

TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director
SUBJECT: Review of Wastewater Facility Charges
DATE: February 21, 2012

NEED: For City Council to consider an alternate scope of work for review of wastewater facility charges.

FACTS:

1. On November 1, 2011, City Council adopted new Wastewater Facility Charges (i.e., connection fees). City Council also requested a comprehensive reevaluation of facility charges be completed by October 2013. This reevaluation would include examination and presentation of all asset valuation and facility charge calculation methods.
2. On December 6, 2011, City Council adopted Resolution No. 11-151, which approved the following scope of work, to be incorporated into a request for proposals:
 - a. Complete a comprehensive inventory of assets to include what wastewater infrastructure was paid for by development and what was paid for by users;
 - b. Provide a description/definition of all possible calculation and valuation methods as they relate to wastewater infrastructure and to Paso Robles' unique setting;
 - c. Provide calculations of facility charges based on the inventory of assets and various calculation and valuation methods;
 - d. Provide calculations of associated user rates;
 - e. Analyze consistency between water capacity fees and wastewater facility fee calculation and valuation methods;
 - f. Assess water or wastewater fee effects on user fees and compliance with California Constitution Articles XIII.C and XIII.D (i.e. the Proposition 218 process); and
 - g. Present findings in a series of public workshops.
3. Resolution No. 11-151 accepted a draft schedule for completion of this work. The schedule includes:
 - a. Publish reports in October 2012;

- b. Hold a series of public workshops between November 2012 and March 2013; and
 - c. Consider revised wastewater facility charges for adoption in May 2013.
4. Some City Council members expressed preference that wastewater facility charges not be reconsidered until after the Wastewater Division's major costs are verified. These costs include financing and construction costs of the pending wastewater treatment plant upgrade, as well as operation and maintenance costs for the upgraded wastewater treatment plant.

ANALYSIS &

CONCLUSION: The scope of work approved under Resolution No. 11-151 above is extensive. A new consultant would have to work with City staff to research and document developer contributed assets, determine the value of the sewer system based on the updated assets inventory; develop a computer model to evaluate the effect of all possible facility charge calculation and valuation methods on user rates; present the findings in a series of public workshops, and incorporate public input into the final report. These tasks are time consuming and costly.

An alternate scope of work could be added to the pending request for proposals that would require less time and money.

The alternate scope of work would be a third-party peer review of the reports that are the basis of the new facility charges and user rates, instead of a complete rebuild. This alternate scope of work would include:

- a. Independently review Kennedy/Jenks' *Wastewater Facility Charge Final Report* and *Wastewater Rate and Revenue Analysis Final Report*;
- b. Interview the primary author of the Kennedy/Jenks reports to understand all underlying assumptions;
- c. Evaluate whether Kennedy/Jenks' asset valuation and facility charge calculation methods comply with all relevant regulatory requirements, including California Government Code Sections 66013, 66016, 66022, and 66023, and Proposition 218.
- d. Prepare a draft report by . Present the findings and recommendations to the public at one City Council meeting; and
- e. Prepare a final report.

If City Council approves this alternate scope of work, staff will incorporate it into the pending request for proposals and solicit fee proposals from professional financial and engineering firms. Assuming the consultant is awarded a contract and proceeds with work by May 2012, this alternate scope of work could be completed by November 2012.

POLICY

REFERENCE: General Plan, Economic Strategy; Integrated Water Resource Plan; 2007 Sewer Collection System Master Plan.

FISCAL

IMPACT: To be determined after receipt of fee proposals.

- OPTIONS:
- a. Approve Resolution No. 12-XX establishing an alternate scope of work for review of wastewater facility charges.
 - b. Amend, modify, or reject the above option.

ATTACHMENT: Resolution No. 12-XX

RESOLUTION NO. 12-xxx

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
ESTABLISHING AN ALTERNATE SCOPE OF WORK FOR REVIEW OF
WASTEWATER FACILITY CHARGES

WHEREAS, after adopting new wastewater facility charges (i.e., connection fees) on November 1, 2011, City Council requested a comprehensive reevaluation of facility charges by October 2013; and

WHEREAS, on December 6, 2011, City Council adopted Resolution No. 11-151, to approve a scope of work that includes a full examination and presentation of all wastewater asset valuation and facility charge calculation methods.

WHEREAS, the fee for this scope of work may exceed what City Council is willing to approve;

WHEREAS, an alternate scope of work that would cost less than that approved under Resolution No. 11-151 would include:

- a. Independently review Kennedy/Jenks' *Wastewater Facility Charge Final Report* and *Wastewater Rate and Revenue Analysis Final Report*;
- b. Interview the primary author of the Kennedy/Jenks reports to understand all underlying assumptions;
- c. Evaluate whether Kennedy/Jenks' asset valuation and facility charge calculation methods comply with all relevant regulatory requirements, including California Government Code Sections 66013, 66016, 66022, and 66023, and Proposition 218.
- d. Prepare a draft report. Present the findings and recommendations to the public at one City Council meeting; and
- e. Prepare a final report.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

The City Council finds the alternate scope of work described above is true and correct, and directs staff to proceed with soliciting fee proposals for this scope of work and the scope of work approved under Resolution No. 11-151.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 21st day of February 2012.

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk