



CITY OF GEARHART

Staff Report

For City Council Meeting - 12/7/2022

Subject - New Business - Funds Request - Water Rate Study

Synopsis: City staff is requesting water reserve funds up to \$20,000 to enter into an agreement with a third-party who will study Gearhart water rates. The City posted the attached RFP seeking qualified consultants to conduct a comprehensive water rate study. Per the RFP, the goal of the study is to independently assess and evaluate the City's existing water delivery cost structure and provide a new 10-year plan with rates and guidelines. The broad objective of the study is to adequately fund water utility operations and infrastructure costs and promote conservation, while minimizing rates to the greatest degree possible. The study will include evaluating the current water rate structure and comparing it to benchmarks in the industry, as well as neighboring communities. The RFP closed November 21, 2022; we received one bid.

Council Options:

- 1) Approve the request for funds up to \$20,000;
- 2) Take other action;
- 3) Deny the request.

Recommendation: Staff recommends approving the request for funds up to \$20,000 to complete a water rate study, and meet a required 5-year benchmark within our Water Management and Conservation Plan.

Recommended Motion

Move to allow up to \$20,000 allocation in water reserves to enter into an agreement with a third-party who will study Gearhart water rates.

Legal Analysis: N/A

Financial Analysis: The City currently has \$1,360,324 in the water reserve fund.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be the name 'Chad', is written over a horizontal line.

Chad



Invitation to Bid Water System Rate Study Quote Requirements

The City of Gearhart is requesting quotes from qualified consultants to conduct a comprehensive water rate study. The goal of the study is to independently assess and evaluate the City's existing water delivery cost structure and provide a new 10-year plan with rates and guidelines. The broad objective of the study is to adequately fund water utility operations and infrastructure costs and promote conservation, while minimizing rates to the greatest degree possible. The study will include evaluating the current water rate structure and comparing it to benchmarks in the industry, as well as neighboring communities.

The study will be based on a comprehensive review of the City of Gearhart's water funds and budgets, customer rates, current usage data, future planned growth of the City pursuant to the Comprehensive Plan, Water Master Plan, Seismic Resiliency and Mitigation Plan, and any other information deemed necessary.

Water System Overview

The City of Gearhart (City) is a small coastal residential community encompassing 1.9 square miles in the northwestern tip of the State. The City is in Clatsop County, approximately 15 miles south of the City of Astoria, the county seat, and 80 miles northwest of Portland. The City is responsible for supplying water to property owners in the City limits, in the urban growth area, and several surrounding areas. Due to seasonal fluctuation, the City serves as few as 1,872 people to as many as 7,000 people. *Portland State University (PSU)*

The City currently obtains its water from three sources: 1) the City's eight owned and operated wells, 2) the City of Warrenton, 3) and the City of Seaside. Currently, the City purchases water when its permitted groundwater extraction rate is seasonally reduced. The City of Warrenton conveys treated water through interconnections at the North Headworks and South Headworks located east of Highway 101 to the City. The City's water distribution system is also interconnected with the City of Seaside's water distribution system on the south side of City. These connections are normally closed, and the flowmeters are monitored for cross-connection flow that may occur.

Today, there are 1,637 active residential, multi-family and commercial utility accounts within the City's service area. Budgeted and actual information for the Water Operating Fund and Water Reserve Fund are below.

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	FYTD 10/19/22 2022-2023
<u>Water Operating Fund</u>						
Budgeted Revenues	\$ 1,157,000.00	\$ 1,177,000.00	\$ 1,202,000.00	\$ 1,106,000.00	\$ 1,350,000.00	\$ 1,379,935.78
Budgeted Expenditures	\$ 1,157,000.00	\$ 1,177,000.00	\$ 1,202,000.00	\$ 1,106,000.00	\$ 1,350,000.00	\$ 1,379,935.78
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actual Revenues	\$ 902,332.75	\$ 1,049,005.35	\$ 972,119.98	\$ 1,010,402.74	\$ 1,041,679.50	\$ 447,984.32
Actual Expenditures	\$ 744,704.15	\$ 990,169.88	\$ 888,876.75	\$ 986,059.85	\$ 1,001,515.47	\$ 427,042.23
	<u>\$ 157,628.60</u>	<u>\$ 58,835.47</u>	<u>\$ 83,243.23</u>	<u>\$ 24,342.89</u>	<u>\$ 40,164.03</u>	<u>\$ 20,942.09</u>

Water Reserve Fund

Budgeted Revenues	\$ 1,196,500.00	\$ 1,331,000.00	\$ 1,363,314.00	\$ 1,463,000.00	\$ 1,562,371.00	\$ 1,582,500.00
Budgeted Expenditures	\$ 1,196,500.00	\$ 1,331,000.00	\$ 1,363,314.00	\$ 1,463,000.00	\$ 1,562,371.00	\$ 1,582,500.00
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual Revenues	\$ 1,072,130.79	\$ 1,218,485.36	\$ 1,274,602.42	\$ 1,384,252.48	\$ 1,405,335.76	\$ 1,372,688.18
Actual Expenditures	\$ 23,810.50	\$ 67,524.74	\$ -	\$ 36,000.00	\$ 37,765.89	\$ 13,657.38
	\$ 1,048,320.29	\$ 1,150,960.62	\$ 1,274,602.42	\$ 1,348,252.48	\$ 1,367,569.87	\$ 1,359,030.80

Scope of Work**STUDY OBJECTIVES**

1. Provide a comparison of current water system costs (operations, capital improvements, bonded debt) against appropriate industry benchmarks and neighboring communities.
2. Recommend rate structures required to maintain the current water system, fund future capital improvements to each system, and consider annual indexed adjustments to rates.

