

Memorandum



Date:

To: Tara Smith, Director
Internal Services Department

From: Lester Sola, Director
Miami-Dade Water and Sewer Department

Subject: Review Item: Water and Sewer Rates, Fee Analysis and Bond Engineering Services –
Project No. E15-WASD-14

This is to advise you that Miami-Dade Water and Sewer Department (WASD) is proposing to employ an engineering firm to provide Water and Sewer Rates, Fee Analysis and Bond Engineering Services.

WASD is seeking professional engineering services for a Bond Consultant. A detailed scope of services is attached as "Notice to Professional Consultants." The term of the Non-Exclusive Professional Services Agreement (PSA) is three (3) years with a two (2) one (1) year option-to-renew. Maximum compensation is \$4,500,000, plus a ten percent (10%) contingency allowance in accordance with Ordinance 00-65. No minimum work or compensation will be assured to the retained consultant.

The Consultant providing engineering services must be certified in the following technical categories and the respective percentages of the disciplines as indicated below:

Technical Category No.	Description	Percentage	Amount
6.01 Prime	Water Distribution and Sanitary Sewage Collection and Transmission Systems	34%	\$1,020,000
6.02 Prime	Major Water and Sanitary Sewage Pumping Facilities	33%	\$ 990,000
6.03 Prime	Water and Sanitary Sewage Treatment Plants	33%	\$ 990,000
	Total	100%	\$3,000,000

The Prime Consultant will also be providing rate and fee analysis as described in the Notice of Professional Consultants for in amount of \$1,500,000. These services do not fall under an A/E technical category.

The Prime Consultant and/or Subconsultant(s) selected for this project will be prohibited from executing future agreements with Miami-Dade County for design services for WASD for the duration of this PSA. Therefore, WASD does not recommend a SBE participation goal. Attached is WASD's Departmental Input Worksheet and Notice to Professional Consultants.

Should you have any questions, please contact Patty David, Chief, Intergovernmental Affairs Section at pattyd@miamidade.gov or (786) 552-8040.

Attachments

**MIAMI-DADE COUNTY, FLORIDA
NOTICE TO PROFESSIONAL CONSULTANTS
MIAMI DADE WATER AND SEWER DEPARTMENT
WATER AND SEWER RATES, FEE ANALYSIS AND
BOND ENGINEERING SERVICES
PROJECT NO. E15-WASD-14**

The County Mayor, Miami-Dade County, pursuant to the Miami-Dade Water and Sewer Department (WASD) Consent Decree and Capital Improvement Programs Acceleration Ordinance Section 2-8.2.12 and Section 2-10.4 of the County Code, Chapter 287.055, Florida Statutes, and Administrative Order 3-39, announces that the Miami-Dade Water and Sewer Department (WASD) will require professional services for water and sewer rates, fee analysis and bond engineering services.

The Prime Consultant and/or Subconsultant with a current agreement or an open work/service order with Miami-Dade County for design and/or construction management services for WASD will not be considered for award under this solicitation. In addition, the Prime Consultant and/or Subconsultant selected for award of this solicitation will not be allowed to propose or be considered for any design projects for WASD advertised during the effective term of this water and sewer rates, fee analysis and bond engineering services agreement.

WASD is one of the largest public utilities in the United States, serving a population of more than 2.6 million. WASD provides direct service to more than 428,000 accounts, wholesale water service to 15 municipalities, and wholesale sewer service to 13 municipalities. WASD requires a qualified consultant to prepare a Rate Study (Study) of WASD's retail and wholesale rates and bond consulting engineering services to act in the capacity of WASD's Consultant pursuant to the Senior Bond Ordinance No. 93-134.

The selected Consultant shall be responsible for preparing an Annual Report on the water and sewer utility system before September 1st of each year; setting forth recommendations as to any necessary revision of rates and charges; determining the amount to be deposited in the renewal and replacement fund during the next fiscal year and; other advise as appropriate; conducting an annual inspection of approximately one-third of WASD's facilities; rendering a written report as to the state of condition and repair of the system; and generating recommendations, approvals and/or certifications in connection with the various sections of the Bond Ordinance including issuance of an Engineering Consultant's Report for inclusion in official statements for water and sewer revenue bond offerings.

