

TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director
SUBJECT: Completion of Water Rate and Capacity Charge Studies
DATE: September 16, 2008

NEEDS: For the City Council to consider amending its contracts with T. J. Cross Engineers, Inc., HF&H and Kennedy/Jenks Consultants to complete the water rate and capacity charge studies.

FACTS:

1. On December 18, 2007, City Council deferred adoption of Ordinance No. 940 to consider retaining an independent expert to comprehensively review the water rates and establish a rate structure that would generate funds to address planned water resource and system operations.
2. On January 15, 2008, City Council retained the services of Kennedy/Jenks Consultants and TJ Cross Engineers, Inc. to update the 10-year water system capital improvement program, assess staffing levels, develop a 10-year revenue plan, and to examine alternatives for water rate restructuring.
3. Since January of this year, efforts have been underway to determine the water system revenue and rate alternatives to meet user and development community needs. The initial presentation was made on July 1, 2008.
4. Subsequent Council action has been such that additional presentations have been made on August 19th and September 2nd.
5. Additionally, the rate study and 10-year capital improvement program have been revised on two separate occasions to reflect the outcome of the water capacity fee analysis meetings with representatives of the Home Builder's Association of the Central Coast.
6. It is likely that a number of additional public sessions and ongoing coordination meetings with HBA and interested parties could ensue over the next few months before final user and connection rates are agreed upon.
7. The public presentations and extended coordination with the fee team, HBA and Concerned Citizens for Paso Robles have been beneficial in ensuring linkage between customer rates and new development fees, however, the extended effort has translated into additional services and time required beyond that envisioned at the time of the January authorizations.

**ANALYSIS &
CONCLUSION:**

Since January of this year, efforts have been underway to determine the water system revenue needs and rate alternatives to secure Nacimiento Water and meet the capital needs of the City of Paso Robles. The initial authorization to the rate study team included presentation of findings at three a City Council meetings. Those presentations were conducted July 1, August 19th and September 2nd 2008. Additionally, two coordination meetings were conducted with representatives of the Home Builders Association resulting in the exchange of numerous documents, letters and emails. The effort has translated into additional services beyond that envisioned at the time of the January authorizations resulting in the need to amend the existing agreements with all three firms. Furthermore, it is not possible to estimate the number of additional hours that may be required to address issues that may be raised prior to final adoption of user and capacity fees. As a result it is recommended that outside experts be allowed continue on a time and material basis. Hourly rate for TJ Cross Engineering is \$135.00 per hour. Kennedy/Jenks and HF&H are \$240.00.

POLICY

REFERENCE: Economic Strategy; Integrated Water Resource Plan; Nacimiento Water Project Entitlement Contract.

FISCAL IMPACT: On January 15, 2008, City Council authorized a combined fee for Kennedy/Jenks Consultants and TJCross Engineers, Inc. of \$83,800. The authorization did not include HF&H who had been retained on a previous allocation requested by Administrative Services to assist in establishing connection fees. Presently, an allocation of \$48,000 is being sought to cover their additional services already performed to date. Future hours necessary to complete the process would be invoiced on a time and material basis with staff providing a summary of costs to Council after adoption of the respective fees. The cost for this undertaking would be paid from the Water Enterprise Fund.

- OPTIONS:**
- a. Adopt Resolution No. 08-xx appropriating an additional \$48,000 from Water Enterprise Fund (No. 600) to cover the extended services provided to date associated with the water user rate and capacity charge studies and authorize the City Manager to amend the existing contractual arrangements with Kennedy/Jenks Consultants, TJCross Engineers and HF&H to complete the process on a time and materials basis.
 - b. Amend, modify, or reject the above option.

Attachments (1)
1) Resolution

RESOLUTION NO. 08-XX

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF EL PASO DE ROBLES
AUTHORIZING ADDITIONAL SERVICES PERTAINING TO
PREPARATION OF A WATER USER RATE STUDY

WHEREAS, the City Council of the City of El Paso Robles has previously entered into professional services contracts with Kennedy/Jenks Consultants, TJ Cross Engineers and HF&H to assist with a comprehensive water user rate and capacity charge studies; and

WHEREAS, the City's initial authorization included updating the 10-year water system capital improvement program, assessing staffing levels, developing a 10-year revenue plan, examining alternatives for water rate restructuring, and presenting the findings at a City Council meeting; and

WHEREAS, the consultant team presented its findings at the July 1, 2008 City Council meeting and subsequent Council action has been such that additional presentations have been made on August 19th and September 2nd and;

WHEREAS, as the product of those meetings have resulted in revised users rates and capacity charges based on a 17-year capital improvement program requiring work in excess of the original contracts and;

WHEREAS, additional public presentations and coordination meetings with interested groups to review rates and charges are anticipated and;

WHEREAS, consultant team services have already extended beyond the initial City Council authorization by approximately \$48,000, and will continue to be warranted until final rates are achieved and;

WHEREAS, it is impractical to project the time required to meet and confer with the various stake holders to complete the process.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles to approve the appropriation of \$48,000 from Water Enterprise Fund (No. 600) to offset the cost of the excess work incurred to date and authorize the City Manager to amend existing contractual arrangements with Kennedy/Jenks Consultants, TJCross Engineers and HF&H to complete the process on a time and material basis.

PASSED AND ADOPTED by the City Council of the City of Paso Robles, this 16th day of September 2008 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah D. Robinson, Deputy City Clerk