



Meeting Date: 09/21/10

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Michelle Lee Johnson *MLJ* Agenda Item No. I-7

Reviewed By: City Manager *[Signature]* City Attorney *[Signature]* Finance *[Signature]* Public Works *[Signature]*

**DATE:** September 10, 2010

**TO:** City Council

**FROM:** Rob Roshanian, *R.R.* Interim Public Works Director  
Public Works

**SUBJECT:** Third Amendment to Agreement 4218-07-PW with Black and Veatch Corporation for Utilities Rate Studies

**RECOMMENDATION**

That City Council approve and authorize the Mayor to execute the Third Amendment to the agreement with Black and Veatch Corporation for the Utilities Rate Studies to extend the expiration date from December 31, 2010, to June 30, 2011, and to increase the amount by \$75,500 for a total of \$274,825 (Agreement No. 4218-07-PW).

**DISCUSSION**

On July 28, 2009, based upon a two (2) year Comprehensive Utilities Rate Study completed by Black & Veatch, City Council approved the implementation of the rate plan detailed in the Comprehensive Utilities Rate Study and authorized staff to proceed with the Proposition 218 ("Prop. 218") process for a two-step revenue increase for the Water, Wastewater and Environmental Resources Enterprises. After the Prop. 218 process, the first of these increases became effective on December 1, 2009, and resulted in an increase of one and one-half percent (1.5%) for the Water Section, eight percent (8%) in the Wastewater Section, and three and one-half percent (3.5%) for the Environmental Resources Division. The second step of increases became effective July 1, 2010, and resulted in an increase of two percent (2%) for the Water Section, eight percent (8%) in the Wastewater Section, and three and one-half percent (3.5%) for the Environmental Resources Division.

During this process, Public Works staff became aware of refinements that should be made to the Utilities Rate Model to more accurately reflect the cost of providing these services to the City's residential, commercial, industrial, and institutional customers. This implementation of the Utilities Rate Model will coincide with the City's next two-year budget process.

The scope of work to be conducted pursuant to the Third Amendment to Agreement for Consulting Services includes the following:

- 1) **Water Resources Division – Water Section Utility - \$38,900**– incorporate revisions to the Capital Improvement Projects (CIP), adopted rates and charges, and new operations and maintenance budgetary items;
- 2) **Water Resources Division – Wastewater Section Utility - \$17,710**– incorporate refinements to the rate structure and expand the commercial class to provide for greater flexibility and adequately reflect customer classifications; and
- 3) **Environmental Resources Division Utility - \$18,890**– incorporate any changes and revisions to the capital budget, adopted rates and charges, and new operations and maintenance budgetary items.

## FINANCIAL IMPACT

The estimated cost for services in the Third Amendment is not to exceed \$75,500 and will increase the total cost of the Agreement from \$199,325 to \$274,825. There are sufficient funds for the cost of these services in each of the Utilities FY 2010-2011 budgets to cover the costs of this amendment and will be encumbered as follows:

• 601-6010-842-8209	\$ 38,900
• 611-6102-842-8209	\$ 17,710
• 631-6304-842-8209	<u>\$ 18,890</u>
	\$ 75,500

MLJ:js

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Attachment #1 - Third Amendment to Agreement No. 4218-07-PW

THIRD AMENDMENT TO AGREEMENT FOR CONSULTING SERVICES

This Third Amendment ("Third Amendment") to the Agreement for Consulting Services ("Agreement") is made and entered into in the County of Ventura, State of California, this 21st day of September, 2010, by and between the City of Oxnard, a municipal corporation ("City"), and Black & Veatch Corporation ("Consultant"). This Third Amendment amends the Agreement entered into on September 5, 2007, by City and Consultant. The agreement previously has been amended on December 14, 2008, by a First Amendment, and on April 14, 2009, by a Second Amendment.

City and Consultant agree as follows:

1. In Section 12 of the Agreement, the expiration date "December 31, 2010" is deleted and replaced with the date "June 30, 2011."
2. In Section 14a of the Agreement, the figure "\$199,325" is deleted and replaced with the figure "\$274,825."
3. Exhibit A and A-2 of the Agreement are supplemented by Exhibit A-3, attached hereto and incorporated herein by reference.
4. Exhibit B and B-2 of the Agreement are supplemented by Exhibit B-3, attached hereto and incorporated herein by reference.
5. Exhibit C and C-2 of the Agreement are supplemented by Exhibit C-3, attached hereto and incorporated herein by reference.
6. As so amended, the Agreement remains in full force and effect.