During the effective term of the agreement, the Consultant, at the sole discretion of WASD, will also provide consulting services for WASD such as planning, feasibility, vulnerability and risk assessment and process studies, which do not present conflicts of interest relative to the firm's bond consultant duties.

Currently WASD is facing the following rate challenges that shall be addressed as part of the Study:

- A. The water and wastewater systems operating revenues streams need to provide sufficient funding for Department's costs requirements including reserves. Adequate revenue streams are necessary to operate and maintain both the Water and Wastewater systems, and to maintain strong financial ratios that determine the cost of financing future debt required to fund the Multi-Year Capital Improvement Plan (MYCIP). For the past several years, revenues from the water system have been needed to cover shortfalls in wastewater revenue.

- B. The water and wastewater tiered rate structures require annual analysis to ensure that the adopted rates and fees allocation is achieving the amount of anticipated revenues through the course of annual rate adjustments. WASD is facing a \$13.5 billion capital program which includes a \$1.6 billion Consent Decree Settlement Agreement. Given the magnitude of future capital needs, a review of retail rates and rate structure to fully recover revenue requirements of both the systems is needed.

OBJECTIVES, SCOPE OF SERVICES AND DELIVERABLES FOR RATES AND FEE ANALYSIS:

The purpose of the rates and fees analysis is to provide recommendations to WASD concerning retail rate structures, and wholesale cost allocation methods for water and wastewater utility services. The recommendations provided by the Consultant will reflect factors related to the adequacy of rates, the actual cost to provide services, and the implementation of appropriate rates based on the analysis objectives. In addition an annual wholesale rate review shall be conducted and presented to wholesale customers.

Objectives include:

- A. Evaluating Retail Rate Tier Thresholds
- B. Analyzing Customer Bill Impact
- C. Legality – Defensible Cost Recovery Methodologies
- D. Consumption/Demand Management
- E. Rate & Revenue Stability
- F. Ease of Understanding
- G. Ease of Update
- H. Revenue Sufficiency
- I. Communication with Stakeholders

REQUIRED SERVICES AND DELIVERABLES:

- A. Annual Wholesale Rate Development and Review Tasks and Deliverables:

Task 1: Development of Water and Sewer Wholesale Customer True-up. Consultant will work with staff to develop the Wholesale Customer dollars owed between the Wholesale Customers and the WASD.

Deliverables: The Consultant will review costs allocations and customer responsibilities between Wholesale and Local WASD system customer's prior year actuals versus budgeted to develop revenues to be owed to, or recovered from, each individual WASD Wholesale Customer.

Task 2: Presentation of Wholesale Customer True-Up.

Deliverables: The Consultant will present the results of the Wholesale Customer True-up calculation to the WASD staff and Wholesale Customers.

Task 3: Development of Water and Sewer Wholesale Customer Projected Rates. Consultant will work with staff to develop the projected Water and Sewer Wholesale Customer rates for the coming year based on the proposed budget.

Deliverables: The Consultant will use the information developed in Task 1 and the proposed budget requirements to develop costs to be allocated to the WASD Wholesale Customers for the upcoming year and develop rates applicable to the Wholesale Customers.

Task 4: Presentation of Wholesale Customer Projected Rates.

Deliverables: The Consultant shall present the results of the Wholesale Customer Projected Rates analysis to the WASD staff and Wholesale Customers.

Task 5: Meetings.

Deliverables: The Consultant shall hold four separate meetings at the WASD. Two meetings shall be held for the development of the true-up and projected rate analysis and one meeting each to present the true-up amounts and the projected rates to the WASD staff and Wholesale Customers by June 30th of the contract year.