STUDY REQUIREMENTS

1. The recommended rate structures shall ensure the long-term financial sustainability of the City's water funds and meet the City's revenue requirements.
2. The study shall recommend rate structures that consider and make provisions for the following factors:
 - a. Current and future cost of providing water service in accordance with established and anticipated standards and regulations. This includes planning for ten years of operations, maintenance, infrastructure growth and expansion, and future improvements to the water system.
 - b. Projected demand for water service over time.
 - c. Availability of supply (seasonal fluctuations and long-term availability).
 - d. Equitability of rate structures.
 - e. Promoting conservation.
3. The recommended rate structures shall provide direct identification of revenues appropriated to major funded activities and infrastructure.
4. The recommended rate structures shall be consistent with industry practice for utility rate making in Oregon.
5. Justifications for any special classes of customers under the recommended rate structure shall be demonstrated.
6. The recommended rate structure shall be easy to administer and understand.
7. The City's billing system should be able to handle any proposed rate structure.
8. The recommended rate structure shall be planned for at least ten years.

SERVICES TO BE PROVIDED BY CONSULTANT

1. Bookmark current and proposed rates to those of neighboring communities in Clatsop County and Oregon.

2. Conduct a review of the existing water rate and status of the water funds. Develop a general familiarity with the City's billing system.
3. Meet or confer with staff as needed and attend a City Council meeting (evening) with the City Council to present the results of the study and deliver the consultant's recommendation.
4. Conduct analyses as required to address the scope of work.
5. Prepare and present a preliminary study report and tentative rate structures to staff for comments.
6. Prepare a final report, which incorporates changes pursuant to comments received by staff after review of the preliminary report. Final report submission does also require 10 hard copies and 1 electronic copy in MS Word format with spreadsheets in Excel format. Present the final report and recommended rate structures to the City Council and members of the public.
7. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to the City no later than April 24, 2023.

QUOTE CONTENT AND DEADLINE FOR SUBMISSION

The City requires the proposer to submit a quote addressing all of the requirements outlined in this Invitation to Bid. Quotes must include, at a minimum, the following sections in the order indicated:

1. Information Page – Include project name, name of firm submitting the quote, contact information for the person that will act as project leader including name, title, address, telephone and fax numbers, and email address.
2. Description of Study Understanding - Outline of the proposer's understanding of the study and summarizing the basic approach to the rate study and revenue program.
3. Methodology - Descriptions which enable the City to assess the proposer's capability to conduct this study in a structured and efficient fashion.
4. Scope of Work - Details with specific task descriptions to demonstrate that the proposer has considered all aspects of the study and that the proposer will cover them thoroughly.
5. Timetable – A timetable which identifies the main elements of the project, according to the Scope of Work, and projected completion dates throughout the project period. This timetable will be used to pre-notify City staff of their required involvement and the timing of same. The complete report shall be submitted to the City by April 24, 2023 and delivered to the Gearhart City Council and the public at the May 3, 2023 City Council Meeting. If the consultant cannot make this deadline, they should provide an alternative timetable to complete the project as soon as possible. The City recognizes that performance by consultant is dependent upon performance by City. The City shall make schedule adjustments to reflect any delays caused by City.
6. Qualifications - Description of the organization, covering background experience connected with water rate studies, as well as other rate studies and revenue programs.
7. Client References -Submit descriptions of similar assignments which were conducted by the proposer, including other agency's contact name, telephone number and email.
8. Cost Estimates of Consulting Fee - Each quote shall include a cost estimate for providing services.
9. A copy of a proposed contract may be attached. Proposers shall provide evidence of professional liability insurance.
10. Interested firms should submit quotes by 5:00 p.m. November 21, 2022. Email jhill@cityofgearhart.com, or USPS to PO Box 2510, Gearhart, Oregon, 97138, or dropped off at City Hall.
11. Quotes should be marked: "Water Rate Study—City of Gearhart".

PROCEDURE AND SELECTION OF CONSULTANT

Subsequent to the deadline for acceptance of quotes, the City will evaluate each quote and will determine rankings based upon materials submitted. If an agreement cannot be reached with the top ranked firm, the City will contact the firm with the next ranked quote and attempt to negotiate with that firm. The process will be repeated until an agreement is reached. The selected firm will be notified of the final approval of the contract on December 7, 2022. All quotes will become public record.

Quotes will be evaluated on the following criteria:

- a. Consultant's understanding of the City's desires and general approach to the project as demonstrated in the scope of work. 50%
- b. Costs of consulting fee to complete the overall project. 20%
- c. Consultant's experience with projects of similar complexity and function. 10%
- d. Completeness of the work included in the Quote. 10%
- e. Timeline that complies with the goals of the City's as stated in the Invitation to Bid. 10%

CONTACT INFORMATION

Justine Hill
City Treasurer and Water Clerk
PO Box 2510
Gearhart, Oregon 97138
(503)738-5501
jhill@cityofgearhart.com