

**INDIAN RIVER COUNTY, FLORIDA
DEPARTMENT OF UTILITY SERVICES**

DATE: July 6, 2017

TO: Jason E. Brown, County Administrator

FROM: Cindy Corrente, Utilities Finance Manager

THRU: Vincent Burke, P.E., Director of Utility Services

SUBJECT: Request to Waive Bid Requirement for a Comprehensive Water, Wastewater, and Reclaimed (Reuse) Water Rate Study, and Water and Sewer Impact Fee Study

BACKGROUND

On December 20, 2016, the Indian River County Board of County Commissioners (BCC) approved the following items in regards to the North County Septic to Sewer (S2S) Phase 1 project:

1. Approved the county's funding mechanism.
2. Begin implementation of a Phase 1 S2S assessment project for the construction costs for all benefitting properties both inside the city of Sebastian and the unincorporated county.
3. Approved the special 2% APR interest rate for the Phase 1 S2S project area.
4. Directed staff to finalize the bid package and go out for competitive bids.
5. Formalized a connection policy for existing structures within the Phase 1 S2S area with a 5-year timeline for mandatory hook-up.
6. Directed staff to conduct an updated rate study to include looking at recouping any cost of the construction and the future renewal and replacement (R & R) costs.

As of June 20, 2017, all items except the comprehensive rate study are in progress or have been completed.

ANALYSIS

In addition to the Sebastian Phase 1 portion of the Septic to Sewer Project, there is a second phase being formulated, which will be dependent on grants or other funding sources. In recent months, staff has been overseeing various assessment projects throughout the county and is working with the county's Current Development Division for private developments that continue to expand the county's infrastructure footprint.

As approved by the BCC on October 18, 2016, staff was tasked to work with a consulting engineer to create a countywide S2S matrix based on a priority ranking for certain subdivisions within the county. Such a ranking is being finalized and will be presented to the BCC in the near future. This action began earlier in the year when, on March 8, 2016, the Board approved a general four-step phased approach for the countywide S2S initiative. The phases are as follows:

Phase I:	Develop a more comprehensive priority ranking plan along with cost estimates
Phase II:	Proposed changes to the County's Comprehensive Plan
Phase III:	Financing Options and Public Outreach
Phase IV:	Encumber Funds and implementation of priority ranking

Therefore, based on BCC direction, it is imperative to review our current method of user rates and fees. Indian River County Department of Utility Services (IRCDUS) has not conducted a comprehensive rate study since 1999. In the past eighteen years, the utility has steadily grown, along with related revenues and operating expenses. With this in mind, it is important to evaluate the appropriateness of existing rate structures and either determine or confirm if the existing rates provide sufficient revenues for near- and long-term fiscal needs. It is also important to review system capacity, impact fees, and line extension charges in order to ensure they are meeting the capital costs affiliated with the related growth.

Since compiling, advertising and awarding a contract for a comprehensive rate study utilizing the standard RFP or RFQ format would be an estimated six to nine month process, staff sought other options. The possibility of piggybacking another bid was explored. However, since most utilities conduct rate studies every five to seven years to gauge the effectiveness of current rate structures, and IRCDUS has not done one for eighteen years, we were unable to find any other bids that would closely match our needs. Thus, the possibility of a piggyback option was eliminated.

In 1999, staff worked with Marco (Mike) Rocca of Hartman and Associates to complete a comprehensive water and sewer systems rate study. Over the past years, staff has continued to consult with Mr. Rocca on minor matters related to the utility. Mr. Rocca is currently employed by Raftelis Financial Consultants, Inc (Raftelis) as Principal Consultant. Given Mr. Rocca's previous experience with the county and familiarity with the existing rate structure, staff reached out to Raftelis to provide a scope of work in order to conduct a Comprehensive Water, Wastewater, and Reclaimed (Reuse) Water Rate Study as well as Water and Wastewater Impact Fee Study. (See attached for Raftelis' Statement of Qualifications (SOQ) and associated information for the project team that will be providing the professional services.)