B. Retail Rate Analysis Tasks and Deliverables, on an as needed basis as requested by County Project Manager may include:

Task 1: Identify Project Objective and Preliminary Review of Data Availability. The Consultant shall review:

- Project objectives
- Project scope of work
- Data requirements necessary to initiate and complete the Study defined herein.

Deliverable: The Consultant shall prepare a Preliminary Data Request (Request) outlining the financial, operating, customer, and other pertinent data requirements necessary to complete the analysis. As needed, supplemental data requests will be provided to WASD as identified by the Consultant.

Task 2: Initiation and Orientation Meeting.

The Consultant shall participate in an in-person planning meeting with the County to discuss the Request. This meeting will a) assist WASD in determining the necessary data for the projects; b) assist WASD' staff with the specific details of the data needed, and c) determine time frames for reviewing and collecting this information. The planning meeting will be scheduled by the County Project Manager.

Deliverable: In order to allow the County to prepare data sources that may be required for the tasks herein, the Consultant shall submit the Request as specified in Task 1 for review and approval at the project planning meeting. The Consultant shall work closely with the County Project Manager for the Request. The Consultant shall incorporate the County's recommendations therein, and shall provide one electronic copy of the Final Request to the County's Project Manager.

Task 3: Verify Revenues Calculated Under Existing Rates/Budgeted Rates. The Consultant shall calculate WASD' s revenue under existing rates/budgeted rates for the Test Year, and verify the final results with staff in order to validate the customer billing data provided. Consultant will utilize WASD's financial planning model to complete this evaluation.

Customer billing data is a key component of this study and will be used in evaluating the appropriateness of WASD's rate tier structure.

Deliverables:

- 1) Retail customer, usage and flow projections. Retail customer usage and flow projections will be based on WASD's assumptions and forecasts as included in the five (5) year budget projection. If the Consultant identifies any inconsistencies with the WASD's customer, usage, or flow projections, these items will be further reviewed with WASD. The Consultant shall work closely with WASD to understand the historical utility customer demand requirements for water and wastewater utility services. Attention should be dedicated to understanding historical customer growth for the water and wastewater systems. In addition, the reason associated with the historical changes in water demand and wastewater usage shall be reviewed and documented.
- 2) Water and Wastewater Revenue Projections. Revenue determined as a result of this analysis will form the basis to assess revenues under existing rates by all retail customer classes served by WASD over the five (5) year financial plan period. In addition, the revenue levels generated will provide an understanding of the impact of drought restrictions on revenue stability, revenue associated with each tier of the existing rate structure, and revenue generated by the WASD's different customer classes. The Consultant shall apply the existing water and wastewater rates to the forecast of water, and wastewater customers and flow.
- 3) Miscellaneous Revenue Projections. These revenue sources are important for determining the net level of future revenues which need to be generated from user rates and charges. It is anticipated that revenues to be generated from other existing sources including interest earnings, late payment penalties and interest and other miscellaneous revenues obtained from WASD's five (5) year budget projection.

Task 4: Rate Structure Evaluation.

The Consultant shall evaluate the ability of the existing water and wastewater rate structures and related revenue increases to meet the revenue requirements of the system. The specific tasks to be completed as part of this evaluation include the following:

- 1) Considering the impact of elasticity of demand, evaluate the ability tier rate increases alone to generate the revenues needed to meet the revenue requirements of WASD. Part of this evaluation will estimate the point where increases to these tiers will result in off-setting decreases in consumption such that additional revenue generation through increases in these tiers will likely not be achieved.
- 2) Evaluate readiness to serve costs and impacts to various water usage levels. The Consultant will prepare an evaluation to determine the appropriate level of rate adjustment needed for residential customers with the first tiered water usage. The additional revenue generation of this rate change will be compared to WASD's budgeted revenue increases. In addition, an evaluation of this rate change and the ability of WASD to fund its MYCIP will be completed.
- 3) Evaluate the revenue increase associated with lowering the first tier water usage volume. Lowering first tier water threshold will increase revenue. The Consultant will prepare an evaluation to estimate the additional revenue that could be generated from this rate structure change.