CITY OF OXNARD

CONSULTANT

\_\_\_\_\_  
Dr. Thomas E. Holden, Mayor

\_\_\_\_\_  
*Peggy L. Howe*  
Peggy L. Howe, Vice President  
Black & Veatch Corporation

ATTEST:

APPROVED AS TO INSURANCE:

\_\_\_\_\_  
Daniel Martinez, City Clerk

\_\_\_\_\_  
*James Cameron*  
James Cameron, Risk Manager

APPROVED AS TO CONTENT:

APPROVED AS TO FORM:

\_\_\_\_\_  
Rob Roshanian, Interim Public Works Director

\_\_\_\_\_  
*Alan Holmberg* for  
Alan Holmberg, City Attorney 9.2.10

\_\_\_\_\_  
*Michelle Johnson*  
Michelle Johnson, Project Manager

ISC Approved by QA/QC(Graham) 08/30/2010.  
Bui Approved by PM(Bui) 08/30/2010.

## EXHIBIT A-3

### SCOPE OF WORK

#### **WATER RESOURCES DIVISION – WATER SECTION - \$38,900**

##### ***Task 1 – Update Rate Model***

Under this amendment, Consultant will update the water rate model to incorporate any changes in accounts and charges since the development of the prior model. Such changes may include revisions to the Capital Improvement Program (CIP), adopted rates and charges, and new operations and maintenance (O&M) budgetary line items. Some specific items that will be addressed under this task include the following:

- ***Update of bill tabulation.*** The consumption patterns (by customer class and blocks) in the current model reflect data patterns from fiscal year (FY) 2006-07. Since then, the customer base has experienced 3 years of drought, increasing purchased costs, and a meltdown in the financial market. All of these events have an impact on customer water usage patterns. Consultant will evaluate the historic and current consumption patterns of customers to assess changes in blocks, usage patterns, and/or peaking demands. These results will be incorporated into the updated rate model.
- ***Refinement of customer classes.*** Using the data from the bill tabulation, Consultant will examine the practicality of refining and developing rate structures for subcategories of the multi-family and commercial classes. The intent of this subtask is to refine the existing rate structure to more closely reflect the needs of these very broad customer classes. For the multi-family category, Consultant will look at developing subcategories based on number of units for the commercial class, and examine such categories as laundromats, hotels/motels, and restaurants. High volume users such as manufacturing may also be identified and separated into a distinct subcategory. The results of this subtask will also become part of the updated rate model.

##### ***Task 2 – Calculate Pass-Through Rates***

Twice a year, the City's Water Resources Division – Water Section has the ability to pass on increases for purchased water directly to ratepayers. Under this task, Consultant will assist the City in determining the appropriate rate increase and rate schedule for purchased water increases from United Water and Calleguas Municipal Water District (CMWD). Specifically, upon receipt of the proposed rate adjustments from the water purveyors, Consultant will assess the potential impact to the water rates and work with City staff to recommend a rate schedule for implementation.

##### ***Task 3 – Develop Recycled Water Rates***

The City's Groundwater Recovery Enhancement and Treatment (GREAT) Program is a proactive plan to reduce the City's reliance on outside sources of water and provides greater system reliability. As an outcome of the GREAT Program, the City has a need to establish a recycled water rate. Under this task, Consultant will incorporate the identified costs of the recycled water (backbone) system and develop a recycled water rate for the City's consideration.

***Task 4 – Attend Monthly Work Session Meetings***

Under this task, Consultant will meet on a monthly basis with City staff at work sessions intended to share information, progress, and work through policy issues. Senior management will communicate updates on policy issues during the first portion of the meeting. The latter portion of the work will be limited to City staff to focus on specific requirements for each of the three utilities. Consultant anticipates that meeting durations will vary from 3 hours to 6 hours.

***Task 5 – Assist with Prop 218 Process***

Under this task, Consultant will work with City staff to support the City during the Prop 218 process. As part of this task, Consultant will assist the City preparing public rate notices, and attending up to two (2) public hearings or meetings with City Council.

**WATER RESOURCES DIVISION - WASTEWATER SECTION - \$17,710**

***Task 1 – Update Rate Model***

The original intent of the Wastewater Rate Study was focused on potentially changing the residential rate structure from a flat rate to a volumetric rate. Under this amendment, Consultant will update the existing rate model to incorporate refinements to the volumetric rate structure. Specifically, Consultant will use data gathered from the Water Rate Study analysis to evaluate the impact on the wastewater revenues. Expanding the commercial class to provide for greater flexibility will be examined. For example, Consultant will look at developing wastewater rates that mirror the new water customer classes as appropriate. The intent of this additional analysis is to examine whether changes in commercial business practices (such as not all restaurants operate the same way) are adequately reflected in the City’s current customer classifications. Recommendations on possible new customer classifications and the associated impacts of such recommendations will be provided to the City for consideration.

