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WATER POLLUTION CONTROL**MEMORANDUM**

To: Gregg Mandsager, City Administrator

CC: Nancy Lueck, Finance Director

From: Jon Koch, Director WPCP

Date: March 14th, 2013

Re: Rate Study Proposals

INTRODUCTION: Rates are set for sewer use according to anticipated future needs and capital expenses at the Water Pollution Control Plant, the collection system, 21 lift stations and the stormwater infrastructure. Rate studies use rate analysis reviews to ensure reliable funding of the sewer utility operations and capital costs while minimizing rates for customers to the greatest degree possible. This study will review and project revenue and expenditures for 10 years. Proposed fee structures are requested for the next 5 years.

BACKGROUND: The last major evaluation of the sewer use charge rates was completed in 2006 at a cost of \$9,200.00. A revenue and expense data evaluation for the City was done in 2008 to project the needs of the plant improvement project and to ensure annual transfer payments to the sewer separation project. Negotiations with the largest industrial user took place in 2006 and are currently operating under an expired rate agreement. A new rate study proposal request was sent out to bid by the City in January 2013 which generated 11 rate study proposals from consultants in five different states. Study proposal pricing ranged from \$9,300.00 to \$39,800.00. A comprehensive review of each consultant was done by City staff to evaluate the cost and level of service offered from each.

RECOMMENDATION/RATIONALE: City staff recommends accepting the Sewer Rate Study proposed by Veenstra and Kimm, Inc. (V&K) for \$9,300.00. V&K developed the current successful rate system and has a high degree of knowledge of past negotiations with the largest industrial user. V&K will develop spreadsheets that will allow for future rate modeling in-house without the expensive software offered by other firms.

BACKUP INFORMATION: See attached.

Consultant	Bid Amount	Home Office	Attributes	Problems	Recommendation
V & K	\$9,300	Des Moines, IA	Developed current rate structure, high degree of knowledge, knows largest industry issue extremely well, largest industry has worked well with Bob in past negotiations, excellent presentation, multiple Iowa rate study examples, good options presented, good arguments for retaining current system, high level of stormwater rate structuring, spreadsheet can be used for future projections	Does not have dashboard software for future use	Recommend proceeding with V & K.
Springsted	\$14, 150	Des Moines, IA	Good background doing rate studies, Clinton study easy to check on, good presentation, good analysis approach	No experience with local industry, learning curve for our structure, does not have dashboard software for future use	Possibly
Burns & McDonnel	\$18,725	Kansas City, MO	Good analysis approach, good history of rate studies, good revenue forecasting ability	No experience with local industry, learning curve for our structure, does not have dashboard software for future use, does not meet minimum insurance requirements	Possibly
Trilogy	\$21, 590	Hartland, WI	Good analysis approach, good cash flow analysis and capital outlay, good plan to smooth out user rates	Does not meet minimum insurance requirements (stated they will adjust if hired), does not intend direct negotiations with largest industry, firm formed in 2011, does not have dashboard software for future use	No

Consultant	Bid Amount	Home Office	Attributes	Problems	Recommendation
HR Green	\$25,770	Johnston, IA	Good analysis approach, good cash flow analysis and capital outlay, will make up to 10 local municipality comparisons, multiple small system studies in Iowa	No experience with local industry, pricing for only 1 meeting w/ industry, learning curve for our structure, does not have dashboard software for future use	No
Snyder & Assoc.	\$27,000-\$37,000	Cedar Rapids, IA	Will strategize to develop and compute alternative rates, will assist in revision of rate ordinance, good analysis approach	Cost of service analysis is an additional service, range of price to be determined after hiring.	No
Municipal & Financial Services Group	\$29,900	Annapolis, MD	Large and small systems, did Moline study recently, provides software tool for on-going adjustments with training, implementation assistance, condition of system assessments, good forecasting methods and models	No experience with local industry, not local for multiple meetings with local industry or staff, learning curve for our structure	Possibly
Stanley Consultants	\$29,500	Muscatine, IA	Good design for "fair and equitable rates", good spreadsheet model with ability to update and forecast, good cost of service analysis model	Cannot negotiate with largest industry (conflict of interest)	No
HDR Engineering	\$35, 575	Des Moines, IA	Good cost of service analysis model, good ideas for debt service ratio, ensures City is consistent in application of rates	No experience with local industry, learning curve for our structure, spreadsheet model requires training and user manual (not included in price)	No

Consultant	Bid Amount	Home Office	Attributes	Problems	Recommendation
Willdan Financial Services	\$36, 850	Orlando, FL	Sent an example study, development of real-time financial model, graphical dashboard for future modeling in-house, all day workshop for dashboard training, good revenue requirement analysis	Insurance not to spec, no experience with local industry, learning curve for our structure, Florida location for local industry negotiations, no local experience	Possibly
Fox Engineering	\$39,800	Ames, IA	Priority to increase efficiency (use of biogas), good breakdown of expenses and revenue built into tables, provides several options for possible rate changes, multiple local studies, advanced software dashboard for future modeling	Software is an optional increase, not confident on July 1 implementation	No