



COUNCIL REPORT

DATE: February 28, 2023

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Utility Rate Study, Project 23-46—
Authorize Professional Services
Agreement**

RECOMMENDATION

1. Appropriate and transfer \$100,000 from Storm Drain Fee Study, Project 20-51, to Utility Rate Study, Project 23-46. (Five votes required)
2. Authorize the City Manager or designee to execute a professional services agreement with Bartle Wells Associates to prepare a Utility Rate Study, Project 23-46, in a not-to-exceed amount of \$200,000.

BACKGROUND

The City of Mountain View provides water, recycled water, sanitary sewer, and storm drainage services to the majority of residents and businesses located within its boundaries. Proposition 218, Article XIII of the California Constitution allows the City to establish utility rates and fees that provide full cost recovery, provided all charges are proportional to the cost of service. The City most recently completed a Water and Wastewater Rate Study in 2013 and a Water and Wastewater Capacity Charge Study in 2014. Periodic review of the City's utility rates and fees is recommended to ensure compliance with applicable laws, recover sufficient revenue, and support these services.

The Council approved Utility Rate Study, Project 23-46, as part of the Fiscal Year 2022-23 Capital Improvement Program (CIP). The scope of this study includes a comprehensive cost-of-service analysis to evaluate the City's rate structures and to inform the City's future water, sewer, and recycled water fees. New components not studied previously by the City include the development of new rate categories for sites with on-site water reuse systems (e.g., water recycling or rainwater capture).

The City completed a Storm Drain System Master Plan in 2019 that provides a CIP list of recommended projects. In addition, recent municipal stormwater permit regulation changes have required the City to comply with stormwater trash capture and green infrastructure guidelines resulting in new stormwater projects with significant cost implications that would be

better managed by having their own funding source. The Council approved Storm Drain Fee Study, Project 20-51, as part of the Fiscal Year 2019-20 CIP. The scope of this study includes evaluation of possible independent stormwater and recycled water funds, to support new infrastructure expenditures, and consideration of a voter-approved stormwater fee.

The recommended Utility Rate Study combines tasks from both CIP projects into one study to provide a comprehensive cost-of-service analysis with recommendations to support the City's water, sewer, recycled water, and stormwater utility capital improvement, operation, and maintenance programs.

ANALYSIS

In November 2022, a Request for Proposals (RFP) for consulting services was issued to 11 consulting firms and posted on the City's website. On December 16, 2022, three firms responded to the RFP before the deadline, and one firm responded to the RFP after the deadline.

A review panel of Public Works and Finance and Administrative Services staff rejected the late proposal and deemed Bartle Wells Associates (Bartle Wells) to be the best-qualified firm based on the merits of Bartle Wells' written proposal and their experience in completing similar projects, demonstrating competence, and understanding of the project.

The Utility Rate Study will include the following major work tasks:

1. Review current rules, regulations, and policies that affect the City's rates and fees for water, recycled water, sanitary sewer, and stormwater.
2. Review and summarize the City's current rate structures and fees, operating expenses, capital costs, revenue streams, reserve funds, and billing program.
3. Provide a comparison of current City utility rates, fees, and reserves with comparable neighboring communities and utility operators in Northern California.
4. Perform a cost-of-service study for water, recycled water, sanitary sewer, and storm services.
5. Recommend rate and fee adjustments that will fairly recover allocated costs in both the near and long term.
6. Recommend a plan of action for developing a new Stormwater Fund, including consideration of adopting a voter-approved stormwater fee.

7. Review advantages and disadvantages of the proposed recommendations and alternatives.
8. Provide a detailed, user-friendly computer model/spreadsheet to project short-term (five years) and long-term (10+ years) future cost of services and rates for water, recycled water, sanitary sewer, and stormwater. The model/spreadsheet should allow City staff to input capital and operating expenses, including wholesale water rates, revenue sources and amounts, and cash flows on a year-to-year basis for the purpose of evaluating alternative scenarios and determining rates.

The not-to-exceed contract amount of \$200,000 includes \$162,350 for basic services, including reimbursable expenses, and additional services in the amount of \$37,650. The recommended fees are within the range typically charged for such services, and staff considers the fees to be fair and reasonable.

If the recommendation is approved, Bartle Wells can begin the study in March 2023 with an estimated completion by the end of calendar year 2023. The results of this study will inform recommended rate charges for the Fiscal Year 2024-25 budget.

FISCAL IMPACT

Utility Rate Study, Project 23-46, is funded with \$100,000 from the Water Fund and \$100,000 from the Sewer Fund. Storm Drain Fee Study, Project 20-51, is funded with \$100,000 from the Construction and Conveyance Tax; with the recommended action to transfer \$100,000 from Project 20-51 to Project 23-46, the total project budget for Project 23-46 will be \$300,000. This funding is sufficient to fund the recommended agreement amount of \$200,000 and associated internal project costs.

ALTERNATIVES

1. Do not authorize the professional services agreement and direct staff to reissue the RFP.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

Prepared by:

Elizabeth Flegel
Water Resources Manager

Reviewed by:

Lisa Au
Assistant Public Works Director

Approved by:

Dawn S. Cameron
Public Works Director

Audrey Seymour Ramberg
Assistant City Manager

EF/LL/1/CAM
703-02-28-23CR
202802