

AGENDA ITEM NO.

COUNCIL MEETING

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

March 4, 2008

FROM:  RENE A. RAMIREZ, Director
Department of Public Utilities 

BY: BILL O'BRIEN, Assistant Director
Solid Waste Management Division

SUBJECT: APPROVE A SECOND AMENDMENT TO AGREEMENT WITH R3 CONSULTING GROUP TO PREPARE UPDATES TO THE SOLID WASTE RATE MODEL FOR THE DEPARTMENT OF PUBLIC UTILITIES IN THE AMOUNT TO NOT EXCEED \$37,750

KEY RESULT AREA

Customer Service

RECOMMENDATION

Staff recommends the City Council approve the Second Amendment to the Agreement with R3 Consulting Group, Inc (R3) in the amount to not exceed \$37,750 to prepare updates and make presentations on the Solid Waste Rate Model, update the Development Impact Fee Nexus Studies and authorize the Public Utilities Director to sign the Second Amendment on behalf of the City.

EXECUTIVE SUMMARY

On June 15, 2006, the City entered into an agreement with R3 for consulting services to modify the rate model. The Second Amendment provides for additional services in updating FY 08/09 rate analysis to prepare the final rate structure which will allow multiple rate adjustment options for review by staff and Utility Advisory Committee (UAC). In addition, R3 will assist with the revision and updates of the Single Family and Commercial/Multi-family Impact Fee Studies. As outlined in the Administrative Order (A.O.) 6-19, staff is required to solicit Request for Proposals (RFP) for consultant services. The A.O. also provides for an exception to this process when it is determined by the City Manager that the provision of services is time sensitive provided the determination is memorialized in writing by the Department and signed by the City Manager or a designated Assistant City Manager. On February 8, 2008 staff received approval to invoke the exception clause of A.O. 6-19 from the City Manager's office and is requesting Council approve the Second Amendment with R3 for a fee to not exceed \$37,750.

KEY OBJECTIVE BALANCE

The Second Amendment will enable staff to continue the financial analysis of the rate model with ongoing budgetary adjustments and the financial impact on customer rates, which balance financial management and customer satisfaction. The continued financial review with consultant technical support provides the element of employee satisfaction.

REPORT TO THE CITY COUNCIL

Approve Second Amendment to Rate Model Agreement

March 4, 2008

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BACKGROUND

In FY06, staff was requested to solicit for professional consulting services through RFQ and eventually received four (4) proposals. As requested by staff, the scope of work included the development of the rate model and the Single Family and Commercial/Multi-family Development Impact Fee Studies. Camp-Dresser-McKee (CDM) was awarded the contract in the amount of \$35,700, and services were provided by CDM and a sub-consultant, R3.

In FY07, the Mayor and Council appointed members to the Utility Commission (UC) to review the financial condition of all Department of Public Utilities division's funds and recommend rate increases in accordance with Proposition 218. On June 15, 2006, the City entered into an agreement with R3 to further develop and finalize the rate model with the FY06/07 rate structure, for the cost to not exceed \$25,114. The rate model allowed staff and UC to manipulate and analyze multiple rate adjustment options as needed.

As approved by City Attorney, on September 29, 2006, staff amended the Agreement by requiring additional services to the scope of work, consisting of additional meetings and presentations to the UC, staff and Council; preparation and presentation of research reports ("white papers"); assistance in the Proposition 218 process; and revision of the rate model to include consideration of the Development Impact Fees.

On June 5, 2007, the Agreement was extended from September 30, 2007 to December 31, 2007, to utilize the remaining balance of \$13,970, for the completion of the FY07/08 model. Analytical and modeling requests from the current UAC prompted staff to provide an additional Letter of Extension which was signed and approved between R3 and staff on December 6, 2007 to extending the Agreement to March 30, 2008.

Recently, the City Manager's Office has requested staff update the Single Family and Commercial/Multi-family Development Impact Fee studies. The initial cost elements of the studies are over one year old and must be updated. In addition, the rate model must be revised based on the addition of the Development Impact Fees and various requests from the UAC. The current contract expires March 30, 2008. In order to maintain analysis continuity, which staff feels is important at this juncture, the Exception clause in A.O. 6-19 is being utilized. Generally speaking, A.O. 6-19 requires staff to solicit RFP's from several consultants and select the most highly qualified and competent consultant who will be best able to provide the City quality services at the best value. A.O. 6-19 also allows for an "exception" to this selection process when it is determined by the City Manager that the provision of service is time sensitive or services must be rendered before and RFP process cannot be completed provided the determination is memorialized in writing and signed by the City Manager or a designated Assistant City Manager. The scope of work has been developed, the fee for services will be billed on an hourly basis, and the total fee will not exceed \$37,750. The City Attorney's Office has approved the Second Amendment to the Agreement as to form.

