



Finance Committee Memorandum

To: Committee Members
From: Jim Culotta, City Administrator
Date: 8/21/17
Re: Water/Sewer Rate & Fee Study – Request for Proposals (RFP)

EXECUTIVE SUMMARY

Staff is seeking direction on the issuance of a RFP for a water/sewer rate & fee study.

BACKGROUND

During the budget process, staff requested funding to hire a consultant to evaluate the city's existing water and sewer rate and fee structure. The approved budget allocates resources for the study from the water and sewer funds.

The intent of the study is to analyze both operational and long-term capital needs. Information derived from the study will enable the City Council to prudently plan for the needs of the utility and minimize the financial impact on residents and businesses.

In addition to recommendations, the RFP calls for the consultant to create a model in Excel that staff could use to evaluate future rate scenarios.

Prior to the creation of the draft RFP, staff was given direction to proceed with the study by the Finance & Personnel Committee (6/15/17) and Public Works Committee (5/1/17).

The attached draft RFP defines the proposed scope of work, expected deliverables, and anticipated timeline. Staff requests Committee input and direction.

ATTACHED

1. RFP: Comprehensive Water and Sewer Rate and Fee Study (draft)

**CITY OF WASHINGTON, ILLINOIS
REQUEST FOR PROPOSALS
COMPREHENSIVE WATER AND SEWER RATE AND FEE STUDY**

The City of Washington, Illinois ("City") is requesting proposals from qualified firms to perform a Comprehensive Water and Sewer Rate and Fee Study. The study is to be performed in accordance with the provisions contained in this request for proposals.

To be considered, three (3) copies of the proposal must be received by the City Administrator, 301 Walnut Street, Washington, IL 61571 by **Noon on Friday, September 8, 2017.**

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal and confirmed in the contract between the City and the selected firm. The City reserves the right without prejudice to reject any or all proposals. There is no express or implied obligation for the City to reimburse firms for any expenses incurred in preparing/presenting proposals in response to this request.

Inquiries concerning this request for proposals should be addressed to Jim Culotta, City Administrator, jculotta@ci.washington.il.us or 309-444-1123.

I. DESCRIPTION OF THE GOVERNMENT

Washington (pop. 15,100) is located in central Illinois, eight miles east of Peoria and 35 miles west of Bloomington/Normal. Located in the plains of Illinois, Washington combines history, a charming downtown square and urban amenities, making it a desirable and in-demand community in the greater Peoria area.

From 2000-2010, Washington experienced the highest amount of residential development in Tazewell County, with more than 1,500 new units. Currently, the City is processing about 38 residential building permits per year. Charging back from a unique and unseasonable tornado in November 2013, Washington's resilience is evident throughout the community. About 1,100 structures were affected, and nearly 700 homes were destroyed by the event, yet most structures have since been rebuilt. The community's 40% population growth in the last decade has not been hindered. Rebuilding has made the community an even more desirable place to live.

Washington is a home rule and full-service City that directly provides Police, Public Works (streets, water and wastewater), Planning and Development, and administrative support services. Fire and EMS services are provided by the Washington Volunteer Fire Department and Rescue Squad Inc. Library and Parks are offered through separate districts. The City Administrator is the chief administrative officer and is responsible to the Mayor and eight-member City Council for the proper administration of city affairs. The City has approximately 80 employees, a combined \$27 million budget and is rated Aa3 by Moody's Investor Services.

The City's 5,395 water accounts are broken down as follows:

Residential: 5,118
Commercial: 198
Institutional: 35
Governmental: 34
Industrial: 9
Non-residential cross connection: 1

While most residents and businesses are served by the City's water/sewer utility, some are served by either Northern Tazewell Public Water District or Sundale Utilities. [Click here](#) for a map of water districts within the City.

II. SCOPE OF SERVICES

A. General

The City is requesting proposals from qualified firms to perform a Comprehensive Water and Sewer Rate and Fee Study. The intent of the study is to develop fair and equitable water and sewer rates/fees that are based on a cost of service analysis that takes into account both operation and long-term capital needs.

B. Scope of Work

The study is to be performed in conformance with the following policy directions:

1. Provide a comparison of current water and sewer system costs (operations, capital improvements, bonded debt, etc.) against appropriate industry and regional benchmarks.
2. Recommend water and sewer rate/fee structures that are based on a cost of service analysis and are sufficient to meet the short and long-term revenue requirements of the City's Water and Sewer Funds.
3. Recommended rate/fee structures shall consider and make provision for the following factors:
 - a. Current and future cost of providing water and sewer services in accordance with established and anticipated standards and regulations.
 - b. Projected demands of a growing community.
 - c. Age and condition of the treatment plants and projected 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 water and sewer regulations.
 - f. Consistency with industry practice for utility rate making in Illinois.
 - g. Equitably distribute costs to each customer type.
 - h. Other impacts as identified.
4. Provide at least three recommended rate/fee alternatives based upon standard rate practices that meet the criteria above and make a recommendation as to which one best meets the criteria.
5. Benefits of any proposed modifications shall be weighed against the financial impacts on ratepayers.

