

	<h2 style="margin: 0;">City Council</h2> <h3 style="margin: 0;">Agenda Form</h3> <hr style="width: 20%; margin: 5px auto;"/> <p>Meeting Date: <u>November 13, 2023</u></p> <p>Department: <u>Utilities- Water/Wastewater</u></p> <p>Public Hearing: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>For Clerk's Use Only AGENDA ITEM #</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 33%; height: 30px;"> </td> <td style="width: 33%;">XXXX</td> <td style="width: 33%;"> </td> </tr> <tr> <td style="font-size: small;">Consent Agenda</td> <td style="font-size: small;">Regular Agenda</td> <td style="font-size: small;">Closed Session</td> </tr> </table>		XXXX		Consent Agenda	Regular Agenda	Closed Session
	XXXX							
Consent Agenda	Regular Agenda	Closed Session						

Presenter: Dewberry

Request Type: Informational Discussion Action Item

Does this item require legal review? Yes No **City Attorney E-Mail attached?** Yes No

Time Required for Request: 5 Minutes

Agenda Item Title: Utility Rate Study and Financial Consulting

Attachment(s):
Dewberry Utility Rate Study Proposal

Brief Summary:
In October 2023, the City Council requested staff to engage a consultant to perform a utility rate study. Dewberry Engineers and Ryper Water Analytics have teamed to provide a utility rate study and financial analysis proposal for the City's water and wastewater systems.

Action Requested:
Discuss and approve Dewberry proposal to perform Water and Wastewater Rate Study

Issue Overview:

Background Information & Issue Summary:
The primary objectives of the rate study project includes the preparation of: 1) a five (5) year financial forecast of utility revenue requirements; 2) a five (5) year capital funding analysis; and 3) recommended rate adjustments for the upcoming fiscal years. The analyses will be prepared on an individual basis for each of the City's water and wastewater systems.

Financial Impacts:
\$29,885.00

Staff Recommendations/Comments:



November 8, 2023

Michael Barker – City Manager
City of DeFuniak Springs
1350 Baldwin Avenue
DeFuniak Springs, FL 32435

RE: City of DeFuniak Springs Water and Wastewater Utility Rate Study
Proposal for Professional Services

Dear Mr. Barker,

Dewberry is pleased to provide you with this proposal for professional engineering services for the Water and Wastewater Utility Rate Study.

Attachment A is attached and details our scope of services and associated fees.

Dewberry proposes to provide the services described in the attached for a lump sum amount of **\$29,885.00**.

If you have any questions or need additional information, please contact me at (850) 441-2733 or at bblitch@dewberry.com.

Sincerely,

DEWBERRY

Benjamin Blitch, P.E.
Branch Manager



Attachment A
 Scope of Work/Agreement

November 8, 2023

Reference is made to that certain **Continuing Services Contract for Engineering and Related Services Agreement between The City of DeFuniak Springs and Dewberry Engineers, Inc.** dated August 15, 2016, (the "Agreement"), the terms, conditions, and definitions of which are incorporated herein as if set forth in full. Neither part is in breach of the Agreement.

This agreement is entered into this _____ day of _____ 2023, between the City of DeFuniak Springs, known hereinafter as CLIENT, and Dewberry Engineers Inc.

This agreement defines the terms under which Dewberry shall provide professional services to CLIENT for the Utility Rate Study and Financial Consulting Services project.

PROFESSIONAL SERVICES FEES SUMMARY

Dewberry shall provide engineering and financial coordination services for the Water and Wastewater Utility Rate Study Project located in DeFuniak Springs, Florida 32435. The project includes the preparation of: 1) a five (5) year financial forecast of utility revenue requirements; 2) a five (5) year capital funding analysis; and 3) recommended rate adjustments for the upcoming fiscal years. The analyses will be prepared on an individual basis for each of the City's water and wastewater systems.

DEWBERRY ENGINEERS	\$4,950.00
RYPER WATER ANALYTICS	\$24,935.00

TOTAL PROPOSED LUMP SUM FEE:	\$29, 885.00
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If additional services, not described in this proposal are required and authorized, these services can be provided and would be based on an hourly rate.

We sincerely appreciate you giving Dewberry the opportunity to be of service to you.

If you have any questions or need additional information, please contact me at (850) 441-2733 or by email at bblitch@dewberry.com.

DEWBERRY

Address for correspondence:

877 County Road 393 North
Santa Rosa Beach, FL 32459

By: _____

Name and Title: _____

Witnessed: _____

Date: _____

CITY OF DEFUNIAK SPRINGS

Address for correspondence:

City of DeFuniak Springs
1350 Baldwin Ave.
DeFuniak Springs, FL 32435

By: _____

Name and Title: _____

Witnessed: _____

Date: _____

**DEFUNIAK SPRINGS, FLORIDA
PROFESSIONAL CONSULTING SERVICES FOR
WATER AND WASTEWATER SYSTEM REVENUE SUFFICIENCY STUDY**

OBJECTIVE

Dewberry Engineering ("Dewberry") and Ryper Water Analytics, LLC. ("Ryper") have entered into this general services agreement (the "Agreement") to provide financial planning and rate consulting services for the City of DeFuniak Springs, Florida's water and wastewater utility system (the "System" or "City").

