



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Approving Task Order No. 3 with The Reed Group, Inc., of Sacramento for Water Utility Financial Planning and Rate Setting Services (\$75,000) and Appropriating Funds (\$100,000)

MEETING DATE: October 6, 2010

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution approving Task Order No. 3 with The Reed Group, Inc. of Sacramento for water utility financial planning and rate setting services in the amount of \$75,000 and appropriating funds in the amount of \$100,000.

BACKGROUND INFORMATION: Staff and the City's consultants are continuing the financial planning and rate setting analyses for the water utility related to the installation of residential meters, the conversion from flat rate to metered rate billing, financing of the surface water treatment facilities, and analyses of the commercial fixed service charge and commodity charges.

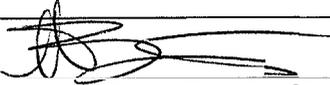
On July 21, 2010, City Council adopted the usage-based rate residential rate structure. An objective of that rate structure is that it be revenue neutral compared to the existing flat rate structure. It is a prerequisite that regular monitoring of revenues be performed to assure that revenues are kept in line with current and planned expenditures.

Task Order No. 3 of The Reed Group Master Professional Services Agreement is attached as Exhibit A. The principal services covered by this task order are listed below.

1. Five years of monitoring the water rate revenue stream, including the transition to usage-based water rates.
2. Financial analyses related to the water treatment facilities financing.
3. Cost of service and rate design analysis to establish equity within the non-residential water rate structure and otherwise meet the City's rate-setting objectives.
4. Updating water impact mitigation fees to reflect the cost of capacity in the new water treatment plant.
5. Assistance in evaluating alternative water meter installation charges and associated revenues.
6. Preparation of quarterly water model updates based upon expense and revenue experience and changes in the capital improvement plans.
7. Other services as requested by the City.

Staff recommends City Council approve Task Order No. 3 that will assist staff through the course of the Water Meter Program and the conversion from flat to usage-based water billings.

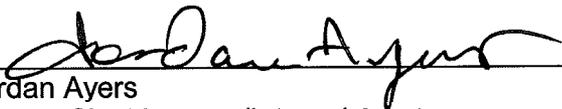
APPROVED:


Konradt Bartlam, Interim City Manager

Adopt Resolution Approving Task Orders No. 21 and 22 with Treadwell and Rollo, of Oakland, for Southern, South Central/Western, and Northern PCE/TCE Plumes Workplan Preparation and Monitoring (\$446,400) and Appropriating Funds (\$500,000)
July 21, 2010
Page 2

FISCAL IMPACT: Cost of Services is included in the Water Utility Budget

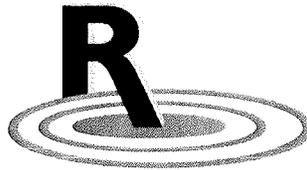
FUNDING AVAILABLE: Water Fund (181) - \$100,000


Jordan Ayers
Deputy City Manager/Internal Services Director


F. Wally Sandelin
Public Works Director

FWS/pjt

Attachment



THE REED GROUP, INC.

September 13, 2010

Wally Sandelin
City of Lodi
221 West Pine Street
P.O. Box 3006
Lodi, CA 95241-1910

Subject: Task Order **No. 3** - Water Utility Financial Planning and Rate
Setting Assistance

Dear Wally,

We are pleased to offer this proposal to perform additional assistance with respect to the City's water utility in the areas of financial planning and rate setting. In response to your recent e-mail message, below is a list of the areas of additional assistance requested by the City.

- Financial analyses related to water treatment plant financing
- Five years of monitoring the water rate revenue stream, including the transition to usage-based water rates
- Cost of service and rate design analysis to establish equity within the non-residential water rate structure, and otherwise meet the City's rate setting objectives
- Assistance in evaluating potential water meter installation charges and associated revenues
- Preparation of quarterly water model updated based on cost/revenue experience and changes in operations and/ or capital improvement plans within the water utility
- Other services related to the water utility, as requested by the City

It is proposed that these services be performed on a time and expense basis, subject to a not-to-exceed budget limit. Because of the nature of services being requested, as well as the time period to be covered, it is not possible to provide a firm estimate of the total costs that might be involved. My best guess is that costs may range from \$10,000 to \$25,000 annually. I suggest that Task Order No. 3 include a budget of \$75,000, which should be sufficient to get us well into the five-year period requested.



My 2010 hourly billing rate is \$225 and it is subject to change each January. In 2011, I anticipate the rate will increase to \$240 per hour. Other expenses related to my work for the City are nominal.

As you know, it is our practice to bill clients no more frequently than monthly for actual time and expenses incurred since the prior invoice. Payment is due within 30 days.

If you have any questions regarding this Task Order No. 3, please call me at (916) 444-9622. I appreciate being of continued service to the City.

Sincerely,

A handwritten signature in black ink that reads "Robert Reed". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert Reed
The Reed Group, Inc.

RESOLUTION NO. 2010-169

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE TASK ORDER NO. 3 WITH THE REED GROUP, INC., FOR WATER UTILITY FINANCIAL PLANNING, RATE SETTING SERVICES AND FURTHER APPROPRIATING FUNDS

WHEREAS, The Reed Group, Inc., has been providing consulting services to the City for preparation of the Water Utility Financial Plan; and

WHEREAS, The Reed Group, Inc., has developed the usage-based water rate structure that will be implemented as part of the water meter installation program; and

WHEREAS, monitoring of the usage-based water rate structure and the Water Utility Financial Plan are important to the City; and

WHEREAS, the services of The Reed Group, Inc., are needed during the five-year implementation of the water meter installation program; and

WHEREAS, the requested appropriation of \$100,000 includes allowances for staff costs and contingencies over and above the contract amount of \$75,000.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute Task Order No. 3 for water utility financial planning, rate setting services with The Reed, Group, Inc, of Sacramento, California, in the amount of \$75,000; and

BE IT FURTHER RESOLVED that funds in the amount of \$100,000 (in addition to the contract amount of \$75,000) be appropriated from Water Capital funds for this project.

Dated: October 6, 2010

I hereby certify that Resolution No. 2010-169 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 6, 2010, by the following vote:

- AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce, and Mayor Katzakian
- NOES: COUNCIL MEMBERS – None
- ABSENT: COUNCIL MEMBERS – None
- ABSTAIN: COUNCIL MEMBERS – None

RANDI JOHL
City Clerk