

STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GAYLA R. CHAPMAN, ADMINISTRATIVE SERVICES DIRECTOR
SUBJECT: AUTHORIZATION TO PROCEED WITH A UTILITY RATE STUDY



BACKGROUND

At the March 7, 2016 City Council meeting, staff brought forward the Authorization to proceed with a Utility Rate Study. During that discussion questions were raised regarding the balance of the Water Fund and the specific costs of the various proposals. Staff mentioned that part of Willdan Financial Services costs was related to a \$10,000 contingency. Staff found that this was not the case. Staff was also directed to contact Willdan Financial Services to discuss pricing for the contract.

DISCUSSION

Staff contacted Willdan Financial Services and discussed the proposal and successfully negotiated a decrease in the contract by \$5,000. This takes the proposed costs for services from \$59,960 to \$54,960.

Based on the successful negotiations, staff is recommending the City enter into a contract with Willdan Financial Services for a Financial Analysis and Rate Study in the amount of \$54,960. Since only \$40,000 was budgeted for this study, it has been determined that the additional funding requirements are \$10,000 for Wastewater Fund related services and \$5,000 for Water Fund related services.

ALTERNATIVES

The City Council has the following alternatives to consider:

1. Adopt the Resolution authorizing the City to enter into the contract with Willdan Financial Services and amending the Annual Appropriation Resolution No. 15-26 to provide additional funding for the rate study; and authorize the Mayor to execute the contract on the City's behalf.
2. Provide direction to staff.

Approved for Forwarding


JIM COPSEY
INTERIM CITY MANAGER

Please Review for the Possibility of a Potential Conflict of Interest:

- None Identified by Staff
- Shoals
- Lee
- Bright
- Nicolls
- Shah

RECOMMENDED ACTION

Staff recommends that the City Council 1) adopt the Resolution authorizing the City to enter into the contract with Willdan Financial Services and amending the Annual Appropriation Resolution No.15-26 to provide additional funding for the rate study, and 2) authorize the Mayor to execute the contract on the City's behalf.

FISCAL IMPACT

An additional \$15,000 is needed to complete the rate study. It is recommended that \$10,000 be allocated from Wastewater Fund and \$5,000 from the Water Fund.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution amending the Annual Appropriation Resolution No. 15-26.
2. Contract with Willdan Financial Services

RESOLUTION NO. 16-

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH,
CALIFORNIA, ADOPTING THE 15th AMENDMENT TO THE ANNUAL APPROPRIATION
RESOLUTION NO. 15-26 TO PROVIDE ADDITIONAL FUNDING FOR A UTILITY RATE STUDY**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GROVER BEACH:

THAT Section 5 of Part III of the Annual Appropriation Resolution No. 15-26 is hereby amended as follows:

		Increase/(Decrease)
TO:	PUBLIC WORKS	\$ 10,000
	Wastewater & Stormwater	
FROM:	RESERVES	(\$ 10,000)
	Total Section 5	\$ -0-

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Wastewater Fund**Resources/Uses:**

		<u>Resources</u>	<u>Uses</u>
A/C No.:	05-000-2800	\$ 10,000	\$ -0-
A/C No.:	05-000-4390	\$ -0-	\$ 10,000
	Total Wastewater Fund	\$ 10,000	\$ 10,000

THAT the purpose of this Resolution is to appropriate additional funding for a Utility Rate Study with Willdan Financial Services;

THAT the balance in total Wastewater Fund reserves after the adoption of this resolution would be \$2,919,702.

THAT Section 6 of Part III of the Annual Appropriation Resolution No. 15-26 is hereby amended as follows:

		Increase/(Decrease)
TO:	PUBLIC WORKS	\$ 5,000
	Water	
FROM:	RESERVES	(\$ 5,000)
	Total Section 6	\$ -0-

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

Water Fund

Resources/Uses:

		<u>Resources</u>	<u>Uses</u>
A/C No.: 06-000-2800	Fund Balance	\$ 5,000	\$ -0-
A/C No.: 06-000-4390	Contractual Obligations	<u>\$ -0-</u>	<u>\$ 5,000</u>
	Total Water Fund	<u>\$ 5,000</u>	<u>\$ 5,000</u>

THAT the purpose of this Resolution is to appropriate additional funding for a Utility Rate Study with Willdan Financial Services;

THAT the balance in total Water Fund reserves after the adoption of this resolution would be \$215,294.

