

## A G E N D A



## Recommendation for Council Action (Purchasing)

Austin City Council

Item ID:

57864

Agenda Number

32.

Meeting Date:

May 19, 2016

Department:

Purchasing

## Subject

Authorize negotiation and execution of a contract with RAFTELIS FINANCIAL CONSULTANTS, INC. to conduct a comprehensive cost of service rate study in an amount not to exceed \$494,474.

## Amount and Source of Funding

Funding is available in the Fiscal Year 2015-2016 Capital Budget of Austin Water.

## Fiscal Note

A fiscal note is required.

Purchasing Language:

The Purchasing Office issued a Request for Proposals (RFP) CDL2002 for these services on February 29, 2016 and it closed on March 22, 2016 with six offers received. The recommended offer is the best evaluated offer submitted by a responsible offeror. Additional information on the solicitation is included below the line. The recommended offeror is not the current provider for these services.

Prior Council Action:



For More Information:

Danielle Lord, Corporate Purchasing Manager, 512-974-2298

Boards and Commission Action:

April 13, 2016 - Recommended by the Water and Wastewater Commission on a 10-0-1-0 vote with Commissioner Fishbeck Maia abstaining.

Related Items:

MBE / WBE:

This contract will be awarded in compliance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program through the achievement of good faith efforts with 6.40% WBE participation.

## Additional Backup Information

The contract will be to conduct a cost of service analysis and development of service rates for Austin Water (AW). AW will utilize the results of the study to design and implement cost-based rates for service. Revisions to water, wastewater, and reclaimed service rates are anticipated to be effective November 1, 2017.

Three cost of service rate studies have been conducted previously. Each study contained extensive cost analysis, public involvement programs, and specific cost of service methodologies in order to develop water, wastewater, and reclaimed rates. The first study was conducted in 1992 as a condition of a rate settlement with the City's wholesale customers. In 1999, a detailed cost of service rate study developed a multi-class rate structure that equitably distributed costs to each customer class. The most current study was conducted in 2007 which developed cost of service methodologies that covered issues regarding cost of service variances, promotion of water conservation, and inflow and infiltration cost allocation. In February 2015, AW rates were challenged and in October 2015, the City received a directive from the Public Utility Commission to set rates below the fiscal year 2012 rates.

The study will evaluate AW's revenue requirements, costs of providing water, wastewater and reclaimed service, and rate design in accordance with recognized accepted industry standards. The study will be based on sound engineering and economic principles to ensure utility costs and rates are fairly apportioned to the customer classes, and rates are designed to equitably recover cost. An extensive public involvement process will be conducted throughout the study in conjunction with the residential customer rate advocate to incorporate outreach to community advocacy groups, which includes minority and economically disadvantaged customers. The Contractor will provide consulting expertise and services to AW management and staff throughout the study.

An evaluation team with expertise in this area evaluated the offers and scored Raftelis Financial Consultants, Inc. as the best to provide these services based on experience and qualifications, concept and program plan, computer model, cost, and local business presence.

This request allows for the development of a contract with a qualified offeror that Council selects. If the City is unsuccessful in negotiating a satisfactory contract with the selected offeror, negotiations will cease with that provider. Staff will return to Council so Council may select another qualified offeror and authorize contract negotiations with this provider.

If the City is unable to enter into contract, AW's cost of service methodology will not be updated.

A complete solicitation package, including a response list, is on file in the City's Purchasing Office and is available on the City's Financial Services Austin Finance Online website. Link: [Solicitation Documents](#)