***Task 2 – Develop Transfer Price for Recycled Water***

Originally, the Groundwater Rehabilitation Enhancement and Treatment (GREAT) Program projects were incorporated under the Water Utility. Under this task, Consultant will move those GREAT Program elements that are wastewater-related into the Wastewater CIP and incorporate projected O&M costs as appropriate. From this inclusion, Consultant will then identify the specific cost of providing the water for the Advanced Water Purification Facility (AWPF) and develop recommendations on the appropriate transfer pricing rate that should be charged by the Wastewater Utility to the Water Utility for this water source. Since the fee charged affects both utilities, Consultant anticipates that several iterations of pricing structures may be necessary to provide a balance of costs and benefits. Consultant will perform up to 3 such scenario iterations under this task.

***Task 3 – Attend Monthly Work Session Meetings***

Under this task, Consultant will meet on a monthly basis with City staff at work sessions intended to share information, progress, and work through policy issues. Senior management will communicate updates on policy issues during the first portion of the meeting. The latter portion of the work will be limited to City staff to focus on specific requirements for each of the three utilities. Consultant anticipates that meeting durations will vary from 3 hours to 6 hours.

***Task 4 – Assist with Prop 218 Process***

Under this task, Consultant will work with City staff to support the City during the Prop 218 process. As part of this task, Consultant will assist the City preparing public rate notices, and attending up to two (2) public hearings or meetings with City Council.

**ENVIRONMENTAL RESOURCES (ER) DIVISION – \$18,890**

***Task 1 – Update Rate Model***

Under this amendment, Consultant will update the ER rate model to incorporate any changes in accounts and charges since the development of the prior model. Such changes may include revisions to the capital budget, adopted rates and charges, and new operations and maintenance (O&M) budgetary line items.

***Task 2 – Calculation of Pass-Through Rates***

The ER division receives annual notifications for increases in landfill disposal costs from Simi Valley and Toland Landfill. Under this task, Consultant will assist the City in determining the appropriate rate increase and rate schedule for landfill disposal increases from end disposal entities. Specifically, upon receipt of the proposed rate adjustments from the landfills, Consultant will assess the potential impact to the ER rates and work with City staff to recommend a rate schedule for implementation.

***Task 3 – Attend Monthly Work Session Meetings***

Under this task, Consultant will meet on a monthly basis with City staff at work sessions intended to share information, progress, and work through policy issues. Senior management will communicate updates on policy issues during the first portion of the meeting. The latter portion of the work will be limited to City staff to focus on specific requirements for each of the three utilities. Consultant anticipates that meeting durations will vary from 3 hours to 6 hours.

***Task 4 – Assist with Prop 218 Process***

Under this task, Consultant will work with City staff to support the City during the Prop 218 process. As part of this task, Consultant will assist the City preparing public rate notices, and attending up to two (2) public hearings or meetings with City Council.

EXHIBIT B-3

TIME FOR PERFORMANCE  
PROJECT SCHEDULE

The Consultant shall strive to complete the project within the term of the Agreement as follows:

Task Name	Projected Task Completion
Water Resources Division Water Section Task Nos. 1 through 5	September 21, 2010 through June 30, 2011
Water Resources Division Wastewater Section Task Nos. 1 through 4	September 21, 2010 through June 30, 2011
Environmental Resources Division Task Nos. 1 through 4	September 21, 2010 through June 30, 2011

EXHIBIT C-3

SCHEDULE OF FEES

**City of Oxnard**  
**Water, Wastewater, and Solid Waste Studies**  
 Amendment No. 3  
**Work Effort and Cost Detail**

Task Description	Engagement Manager	QA/QC Sr. Advisors	Project Staff	Total Cost
<b>Water Division</b>				
Update Rate Model	24		88	23,320
Calculate Passthrough Water Rates	8			2,200
Develop Recycled Water Rates	6	4	12	5,130
Attend Monthly Meetings	6		6	2,790
Support Prop 218 Process	6		16	4,690
Expenses				770
<b>Total Water Division Study Fee</b>				<b>\$38,900</b>
<b>Wastewater Division</b>				
Update Rate Model	4		24	5,660
Develop Recycled Water Charge to Water	4	4	8	3,820
Attend Monthly Meetings	6		6	2,790
Support Prop 218 Process	6		16	4,690
Expenses				750
<b>Total Wastewater Division Rate Study Fee</b>				<b>\$17,710</b>
<b>Environmental Resources Division</b>				
Update Rate Model	4	4	24	6,860
Calculate Passthrough Disposal Rates	16			4,400
Attend Monthly Meetings	6		6	2,790
Support Prop 218 Process	4		16	4,140
Expenses				700
<b>Total Environmental Resources Division Rate Study Fee</b>				<b>\$18,890</b>
<b>GRAND TOTAL</b>				<b>\$75,500</b>
<b>Hourly Rates</b>	<b>\$275</b>	<b>\$300</b>	<b>\$190</b>	