maintains insurance in the amounts and coverage as provided in the attached schedule of insurance. Additional or special insurance, licensing, or permit requirements beyond what is shown on the schedule of insurance are billed in addition to the contract amount.

Payment

Fees will be billed monthly for the preceding month, and will be payable within 30 days of the date of the invoice. A late charge of 1.0 percent per month may be applied to balances unpaid after 60 days.

SCHEDULE OF INSURANCE

Insured: BARTLE WELLS ASSOCIATES

Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance in the amounts and coverage as provided in this schedule. If additional insurance is required, and the insurer increases the premium as a result, then the amount of the increase will be added to the contract price.

DESCRIPTION TYPE OF INSURANCE	COMPANY POLICY NUMBER	COVERAGES AND LIMITS	EXPIRATION DATE
Commercial General Liability	Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> ▪ \$2,000,000 General Aggregate ▪ \$2,000,000 Products Comp/Op Aggregate ▪ \$1,000,000 Personal & Advertising Injury ▪ \$1,000,000 Each Occurrence 	6/1/09
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	<ul style="list-style-type: none"> ▪ \$1,000,000 Combined Single Limit 	6/1/09
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	<p>Workers' Compensation: Statutory Limits for the State of California.</p> <p>Employers' Liability:</p> <ul style="list-style-type: none"> ▪ Bodily Injury by Accident - \$1,000,000 each accident ▪ Bodily Injury by Disease - \$1,000,000 each employee ▪ Bodily Injury by Disease - \$1,000,000 policy limit 	6/1/09
Professional Liability	Chubb & Son, Inc. BIN094045	<p>Solely in the performance of services as municipal financing consultants for others for a fee.</p> <p>Limit: \$1,000,000 Per Occurrence & Aggregate (including defense costs, charges, and expenses)</p>	6/1/09