

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: APRIL 8, 2024

SUBJECT: THIRD AMENDMENT TO THE PROFESSIONAL CONSULTANT SERVICES AGREEMENT FOR WATER COST OF SERVICE ANALYSIS AND RATE DESIGN WITH CAROLLO ENGINEERS, INC. OF RIVERSIDE, CALIFORNIA – INCREASE CONTRACT AMOUNT BY \$165,950 FOR A REVISED TOTAL CONTRACT AMOUNT OF \$380,782

ISSUE:

Approve a Third Amendment to the Professional Consultant Services Agreement for the Water Cost of Service Analysis and Rate Design with Carollo Engineers, Inc., of Riverside, California, increasing the contract amount by \$165,950 for a total revised contract amount of \$380,782.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve a Third Amendment to the Professional Consultant Services Agreement for Water Cost of Service Analysis and Rate Design with Carollo Engineers, Inc., of Riverside, California, increasing the contract amount by \$165,950 for a revised total contract amount of \$380,782;
2. Amend the Professional Consultant Services Agreement for Water Cost of Service Analysis and Rate Design to exercise the option to extend the term of the agreement to December 31, 2025; and
3. Authorize the City Manager, or designee, to execute the Third Amendment, including making minor and non-substantive changes.

BACKGROUND:

On March 14, 2022, the Board of Public Utilities (Board) approved the Professional Consultant Services Agreement (Agreement) with Carollo Engineers, Inc., of Riverside, California, (Carollo), for the purpose of conducting a Water Cost of Service Analysis and Rate Design Project (“the Project”) for Riverside Public Utilities. The Project provided a comprehensive review of all rate schedules, forecast of future revenue requirements, equitable allocation of costs among customer classes. The First and Second Amendments to the Agreement were required for additional cost of service and rate design analysis with the Second Amendment being approved by City Council on February 21, 2023. The work was a coordinated effort between RPU staff and Carollo. The results of the Project were included in 2023 Water Cost of Service and Rate Design Study dated

May 2023 which supported the water utility five-year rate plan approved by City Council on September 19, 2023.

DISCUSSION:

Since approval of the water utility five-year rate plan, there have been discussions about the potential change to the general fund transfer from future water revenue requirements. If City Council directs the City Manager to change the water general fund transfer, an additional analysis will be needed, including updating the customer data analysis, developing various cost of service analysis and rate design scenarios for the removal of the general fund transfer, customer bill impacts, and project report.

Consultant: Carollo Engineers, Inc	Amount
Phases I, II, and III- Cost of Service Analysis, Rate Trends Study, Rate Design, Recycled Water Rate Design (\$34,570 remaining on original agreement) , Budget-Based Rate Design and Implementation Plan	\$161,140
First Amendment- Additional Cost of Service and Rate Design Analysis	\$13,692
Second Amendment- Additional Cost of Service and Rate Design Analysis	\$40,000
Third Amendment- Additional Cost of Service and Rate Design Analysis to Develop Scenarios for the Removal of the General Fund Transfer	\$165,950
Total	\$380,782

Per Purchasing Resolution 23914, Section 1104 Change Orders states, “Subject to the availability of funds, Change Orders may be utilized for the purposes of (1) adding and/or deleting quantity of items being provided, (5) modifying contract completion time or the term of a Contract. Unless otherwise specifically authorized by the Awarding Entity, Change Orders which cumulatively exceed the following will require Awarding Entity approval: c) 10% of the original contract price for Contracts and/or Purchase Orders previously approved by the Awarding Entity and the total Change Order amount will not exceed \$150,000.”

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23914 Section 1104 (c).

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 6 - Infrastructure, Mobility & Connectivity**, and **Goal 6.2** - Maintain, protect and improve assets and infrastructure within the City’s built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The item also aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** –The Water Cost of Service Analysis and Rate Design Project is transparent and developed with our customers’ and the community’s wellbeing as a top priority.
2. **Equity** –The Water Cost of Service Analysis and Rate Design Project includes an equitable allocation of costs among customer classes which is incorporated into the resulting rate design recommendation.

3. **Fiscal Responsibility** – The Water Cost of Service Analysis and Rate Design Project incorporates a forecasted revenue requirement that includes operating and capital expenditures funded by the prudent use of rate revenue, bond proceeds, and reserves.
4. **Innovation** –The Water Cost of Service Analysis and Rate Design Project includes the Water Utility Rate Trend Study that evaluates emerging rate structures, technologies, and trends and how they may apply or be implemented by RPU.
5. **Sustainability & Resiliency** – The Water Cost of Service Analysis and Rate Design Project will design future rates for a five-year period to equitably recover costs while maintaining the financial health of RPU.

FISCAL IMPACT:

The total cost for the Second Amendment to the Professional Consultant Services Agreement is \$165,950. Sufficient funds are available in the Management Services Professional Services Account No. 6000000-421000.

Prepared by:	Carlie Myers, Utilities Assistant General Manager/Business and Customer Services
Approved by:	Todd M. Corbin, Utilities General Manager
Certifies as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Finance Officer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Third Amendment to Professional Consultant Services Agreement
2. Presentation