- 4) For the water system, determine WASD's marginal cost of providing water service. The marginal cost is defined as the WASD's cost to provide 1,000 gallons of water to its customers. This marginal cost will be compared to the WASD's tiered rates and the marginal cost for customers at differing levels of consumption, in order to gain an understanding of the rate differential of the WASD's current rate structure.
- 5) Evaluate the appropriateness of the WASD's current tiered rate structure for wastewater service. Generally, the industry does not utilize a tiered structure for wastewater. The purpose of tiered rates is to encourage water conservation through pricing. As such, since water conservation is the primary driver of tiered rate structures, wastewater rates generally do not include a tiered structure. A single rate for all billed wastewater will be explored, including the bill impacts associated with this rate change.

Deliverables:

- 1) The Consultant will prepare a typical water and sewer retail bill comparison showing 1) the impact of the proposed rate structure changes to WASD's customers and 2) a comparison of the impact of the proposed rate structure to other utilities similar in size to WASD.
- 2) To the extent that data is found to be readily available, the Consultant will estimate the portion of tier 1 customers that can be considered "low income". The purpose of this exercise is to determine how many of WASD customers, enjoying the benefit of a low tier 1 rate, are justifiably in need of this support.

Task 5: Recommend Alternative Options of Assistance Program. The Consultant shall:

- 1) Evaluate assistance programs that could comply with the requirement set forth in WASD's bond ordinance concerning "No Free Service". This bond ordinance requirement limits some assistance programs such as reduced bills or special rates.
- 2) Review WASD's assistance programs, in addition to the evaluations of WASD's rates and rate structure, and provide assistance program options. Review alternative options for the County to assist financially challenged customers with the payment of their water and wastewater bill.

Deliverables: The Consultant shall:

- 1) Provide examples of programs implemented by other large utilities used to assist their "in-need" customers.
- 2) Provide alternate Miami-Dade County programs that may be available or that could be utilized to assist WASD's "in-need" customers.

Task 6: Staff Education and Transfer of Information. Upon completion of the above tasks outlined in above, the Consultant shall:

- 1) Facilitate workshops, as specified by WASD for the staff, to review, obtain feedback, and respond to questions related to the assumptions, findings, and tools utilized as a part of the analysis performed.
- 2) Address the issues associated with staff education and preparation for community outreach as seriously and as professionally as they address the rate structure questions at the core of this analysis and provide feedback to be disseminated amongst staff.

Task 7: Reports. The Consultant shall report results and findings at the conclusion of each major task of this scope of work. Other reports and submittals can be added or subtracted as determined by the County's Project Manager or designee. The respective submittal will explain the study approach, findings, and recommendations. Listed below is a summary of all the reports. Major Task Reports:

1. Determination of the Adequacy of Revenues
2. Rate Structure Evaluation
3. Review of Assistance Program Options

Using the analysis produced from tasks above, the Consultant shall submit an electronic copy or other approved format of the Draft Retail Study to the County Project Manager, for review and comment.

The County's Project Manager will review the Draft Retail Rate Study to provide the Consultant with feedback. The Consultant shall provide one hard copy and one CD, or other approved format, of the Final Study, after incorporating County's feedback.

Task 8: Rate Model Updates. The Consultant, while undertaking the Cost of Service/Rate Study analysis, will update the model to reflect any changes.

Deliverables:

The Consultant will update the existing rate model, at the beginning of the project, to ensure that it contains the most current data and spread sheets, as required by staff.

