



Agenda Report

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SUBJECT:

SEWER SERVICE RATE STUDY

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve a Professional Consultant Services Agreement to HDR Engineering, Inc. to provide a Comprehensive Cost of Service Rate Study Specification No. CS-2021-1287BD, for a total amount not to exceed \$234,950; and
- B. Approve a contingency of \$23,495 (10%).

BACKGROUND

Since 2002, the Orange County Sanitation District (OC San) has completed a rate study every five years to determine customers' fair and equitable share of collection, treatment, and disposal costs, develop an accurate rate model, and establish a new five-year rate schedule which ensures full cost recovery and provides support to the Proposition 218 notifications.

For the 2022 rate study, staff has requested a comprehensive rate study on all fees and charges including annexation fees and urban runoff fees.

This comprehensive rate study allocates costs to Flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS) for the purpose of billing different customer classes, including high flow and high strength dischargers.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Stable rates, no large unforeseen rate increases

PROBLEM

OC San's current five-year rate schedule will end as of June 30, 2023.

PROPOSED SOLUTION

Approve the Professional Consultant Services agreement with HDR Engineering, Inc to complete a comprehensive rate study to establish the next five-year rate schedule.

TIMING CONCERNS

In order to meet the legal requirements of Proposition 218 so that the new Ordinances are adopted and the rate schedule is effective July 1, 2023, the rate study should begin no later than the beginning of May 2022.

RAMIFICATIONS OF NOT TAKING ACTION

The rate study would be delayed which could potentially affect the implementation of the new rate schedule and hinder OC San's cost recovery.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

The goals of the comprehensive cost of service rate study are as follows:

- Study must develop a cost allocation assigning operations and maintenance as well as capital expenditures to Flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS). This functional allocation will be used as the basis for assigning treatment costs to the different customer classes including wholesale users;
- Study must include a review of the revenue requirements, including long term maintenance and replacement costs, for the next 5 years to be used for rate setting for both Regional Sewer Service as well as Flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS) for Industrial Waste Dischargers;
- Study must develop a wastewater cost of service and rate model for OC San covering a five-year period (Fiscal Years 2023/24 through 2027/28) for both on-going operations and planned capital improvements;
- Study must recommend a methodology and rate schedule for Capital Facility Capacity Charges as well as Supplemental Capital Facility Capacity Charges;
- Study must develop a five-year sewer service fee program that produces revenues adequate to meet the financial needs of OC San as well as the operational and capital needs while recognizing customer cost of service and local and state legal and policy considerations (Prop 218 & 26);

- Study must evaluate the current rebate methodology for Regional sewer service fees and recommend adjustments, if needed;
- Study must review and update other miscellaneous fees including annexation fees;
- Study must include a review and determination of comparable charges for dry weather urban runoff flows;
- Study must include a survey of the rates and fees charged by other comparable municipality wastewater utilities; and
- Study must provide an easy-to-use electronic model in Microsoft Excel to be used by OC San for future rate setting.

Consultant Selection

OC San requested and advertised for proposals for the Comprehensive Cost of Service Rate Study on December 1, 2021. The following evaluation criteria were described in the Request for Proposals (RFP) and used to determine the most qualified Consultant.

CRITERION	WEIGHT
Qualifications & Experience of Firm	30%
Proposed Staffing & Project Organization	20%
Work Plan	30%
Cost	20%

Five proposals were received on January 12, 2022 and evaluated in accordance with the evaluation process set forth in OC San's Purchasing Ordinance by a pre-selected Evaluation Team consisting of the following OC San staff: Accounting Supervisor (Project Manager), Controller, Engineering Manager, and Senior Staff Analyst. The Evaluation Team also included one non-voting representative from the Purchasing Division.

The Evaluation Team scored the proposals on the established criterion as summarized below:

Rank	Proposer	Proposed Staffing and Project Organization (Max 20%)	Qualifications of Firm (Max 30%)	Work Plan (Max 30%)	Subtotal (Max 80%)
1	HDR Engineering, Inc.	17%	23%	26%	66%
2	Carollo Engineers	13%	23%	22%	58%
3	Black & Veatch	15%	22%	20%	57%
4	Stantec Consulting Services, Inc.	11%	20%	19%	50%
5	Raftelis Financial Consultants, Inc.	11%	19%	16%	46%

All proposals were accompanied by a sealed cost proposal. Only the cost proposals for the three highest ranked firms were opened and negotiated.

Rank	Proposer	ORIGINAL COST	BAFO (if applicable)
1	HDR Engineering, Inc.	\$234,950	\$234,950
2	Carollo Engineers	\$160,247	\$142,108
3	Black & Veatch	\$114,720	\$145,530

Based on the scoring shown below, HDR Engineering, Inc. was selected as the most qualified Consultant.

Rank	Proposer	Subtotal w/o Presentation (Max 80%)	Cost (Max 20%)	Total Weighted Score (Max 100%)
1	HDR Engineering, Inc.	66%	12%	78%
2	Carollo Engineers	58%	20%	78%
3	Black & Veatch	57%	20%	77%

HDR Engineering, Inc. (HDR) demonstrated a clear understanding of the Scope of Work by highlighting each task objective in detail, their approach to that task, and the expectations of OC San staff. HDR also included the specific deliverables associated with each task. At the same time, HDR identified key issues that may arise during the specific task and the key team participants. HDR included a team with vast experience on similar studies including Proposition 218 legalities. A specific and detailed quality control process for this project was also identified by HDR.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted in the FY 2021-22 Budget - Financial Management Division.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Professional Consultant Services Agreement