



# Agenda Report

August 8, 2022

**TO:** Honorable Mayor and City Council

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH RAFTELIS FINANCIAL CONSULTANTS, INC., DBA RAFTELIS FOR WATER COST OF SERVICE ANALYSIS AND RATE DESIGN SERVICES FOR AN AMOUNT NOT TO EXCEED \$142,724**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act ("CEQA") pursuant to Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. Authorize the City Manager to enter a contract, as a result of a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, with Raftelis Financial Consultants, Inc., dba Raftelis ("Raftelis") for an amount not to exceed \$142,724 or one year, whichever comes first, with two optional six-month extensions at no additional cost, to provide Water Cost of Service Analysis ("COSA") and Rate Design services; and
3. Authorize the City Manager to approve change orders for contracts relating to the Water COSA and Rate Design services in an aggregate amount not to exceed \$15,000.

## **BACKGROUND:**

The Pasadena Water and Power Department ("PWP") is responsible for the operations and activities of the City of Pasadena's Water System, which provides water services to customers within Pasadena city limits and adjacent areas outside the city limits. In order to provide adequate service to its customers, the utility must secure sufficient revenues to ensure proper system operation and maintenance, capital improvements, and preservation of the utility's financial integrity. Revenues generated from water rates

must adhere to cost-of-service principles and be collected from rate structures that recover the cost of providing equitable service to all customers.

PWP periodically conducts comprehensive cost-of-service analyses for its water and electric services. These assessments, which evaluate operating costs, capital investment and reserve requirements, customer characteristics, resource conditions and availability, legislative requirements and rate design are generally completed every five to seven years. PWP completed an all-inclusive cost-of-service study for the Water System in 2009 with independent consultant services provided by Red Oak Consulting. Targeted updates to the model and key components were completed in 2016 and again in 2018. The cost model is updated annually as part of the budget preparation process.

PWP staff completed an update of the existing cost model in preparation for the Fiscal Year ("FY") 2022 budget. The results provided support for the recently approved system average water rate adjustments of 7.1% for FY 2022 and 7.2% for FY 2023. At this time, it is necessary to conduct a comprehensive water cost-of-service analysis and rate design study to ensure that PWP's rate structure continues to comply with legal requirements and industry accepted cost-of-service principles. In addition, the persistent drought conditions and water supply challenges for the western United States indicate that PWP's existing water rate design may not be adequate to sufficiently measure water usage by customers and specifically encourage efficient use and conservation.

PWP requires the services of a qualified technical and financial consulting firm to conduct a comprehensive Water COSA and Rate Design review with a focus on developing conservation-based rates. The goal of the assessment is to perform an inclusive review of the Water System's revenue requirements and costs to determine the adequacy of the current rate structure. The COSA will include an evaluation of the City's water supplies, customer characteristics and consumption patterns; and the development of a conservation-focused rate structure that provides adequate funding while managing customer rate impacts.

On June 8, 2022, a Request for Proposals ("RFP") was issued seeking Water Cost of Service Analysis and Rate Design services. The RFP was posted on Planet Bids with proposals due on June 29, 2022. The electronic posting generated notices to 3,577 vendors, including 266 local vendors. Documents were downloaded by 30 vendors, four of which were local. Three proposals were received, none from local firms.

An evaluation of the proposals using the criteria set forth in the RFP was conducted by a six member PWP selection team consisting of staff from the Water and Finance and Administration divisions. The proposals were evaluated in accordance with the stated criteria outlined in the RFP. The average scores for the firms are shown in Table I. A complete scoring evaluation summary of the average scores is provided in Attachment A.

**Table I: RFP Scores**

<u>Rank</u>	<u>Firm Name</u>	<u>Location</u>	<u>Evaluated Score (Out of 100)</u>
1	Raftelis Financial Consultants, Inc., dba Raftelis	Los Angeles, CA	81
2	NewGen Strategies & Solutions	Annapolis, MD	72
3	Black & Veatch Management Consulting, LLC	Los Angeles, CA	70

Based on the results of the evaluation, PWP selected the firm with the highest average score that best demonstrates the depth and range of cost-of-service analysis and rate design services, capabilities, and experience that are needed including solid expertise in the areas of Proposition 218, water policy issues and water conservation-focused rates. It is recommended that one contract be awarded for \$142,724 to Raftelis for a one-year term with two optional six-month extension periods.

Over the past six years, Raftelis has not had any existing or past contracts with the City of Pasadena.

**COUNCIL POLICY CONSIDERATION:**

The recommendations are consistent with the City Council's goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; and increase conservation and sustainability.

**ENVIRONMENTAL ANALYSIS:**

The action proposed herein is not a project subject to the CEQA in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378. The awarding of contracts for professional services is an organizational and administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The total cost of this action is \$157,724 for a term of up to two years. This amount includes \$142,724 for the initial term of the contract and up to \$15,000 to provide for any necessary change orders. Funding for this action will be addressed by the utilization of current budgeted appropriations in the Water Operating Fund 402 (Account No. 42107980-811500). It is anticipated that approximately 75 percent of the contract amount will be spent during FY 2023. The remainder of the costs will be spent in FY 2024. There is no anticipated impact to other operational programs or capital projects as a result of this action.

The fiscal impact summary is shown in Table II below.

**Table II: Fiscal Impact**

Contract Amount	\$142,724
Project Change Orders	\$ 15,000
<b>Total Fiscal Impact: Fiscal Year 2023 - 2024</b>	<b>\$157,724</b>

Respectfully submitted,

  
JEFFREY KIGHTLINGER  
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