Task 9: Revenue Requirement Projections. The Consultant shall review WASD's revenue requirements to capture WASD's operating and capital requirements over the contract period. The forecast of revenue requirements establishes the cost basis to compare the adequacy of revenues from existing rates. This task requires the following subtasks:

1. The Consultant shall review WASD's budget projection, and the five (5) year financial forecast of annual revenue requirements for the water and wastewater operations on a cash basis. It is anticipated that the five (5) year budget will provide the following projections as part of the annual requirements:
 - a) Budgeted Operation and Maintenance Expenditures.
 - b) Debt Service Payments on existing and projected bond issues and State Revolving Fund loans.
 - c) Cash financing of MYCIP from rate revenues.
 - d) Transfer Payments to the County (if applicable).
 - e) Funding of future Renewal & Replacement needs as identified by WASD.
 - f) Contributions to specified reserve funds
 - g) Any other cash expenditure as appropriate.
- 2) Capital Improvement Program and Anticipated Expenditure Requirements. The Consultant shall review the water and wastewater MYCIP with WASD to gain an understanding of: a) the types of projects scheduled; b) the timing associated with such projects; c) changes from prior years' capital budgets, anticipated source of financing, and d) the anticipated timing of proposed revenue bond issues.

Task 10: Verification of the Adequacy of Revenues. The Consultant shall follow up on their prior development of Adequacy of Revenues:

1. Review with staff WASD' s five (5) year forecast which provides a cash flow analyses for the water and wastewater funds showing the annual revenue increases to meet the revenue requirements of the system.
2. Review results with staff on whether WASD's rates and charges are adequate to meet the revenue requirements and achieve the financial policies established for the water and wastewater systems. Specific attention will be given to the revenues and revenue requirements of each of the systems on an individual basis to determine if the water and wastewater systems are generating adequate revenue to be self-sufficient.
3. Review WASD's staff analysis to determine the revenue increase required of each system.
4. This analysis will be based on WASD' s five (5) year budget in which WASD anticipated future revenue increases to maintain the capital and operating needs of the System.

Deliverables:

1. The Consultant's analysis will include a review of the forecasted future revenue needs as well as the revenue changes needed for the water and wastewater systems to generate sufficient revenue such that each system can operate independently.
2. Prepare a presentation and accompanying material explaining all results and recommendations in clear, easy to understand language. A key deliverable resulting from this task will be a determination of the needed revenue adjustments required for each water and wastewater system, in order for each system to be self-sufficient.

EXPERIENCE AND QUALIFICATIONS:

1. Must have performed bond engineering services for a comparable sized utility of 200,000 customers or greater within the last five (5) years from the date of this solicitation.
2. Must have experience in water and wastewater planning, major facility design and construction management, and permitting as well as rate studies of a water and wastewater facility that serves 200,000 customers or greater within the last five (5) years from the date of this solicitation.
3. The selected Proposer should have demonstrated experience providing financial consulting services to medium and large (annual operating revenues between \$50 million and \$300 million) utility systems. Staff assigned to work on this project should have levels of experience and qualifications in Water and Sewer financial services comparable to those denoted in the scope of services for the rates and fee analysis.

The above expertise must be met by a qualified individual(s) of the Prime Consultant's firm. The experience must be demonstrated by direct or substantial involvement of the individual(s) in a supervisory capacity at the project manager level or above in these projects. The determination of the individual's qualifications and compliance with the above experience and qualifications shall be at the sole discretion of the County.

TECHNICAL CERTIFICATION REQUIREMENTS

Technical Category No.	Description	Percentage
6.01 (PRIME)	Water Distribution and Sanitary Sewage Collection and Transmission Systems	34%
6.02 (PRIME)	Major Water and Sanitary Sewage Pumping Facilities	33%
6.03 (PRIME)	Water and Sanitary Sewage Treatment Plants	33%
	Total	100%

One (1) qualified Consultant will be retained under a Non-Exclusive Professional Services Agreement for an effective term of three (3) years with a two (2) one (1) year option-to-renew. Maximum compensation of \$4,500,000, plus contingency in accordance with Ordinance 00-65. No minimum amount of work or compensation will be assured to the retained Consultant. The County reserves the right to re-use the work projects of the retained Consultant and to retain other Consultants to provide the same or similar services at its sole discretion.