Upon motion by Council Member, second by Council Member, and on the following roll call vote, to wit:

- AYES: Council Members –
- NOES: Council Members –
- ABSENT: Council Members –
- ABSTAIN: Council Members –

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at the Regular Meeting by the City Council of the City of Grover Beach, California, this 21th day of March, 2016.

JOHN P. SEALS, MAYOR

DRAFT

ATTEST:

DONNA L. McMAHON, CITY CLERK

**AGREEMENT FOR CONSULTANT SERVICES FOR
UTILITY RATE STUDY**

THIS AGREEMENT made and entered into on March 22, 2016 by and between the City of Grover Beach, a municipal corporation, hereinafter referred to as **CITY (also referred to as LOCAL AGENCY)** and Willdan Financial Services hereinafter referred to as **CONSULTANT**.

RECITALS

Therefore, in consideration of the mutual agreements contained herein, the **CITY** and **CONSULTANT** agree as follows:

ARTICLE I. SCOPE OF SERVICES

CONSULTANT shall complete said **PROJECT** as specified in Exhibit A, and in accordance with local, State and Federal laws. The contract is for an amount not to exceed \$54,960.

ARTICLE II. AUTHORIZATION AND COMMENCEMENT OF PERFORMANCE

The services of **CONSULTANT** are authorized by the City Manager, under Grover Beach Purchasing Manual, Chapter 2, Section 2.5, Professional Services, Authority.

ARTICLE III. PERFORMANCE PERIOD

- A. This contract shall go into effect on March 22, 2016 contingent upon approval by LOCAL AGENCY, and **CONSULTANT** shall commence work after notification to proceed by LOCAL AGENCY'S Contract Administrator. The contract shall end on June 30, 2016, unless extended by contract amendment.
- B. **CONSULTANT** is advised that any recommendation for contract award is not binding on LOCAL AGENCY until the contract is fully executed and approved by LOCAL AGENCY.

ARTICLE XVI. INSURANCE

Prior to the beginning of and throughout the duration of the Work, **CONSULTANT** and its sub**CONSULTANT**s shall maintain insurance in conformance with the requirements set forth below. **CONSULTANT** will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth herein, **CONSULTANT** agrees to amend, supplement or endorse the existing coverage to do so.

CONSULTANT acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds available to **CONSULTANT** or its subcontractors in excess of the limits and coverage identified in this Agreement and which is applicable to a given loss, claim or demand, will be equally available to LOCAL AGENCY.

CONSULTANT shall provide the following types and amounts of insurance:

Without limiting CONSULTANT's indemnification of LOCAL AGENCY, and prior to commencement of Work, CONSULTANT shall obtain, provide and maintain at its own expense during the term of this Agreement, policies of insurance of the type and amounts described below and in a form satisfactory to LOCAL AGENCY.

General liability insurance. CONSULTANT shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, for bodily injury, personal injury, and property damage, and a \$2,000,000 completed operations aggregate. The policy must include contractual liability that has not been amended. Any endorsement restricting standard ISO "insured contract" language will not be accepted.

Automobile liability insurance. CONSULTANT shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of the CONSULTANT arising out of or in connection with Work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than \$1,000,000 combined single limit for each accident.

Workers' compensation insurance. CONSULTANT shall maintain Workers' Compensation Insurance (Statutory Limits) and Employer's Liability Insurance (with limits of at least \$1,000,000) for CONSULTANT's employees in accordance with the laws of the State of California, Section 3700 of the Labor Code. In addition, CONSULTANT shall require each subcontractor to similarly maintain Workers' Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of California, Section 3700 for all of the subcontractor's employees.

CONSULTANT shall submit to LOCAL AGENCY, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of LOCAL AGENCY, its officers, agents, employees and volunteers.

Other provisions or requirements

Proof of insurance. CONSULTANT shall provide certificates of insurance to LOCAL AGENCY as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation. Insurance certificates and endorsements must be approved by LOCAL AGENCY's risk manager prior to commencement of performance. Current certification of insurance shall be kept on file with AGENCY at all times during the term of this contract. LOCAL AGENCY reserves the right to require complete, certified copies of all required insurance policies, at any time.

Duration of coverage. CONSULTANT shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the Work hereunder by CONSULTANT, his agents, representatives, employees or subcontractors. CONSULTANT must maintain general liability and umbrella or excess liability insurance for as long as there is a statutory exposure to completed operations claims. LOCAL AGENCY and its officers, officials, employees, and agents shall continue as additional insureds under such policies.