6. Justifications for altering classes of customers under the recommended rate/fee structure shall be demonstrated.
7. Recommended rate/fee structure shall result in no decrease in stability of the revenue stream or the overall financial stability of the Water and Sewer Funds, as compared to the current structure.
8. Recommended rate/fee structure shall be easy to administer and understand by both the customer and the City.
9. Review the City's billing system to determine if it is capable of administering any proposed rate structure. The City's utilizes software developed by Harris Local Government called MSI to maintain its financial and utility account records.
10. Provide the City with an easy-to-use electronic rate model in Excel which can be readily adjusted by the City to consider alternative scenarios.
11. Provide the City with recommendations on adjusting the subdivision development fees and utility connection fees, if necessary, to determine the reasonableness of those charges to residential and other use categories.
12. Prepare a forecast of revenues, operation and maintenance expenses and capital improvement costs for a five-year study period; extrapolate the five-year forecast to 20 years to ensure that funding sources will be adequate to meet bond debt coverage requirements. The forecasts will be summarized in a cash flow forecast for the water and sewer system which will show the use of balances on hand, revenues and potentially, the use of an IEPA Loan or the issuance of debt to meet the water and sewer system financing needs. This forecasting tool should be provided to the City in an easy-to-use electronic model in Excel which can be readily adjusted by the City to consider alternative scenarios. Financial assumptions are to be provided by the City.

C. Timeline for Study

The successful firm will provide the City with a detailed list of information required to complete the study. In a reasonable timeframe, the City will then have the information ready for review and all management personnel available to meet the firm's personnel provided an agreement has been executed between the City and the firm. The successful firm is expected on-site for an initial kick-off meeting to review the data available and commence the study. Subsequent on-site visits may be necessary depending on the progress of the study.

The City desires to have a final report delivered by **November 22, 2017**. The firm shall conduct an exit conference (teleconference is acceptable) with City personnel to review the final draft of the report prior to issuance.

The City requires an electronic copy of the report in Word format along with all spreadsheets related to the engagement in Excel format.

The successful firm is expected on-site for two public presentations of the report (either one before & one after report completion or both after completion) at mutually agreed upon dates and times.

III. PROPOSAL FORMAT & CONTENT

A. General

1. The proposals should be separated into two separate sections that are sealed and marked "Technical Proposal for Professional Services" and "Cost Proposal for Professional Services". Each section should include the name, title, address and telephone number of the firm and the person authorized to represent the firm.
2. The following material is required for a proposing firm to be considered:
 - a. Title page showing the request for proposal's subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal
 - b. Table of Contents
 - c. Signed letter briefly stating the firm's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for the period covered. The individual must be empowered to submit the bid and sign the contract with the City.

B. Technical Proposal for Professional Services

1. Qualifications of the Firm
 - a. Identify the size of your firm and the location of the office from which the work will be conducted.
 - b. Provide a list of consulting experiences similar to the type and size of the City of Washington's utilities, and give a representative list of the typical entities that you serve.
2. Qualifications of Professional Staff
 - a. Identify the engagement partners, managers, and other staff members who would be assigned to conduct the study and indicate their qualifications.
3. Study Approach
 - a. The proposal shall set forth a work plan, including an explanation of the methodologies to be followed to perform the services required of this proposal and describe and identify any special techniques or suggestions that would result in a better finished product. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, financial statements, and utility data.
 - b. The proposal shall provide a listing of the records and documentation the City will be expected to provide.
 - c. The proposal shall detail the proposed project schedule. The City is desirous of a shorter timeline.
 - d. Excerpts and/or examples from actual studies are encouraged to demonstrate work product and approach.
4. References
 - a. Provide at least three references with attention being given to previous water and sewer cost of service/rate setting engagements for municipally owned utilities. The reference list should include a point of contact individual and

telephone number.

C. Cost Proposal for Professional Services

1. The cost proposal should contain all pricing information relative to performing the engagement as described in this request for proposals.
2. Progress payments shall be made on the basis of hours of work completed. Interim billings shall cover a period of not less than one month.
3. There is no express or implied obligation for the City to reimburse firms for any expenses incurred in preparing/presenting proposals in response to this request.
4. Provide the rates by which your firm would charge for any special request, reports or broadening of scope.
5. Provide a flat charge that your firm will bill on a per-meeting/presentation basis. It is anticipated that the firm will need to provide at least two public presentations.

V. SERVICES TO BE PROVIDED BY THE CITY

The services to be provided by the City include, but are not necessarily limited to, furnishing of all reasonably available records and information, including financial reports, budgets, capital improvement plans, growth projections, debt status and projections, and consumption data.

VI. EVALUATIONS

Evaluations of the proposals will be based on the requirements of Section III of the request for proposals. The City reserves the right to request additional information or clarifications from firms or to allow corrections of errors or omissions. The firm submitting proposals may be requested to make an oral presentation as part of the evaluation process.