FISCAL IMPACT

A total of \$37,750 will be needed in FY08 and FY09 for professional consulting services which include rate model revisions, final rate development, UAC presentations and City Council workshops and updates to the Single Family and Commercial/Multi-Family Development Impact Fee Studies. The Solid Waste Operating Fund 41001 has consultant funds available for the additional services.

Attachments: Second Amendment
Exhibit A – New Scope of Services
Exhibit B – Disclosure of Conflict of Interest
City Manager Exception Determination

SECOND AMENDMENT TO AGREEMENT

THIS SECOND AMENDMENT TO AGREEMENT ("Amendment") made and entered into as of this 14th day of February, 2008, amends the Agreement heretofore entered into between the CITY OF FRESNO, a municipal corporation, hereinafter referred to as "CITY", and R3 Consulting Group Inc., a California Corporation, hereinafter referred to as "CONSULTANT".

RECITALS

WHEREAS, CITY and CONSULTANT entered into an Agreement, dated June 15, 2006, as amended by that "Amendment to Agreement", dated September 29, 2006, a letter of agreement dated June 5, 2007, and a letter of agreement dated December 6, 2007, hereinafter effectively referred to as "Agreement", for professional consulting services for the modifications of the current Solid Waste Rate Model, hereinafter referred to as the "Project"; and

WHEREAS, the Agreement is due to expire March 30, 2008; and

WHEREAS, the CITY now desires to expand the scope of work by requiring additional services.

AGREEMENT

NOW, THEREFORE, the parties agree that the aforesaid Agreement be amended as follows:

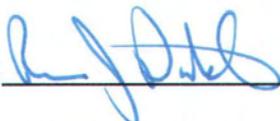
1. CONSULTANT shall provide additional services for the Project including, without limitation, modification of the Development Impact Fee as described in Exhibit "A", attached hereto and incorporated by reference herein.
2. CONSULTANT'S compensation for satisfactory services rendered pursuant to this Amendment, shall be a total fee not to exceed \$37,750.00 paid on a time and material basis in accordance with the Fee Schedule contained in Exhibit "A".
3. The services of the CONSULTANT, as described in this Amendment, shall commence upon execution of this Amendment. All services as described in the Amendment shall be completed by June 30, 2009.
4. In the event of conflict between the body of this Amendment and any exhibit or attachment hereto, the body of this Amendment shall control and take precedence.
5. Except as otherwise provided herein, the Agreement entered into by CITY and CONSULTANT, dated June 15, 2006, as amended September 29, 2006, June 5, 2007 and December 6, 2007, remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment at Fresno, California, the day and year first above written.

CITY OF FRESNO,
a California municipal corporation

R3 Consulting Group Inc.,
a California Corporation

By: _____
Rene Ramirez
Director of Public Utilities

By:  _____
Name: Richard J. Hutchinson

ATTEST:
REBECCA E. KLISCH
City Clerk

Title: President
(if corporation or LLC, Board
Chair, Pres. or Vice Pres.)

By: _____
Deputy

By: Richard Tagore-Erwin
Name:  _____

APPROVED AS TO FORM:
JAMES C. SANCHEZ
City Attorney

Title: Secretary
(if corporation or LLC, CFO,
Treasurer, Secretary or Assistant
Secretary)

By:  _____
Stacie L. Melikian Date
Deputy

Any Applicable Professional License:
Number: _____
Name: _____
Date of Issuance: _____

Addresses:

CITY:
City of Fresno
Attention: Bill O'Brien
Assistant Director
1325 El Dorado
Fresno, CA 93706
Phone: (559) 621-1801
FAX: (559) 266-1009

CONSULTANT:
R3 Consulting Group Inc.
Attention: Ric Hutchinson,
President
4811 Chippendale Drive, Suite 708
Sacramento, CA 95841
Phone: (916) 576-0306
FAX: (916) 331-9600

Attachments:

1. Exhibit "A" – Scope of Services
2. Exhibit "B" – Disclosure of Conflict of Interest

SCOPE OF SERVICES

Amended Project Approach

In addition to the current scope of services, R3 will revise the rate model to account for annual program and budgetary changes; assist in the annual rate setting process as requested by City Staff; meet with the Utility Advisory Committee as requested by City staff; assist with development and implementation of a Single Family Solid Waste Development Impact Fee; assist with development and implementation of a Commercial/Multi-Family Development Impact Fee; prepare and present research reports ("white papers"), assist in the Proposition 218 process, attend and make presentations at City Council sessions, and at public hearings.