Primary/noncontributing. Coverage provided by CONSULTANT shall be primary and any insurance or self-insurance procured or maintained by LOCAL AGENCY shall not be required to contribute with it. The limits of insurance required herein may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of LOCAL AGENCY before the LOCAL AGENCY's own insurance or self-insurance shall be called upon to protect it as a named insured.

Agency's rights of enforcement. In the event any policy of insurance required under this Agreement does not comply with these requirements or is canceled and not replaced, LOCAL AGENCY has the right but not the duty to obtain the insurance it deems necessary and any premium paid by LOCAL AGENCY will be promptly reimbursed by CONSULTANT or LOCAL AGENCY will withhold amounts sufficient to pay premium from CONSULTANT payments. In the alternative, LOCAL AGENCY may cancel this Agreement.

Acceptable insurers. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance or is on the List of Approved Surplus Line Insurers in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VII (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the LOCAL AGENCY's risk manager.

Waiver of subrogation. All insurance coverage maintained or procured pursuant to this agreement shall be endorsed to waive subrogation against LOCAL AGENCY, its elected or appointed officers, agents, officials, employees and volunteers or shall specifically allow CONSULTANT or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. CONSULTANT hereby waives its own right of recovery against LOCAL AGENCY, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

Enforcement of contract provisions (non estoppel). CONSULTANT acknowledges and agrees that any actual or alleged failure on the part of the LOCAL AGENCY to inform CONSULTANT of non-compliance with any requirement imposes no additional obligations on the LOCAL AGENCY nor does it waive any rights hereunder.

Requirements not limiting. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the CONSULTANT maintains higher limits than the minimums shown above, the LOCAL AGENCY requires and shall be entitled to coverage for the higher limits maintained by the CONSULTANT. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the LOCAL AGENCY.

Notice of cancellation. CONSULTANT agrees to oblige its insurance agent or broker and insurers to provide to LOCAL AGENCY with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.

Additional insured status. General liability policies shall provide or be endorsed to provide that LOCAL AGENCY and its officers, officials, employees, agents, and volunteers shall be additional insureds under such policies. This provision shall also apply to any excess/umbrella liability policies.

Prohibition of undisclosed coverage limitations. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to LOCAL AGENCY and approved of in writing.

Separation of insureds. A severability of interests provision must apply for all additional insureds ensuring that CONSULTANT's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability. The policy(ies) shall not contain any cross-liability exclusions.

Pass through clause. CONSULTANT agrees to ensure that its subconsultants, subcontractors, and any other party involved with the project who is brought onto or involved in the project by CONSULTANT, provide the same minimum insurance coverage and endorsements required of CONSULTANT. CONSULTANT agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. CONSULTANT agrees that upon request, all agreements with consultants, subcontractors, and others engaged in the project will be submitted to LOCAL AGENCY for review.

Agency's right to revise requirements. The LOCAL AGENCY reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving the CONSULTANT a ninety (90) day advance written notice of such change. If such change results in substantial additional cost to the CONSULTANT, the LOCAL AGENCY and CONSULTANT may renegotiate CONSULTANT's compensation.

Self-insured retentions. Any self-insured retentions must be declared to and approved by LOCAL AGENCY. LOCAL AGENCY reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by LOCAL AGENCY.

Timely notice of claims. CONSULTANT shall give LOCAL AGENCY prompt and timely notice of claims made or suits instituted that arise out of or result from CONSULTANT's performance under this Agreement, and that involve or may involve coverage under any of the required liability policies.

Additional insurance. CONSULTANT shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the Work.

ARTICLE XVII. INDEPENDENT CONSULTANT SERVICE

CONSULTANT shall perform the services hereunder as an independent **CONSULTANT** and shall not be considered an employee of the **CITY** for any purposes. **CONSULTANT** is not entitled to any City benefits, including PERS, unemployment compensation, health insurance, or any other benefit. Only services listed in Exhibit A shall be performed under this Agreement and the **CONSULTANT** shall not employ or otherwise incur an obligation to pay persons, specialists, experts, or sub-**CONSULTANTS** for additional services in connection with the services to be performed under this Agreement without prior written approval of the Public Works Director.