The first scope of services describes services in order to conduct a Comprehensive Water, Wastewater, and Reclaimed Water Rate Study. The estimated timeline for this study is one hundred and fifty (150) days. This scope consists of two major tasks. The cost of task one is not to exceed \$81,500. The first task deliverables include:

- A review of customer data to be used in developing the user rates and charges
- A review of utility financial information to use as the basis for revenue requirements
- An allocation of fiscal requirements based on cost of service principles
- A five-year pro forma operating statement
- A capital improvements plan (CIP) funding module to allow for reviews of alternative funding sources
- A uniform S2S policy
- A draft report to be finalized only after meetings with staff and the BCC
- A final report

The second task is to update the ancillary charges and fees for a not-to-exceed amount of \$17,900. If done concurrently with task one, there is no additional timeline. The second task deliverables include:

- Update the ancillary services list to current time and material costs
- Meeting with county staff to discuss findings
- A draft report to be finalized only after meeting with county staff
- A final report

The second scope of services is for a Water and Wastewater Impact Fee Study for a not-to-exceed amount of \$65,100. If the work is done concurrently with the Comprehensive Rate Study, there is no additional timeline required. However, if done separately, the work would require one hundred and fifty (150) days. This work would include:

- A review of current capital costs, near term expansion plans, system capacities, and customer demand
- A development of impact fees
- A review of the level of service criteria for each utility service
- Meeting with county staff to discuss findings
- A draft report
- A final report

Scope of Service	Task	Description	Amount
1	1.1	User Rates and Charges	\$ 81,500.00
	1.2	Ancillary Charges & Fees	\$ 17,900.00
2	2.1	Impact Fee Study	\$ 65,100.00
Total			\$ 164,500.00

Staff presents three options for the rate study.

Option 1: Do nothing. Utilize the existing rate structure.

Option 2: Award the two Scope of Services items as individual projects. The first Scope of services would be to conduct a Comprehensive Water, Wastewater, and Reclaimed Water Rate Study. The estimated timeline for this study is one hundred and fifty (150) days. Once that work is complete and the Board and staff are satisfied with the results, determine if the Board desires to proceed with the Water and Wastewater Impact Fee Study. If so, then issue the Notice to Proceed for the second Scope of Services. The estimated timeline for this study is one hundred and fifty (150) days. Therefore, if the Board were to direct the consultant to proceed with both studies in a sequential manner, the timeline for completion would be three hundred (300) days.

Option 3: Award the two Scope of Services items to be done concurrently. The estimated timeline for proceeding in this manner is one hundred and fifty (150) days.

FUNDING:

Funds for the Comprehensive Water, Wastewater, and Reclaimed Rate Study, and the Water and Wastewater Impact Fee Study, are available in the Other Professional Services account in the Operating Fund. Operating fund revenues are derived from water and sewer sales.

Description	Account Number	Amount
Other Professional Services	47123536-033190	\$164,500

RECOMMENDATION:

The staff of the Indian River County Department of Utility Services recommends that:

1. The Board of County Commissioners waive the bid requirements in regards to services related to conducting a Comprehensive Water, Wastewater, and Reclaimed (Reuse) Water Rate Study, and Water and Sewer Impact Fee Study.
2. Authorize the Chairman to execute the attached Professional Services Agreements with Raftelis Financial Consultants, Inc. after review and approval by the county attorney
3. Approve awarding the scope of services using Option 3 directing that both studies run concurrently in the interest of completing the studies within the one hundred and fifty (150) day timeline and looking at all utility rates, not just the operating fund rates.
4. Authorize the Chairman to sign the Municipal Advisor Disclosure Acknowledgement Letter after review and approval by the County Attorney.

ATTACHMENTS

Professional Services Agreement between Indian River County and Raftelis Financial Consultants, Inc. for a Comprehensive Water, Wastewater, and Reclaimed Rate Study

Professional Services Agreement between Indian River County and Raftelis Financial Consultants, Inc. for a Water and Wastewater Impact Fee Study

Statement of Qualifications

Municipal Advisor Disclosure Acknowledgement Letter