Work Tasks

This section details R3's additional work tasks for this engagement.

Task 5 Fiscal Year 2008/2009 Assistance

TASK 5.1 RATE MODEL REVISIONS

R3 will assist the City in updating the fiscal year 2008/2009 rate analysis model utilizing budgetary and financial projections provided by the City. It is our understanding that several iterations of the budgetary and financial data are expected to be received from City staff. If necessary, this Task will include the development of modifications to the original rate model required by the inclusion of Development Impact Fee revenues and other non-departmental expenses by the City.

TASK 5.2 FINAL RATE DEVELOPMENT

R3 will utilize the current rate analysis and budgetary data developed in Task 5.1 to assist the City in preparing the final rate structure for fiscal year 2008/2009. This Task will include the development of multiple rate adjustment options for review by City staff and the Utility Advisory Committee.

TASK 5.3 UTILITY ADVISORY COMMITTEE PRESENTATIONS

R3 will attend and give presentations at up to two Utility Advisory Committee meetings to discuss the FY 2008/2009 rate model. The presentations will include discussion and analysis of the September 2008 rate recommendations. The presentations will be given using MS PowerPoint.

TASK 5.4 CITY COUNCIL WORKSHOP AND MEETINGS

R3 will attend a City Council workshop and one City Council meeting in order to present and discuss issues related to the proposed new solid waste rates.

R3

Task 6 Fiscal Year 2008/2009 Assistance

**TASK 6.1 SINGLE FAMILY SOLID WASTE DEVELOPMENT
IMPACT FEE**

R3 will assist the City in updating the prior Solid Waste Development Impact Fee report to take into account changes in the assumptions since the original report was completed. This task will include:

- Obtaining new development and capital needs data from City staff;
- Updating the original development fee model;
- Up to two meetings with City staff, Committees or Council as requested to review the initial results and assumptions; and
- Inclusion of development fee data into the rate model.

**TASK 6.2 COMMERCIAL SOLID WASTE DEVELOPMENT
IMPACT FEE**

R3 will assist the City in developing a Commercial Solid Waste Development Impact Fee. This task will include:

- Up to two meetings with staff and the business community to discuss the underlying assumptions and methodology to be used;
- Obtaining current development and capital needs data from City staff;
- One meeting with City Committees or City Council as requested to review the initial results and assumptions; and
- Inclusion of development fee data into the rate model.

Our prior experience has indicated that several meetings with members of the business community may be needed; however the actual number of meetings cannot be determined at this time. In the event additional meetings are requested by the City we will submit an amended project budget for City approval before proceeding.

TASK 6.3 RATE MODEL REVISIONS

R3 will assist the City in updating the fiscal year 2008/2009 rate analysis utilizing budgetary and financial projections provided by the City. It is our understanding that several iterations of the budgetary financial data are expected to be received by City staff. This Task will include the development of modifications to the original rate model required by the inclusion of Development Impact Fee revenues and other non-departmental expenses by the City.

TASK 6.4 FINAL RATE DEVELOPMENT

R3 will utilize the current rate analysis and budgetary data developed in Task 6.3 to assist the City in preparing the final rate structure for fiscal year 2008/2009. This Task will include the development of multiple rate adjustment options for review by City staff.

R3

*Scope
of
Services*

TASK 6.5 UTILITY ADVISORY COMMITTEE PRESENTATIONS

R3 will attend and give presentations at up to two Utility Advisory Committee meetings to discuss the FY 2008/2009 rate model. The presentations will include discussion and analysis of the September 2009 rate recommendations. The presentations will be given using MS PowerPoint.

TASK 6.6 CITY COUNCIL WORKSHOP AND MEETINGS

R3 will attend a City Council workshop and one City Council meeting in order to present and discuss issues related to the proposed new solid waste rates.