ARTICLE XVIII. INDEMNIFICATION

CONSULTANT shall indemnify, defend with legal counsel approved by LOCAL AGENCY, and hold harmless LOCAL AGENCY, its officers, officials, employees and volunteers from and against all liability, loss, damage, expense, cost (including without limitation reasonable legal counsel fees, expert fees and all other costs and fees of litigation) of every nature arising out of or in connection with **CONSULTANT**'s negligence, recklessness or willful misconduct in the performance of work hereunder or its failure to comply with any of its obligations contained in this Agreement, except such loss or damage which is caused by the sole or active negligence or willful misconduct of the LOCAL AGENCY. Should conflict of interest principles preclude a single legal counsel from representing both LOCAL AGENCY and **CONSULTANT**, or should LOCAL AGENCY otherwise find **CONSULTANT**'s legal counsel unacceptable, then **CONSULTANT** shall reimburse the LOCAL AGENCY its costs of defense, including without limitation reasonable legal counsels fees, expert fees and all other costs and fees of litigation. The **CONSULTANT** shall promptly pay any final judgment rendered against the LOCAL AGENCY (and its officers, officials, employees and volunteers) with respect to claims determined by a trier of fact to have been the result of the **CONSULTANT**'s negligent, reckless or wrongful performance. It is expressly understood and agreed that the foregoing provisions are intended to be as broad and inclusive as is permitted by the law of the State of California and will survive termination of this Agreement.

CONSULTANT obligations under this section apply regardless of whether or not such claim, charge, damage, demand, action, proceeding, loss, stop notice, cost, expense, judgment, civil fine or penalty, or liability was caused in part or contributed to by an Indemnitee. However, without affecting the rights of LOCAL AGENCY under any provision of this agreement, **CONSULTANT** shall not be required to indemnify and hold harmless LOCAL AGENCY for liability attributable to the active negligence of LOCAL AGENCY, provided such active negligence is determined by agreement between the parties or by the findings of a court of competent jurisdiction. In instances where LOCAL AGENCY is shown to have been actively negligent and where LOCAL AGENCY active negligence accounts for only a percentage of the liability involved, the obligation of **CONSULTANT** will be for that entire portion or percentage of liability not attributable to the active negligence of LOCAL AGENCY.

ARTICLE XIX. ASSIGNMENT

This Agreement shall not be assigned by either party without the prior written approval of the other.

ARTICLE XX. CITY BUSINESS TAX CERTIFICATE

CONSULTANT and all sub-CONSULTANTS shall obtain a City of Grover Beach Business Tax Certificate and pay all related fees.

ARTICLE XXI. NOTICE

All notices, including notices of address changes, required to be sent hereunder shall be in writing and shall be deemed to have been given when mailed to the addresses listed below:

- (a) **CITY:** City of Grover Beach, Gayla R. Chapman, Administrative Services Director, 154 South Eighth Street, Grover Beach, CA 93433
- (b) **CONSULTANT:** Willdan Financial Services, Chris Fisher, Vice President-Group Manager, 27368 Via Industria, Suite 200, Temecula, CA 92590

ARTICLE XXII. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof and supersedes any previous agreements or understandings.

(Signatures on the following page)

**AGREEMENT FOR CONSULTANT SERVICES FOR
Utility Rate Study**

AGREEMENT SIGNATURES

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement effective as of the day and year first written above.

CITY OF GROVER BEACH

John P. Shoals, Mayor

Date

Attest:

Donna L. McMahon, City Clerk

Approved as to Form:

Martin D. Koczanowicz, City Attorney

Willdan Financial Services

Chris Fisher
Vice President-Group Manager

Date

Exhibit A Scope of Services

1. Develop a comprehensive financial plan that takes into account updated forecasts for water sales and water, wastewater, and Stormwater operating expenses and provides sufficient and stable revenue to ensure:
 - Sufficient and stable revenue for operations;
 - Adequate debt service coverage;
 - Sufficient funds to support new debt issuance as necessary;
 - Accumulation and maintenance of appropriate reserves, including emergencies;
 - Anticipated and routine repair and replacement of existing aging pipelines and infrastructure; and
 - Major and minor capital projects, including consideration of a Water Capital Cost component of rates.
2. Recommend budget based rates for Water, Wastewater, and Storm Water in compliance with Proposition 218 (California Constitution Articles XIII C & D).
3. Provide options and analysis for recovery of cost of services, considering fluctuations in sales from year to year.
4. Analysis will include consideration of the need to recover increased fixed and variable costs with implemented conservation measures.
5. Develop two (2) options including (1) A tiered rate plan to reflect indoor and outdoor water allotment. (2) Base costs to reflect all fixed costs necessary to deliver water, including debt service and capital costs. Water tiers will reflect usage and costs associated with capacity and reliability
6. Attend Kick-Off Meeting and attend and present at two City Council Meetings.