R3

Budget

Our proposed budget for these additional tasks is \$37,750. The schedule below shows the detailed work effort for each team member and total estimated costs, including labor and expenses.

**Scope
of
Services**

Fee Schedule Fresno Rate Model Task 5 & 6 Project Budget

Project No.									
Task No.	Task/Subtask	Last Name Rate	PM	Consultant	Admin			Total Costs	
			Hutchinson R \$150.00	Schoen W \$150.00	Barile J \$65.00	Labor Hours	Labor Costs		Travel Costs
5.00	FY 2008/2009 Assistance								
5.10	Rate Model Revisions		16			16	\$2,400	\$2,400	
5.20	Final Rate Development		8			8	\$1,200	\$1,200	
5.30	Utility Advisory Committee Presentations		8		2	10	\$1,330	\$1,330	
5.40	City Council Workshop & Meetings		12		2	14	\$1,930	\$194	\$2,124
						0			
						0			
6.00	FY 2008/2009 Assistance					0			
6.10	SFD SW Development Impact Fees		16	8		24	\$3,600	\$3,600	
6.20	Commercial SW Development Impact Fees		50	32		82	\$12,300	\$388	\$12,688
6.30	Rate Model Revisions		46			46	\$6,900	\$6,900	
6.40	Final Rate Development		16			16	\$2,400	\$2,400	
6.50	Utility Advisory Committee Presentations		16		4	20	\$2,660	\$194	\$2,854
6.60	City Council Workshop & Meetings		12		4	16	\$2,060	\$194	\$2,254
Total Hours			200	40	12	252			
Total Cost			\$30,000	\$6,000	\$780		\$36,780	\$970	\$37,750

R3

Exhibit B

DISCLOSURE OF CONFLICT OF INTEREST

Solid Waste Rate Model and Nexus Study Updates
PROJECT TITLE

		YES*	NO
1	Are you currently in litigation with the City of Fresno or any of its agents?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Do you represent any firm, organization or person who is in litigation with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Do you currently represent or perform work for any clients who do business with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	Are you or any of your principals, managers or professionals, owners or investors in a business which does business with the City of Fresno, or in a business which is in litigation with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5	Are you or any of your principals, managers or professionals, related by blood or marriage to any City of Fresno employee who has any significant role in the subject matter of this service?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6	Do you or any of your subcontractors have, or expect to have, any interest, direct or indirect, in any other contract in connection with this Project?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
* If the answer to any question is yes, please explain in full below.			

Explanation: _____

Additional page(s) attached.



Signature

Richard Hutchinson
(name)

R3 Consulting Group
(company)

4911 Chappardale Dr St 708
(address)

Sacramento CA 95941
(city state zip)



Department of Public Utilities

February 5, 2008

TO: JOHN RUIZ, Assistant City Manager

THROUGH: RENE A. RAMIREZ, Director of Public Utilities *LWR*

FROM: *[Signature]* BILL O'BRIEN, Assistant Director of Public Utilities

SUBJECT: RATE MODEL UPDATE – CONSULTANT SERVICES

As recommended by the Utility Commission, the divisions of the Department of Public Utilities have committed to annual rate analysis utilizing budgetary and financial projections known at the time of analysis. On June 15, 2006 Solid Waste Management Division entered into an agreement with R3 Consulting Group (R3) who provided services as requested by City staff. The agreement had been extended to March 30, 2008. The new services will include FY09 Rate Model and Development Impact Fee updates for both Single Family and Commercial/Multi-Family. Furthermore, services also encompass final rate development, ongoing Utility Advisory Committee presentations and City Council workshop and meetings. It is critical that these services are provided by R3 in order to obtain professional consulting services for the Rate Model and Development Impact Fee.

Due to the time constraint by March 30, 2008, it would be difficult to pursue a RFP in accordance to Administrative Order (A.O.) 6-19. Due to the expediency needed, I am requesting authorization of consulting services as prescribed under the Exception clause of A.O. 6-19. The scope of work has been determined and the fee for services will be billed on an hourly basis and the total fee will not exceed \$37,750. The City Attorney's Office has provided a second amendment to the agreement and the amendment is ready for signatures.

According to A.O. 6-19, the request for Exception must be memorialized in writing and signed by the City Manager or designated Assistant City Manager. I am requesting authorization to hire R3 under the Exception clause as outlined in A.O. 6-19.

[Signature]

Jon Ruiz
Assistant City Manager

2/6/08

Date