SCOPE OF SERVICES

The scope of services to be performed by Ryper has been presented in a series of primary tasks based on the objectives of the City. The following is the scope of services to be performed by Ryper associated with this Project.

Task 1 – Kickoff and Data Acquisition/Compilation Review: Ryper will prepare a data request to initiate the Project and to compile statistical and financial information from the City. Ryper will prepare a written data request and will interview staff members to collect capital and planning documentation as well as other relevant information needed to perform the revenue sufficiency study and in support of the capital funding plan for the System. Data that will be requested will include, but not be limited to, the following: i) financial data such as the adopted Fiscal Year 2024 and year-to-date operating results; ii) available cash balances by specific fund; iii) the most recent capital improvement plan including any carry-forward projects approved in prior years that are still in process; iv) historical detailed customer billing and sales statistics; v) financing and debt-related information; vi) utility rate, operational, and engineering data; and vi) other information as deemed necessary by Ryper to prepare the System's financial forecast, capital plans, and review of System rate levels.

Task 2 – Development of Customer Usage Forecast: Ryper will evaluate and present one (1) year of statistical information as provided by the City to review overall System demand requirements for the System; subject to data availability (must be in an electronic format or annual report). The purpose of this analysis will be to identify trends in usage relationships by rate or billing classes. Based on historical trends in customer growth/usage requirements, and discussions with City staff relative to development / re-development and growth within the System's respective service areas as well as potential modifications to customer needs, Ryper will prepare a customer and sales forecast for the individual Systems for the five-fiscal year period ending 2029 (the "Forecast Period"). The forecast will be prepared for the System on an individual class basis consistent with the existing billing parameters and based on data available to: i) develop the rate revenue forecast based on existing rates by customer class as reflected in the utility billing system since each class of customers may have different usage requirements, rates of growth, or equivalent factor relationships; and ii) to assist in the analysis of fixed vs. variable revenue recovery of the individual System's rate revenue streams.

Task 3 – Development of Revenue Projections from Existing Rates: This task involves the development of System rate revenues for the Forecast Period from existing rates recognizing: i) the results of the customer and sales forecast performed in Task 2; and ii) the individual System's existing rates for service. Additionally, this task will involve a rate-revenue "reasonableness" test (reconciling model results to reported amounts on City financial statements) to ensure that the revenue model and billing determinants are reasonable, relative to the modeling process.

This task will also involve the projection of other operating revenues, interest income earned on unrestricted fund balances as defined in the City's Bond Resolution or loan agreements for the System or as may have been created by the City on behalf of the System, and revenues derived from other miscellaneous utility transactions (e.g., customer service charges).

Task 4 – Development of Operating Expense Projections: This task involves the development of a projection of the estimated amount of annual operating and maintenance expenses (the "Operating Expenses") that have been identified to be funded from water and wastewater rates for the Forecast Period. This task will be performed in sufficient detail to: i) recognize the primary expenses incurred by each System; ii) assist in the projection of expenditures for the applicable Forecast Period; iii) recognize changes in operating costs due to changes in regulatory requirements, service area expansions, utility operations; and iv) recognize the implementation of the capital improvement program. Finally, other operating expenses such as inter-fund transfers, administrative allocations, contingency reserves, insurance needs, and other expenses will be evaluated to promote "full cost recovery".

Task 5 – Capital Improvement and Funding Analysis: This task involves working with Dewberry and the City to identify each System's applicable capital improvement program for the Forecast Period and to develop a funding analysis to identify available sources of funds for financing of the respective capital improvement programs and the estimated impact on each System's rate revenues associated with the capital funding programs for the Forecast Period. The forecast will assume a "fully funded" capital plan for all capital projects identified by Dewberry and the City. This task will also involve a review of all restricted / unrestricted fund balances available for financing the capital improvement program, identification of the status of current capital projects currently in process, assistance in the funding of the capital programs, or the identification of the timing of when funds should be expended for the capital facilities. As part of this task, Ryper will also evaluate prior period capital projects that are still underway, and which have a claim on the existing financial resources of the System (construction-work-in-progress). Additionally, this task will include the development of a cash flow model by the specific fund to evaluate System liquidity and the availability of funds to finance the capital program. Finally, a review of the capital re-investment rate (also referred to as Pay-Go funding) will be considered to provide a programmed funding level for ongoing utility plant replacement, renewals, rehabilitation, and upgrades from each System's rates.

Task 6 – Other Revenue Requirement Identification and Management Dashboard: To meet the financial obligations of the City, Ryper will review the financial aspects of the Systems to potentially recognize other revenue requirements that may need to be allocated or included in the revenue sufficiency analysis. This task will include assistance in the development of fiscal targets in terms of working capital maintenance, the funding of capital re-investment for long-term planning needs, the funding of other departmental capital or maintenance reserves for items such as vehicles and equipment, and the recognition of any other transfer requirements that may be associated with the System. As part of this task, Ryper will develop "management dashboards" for the System to allow for the review of the financial position of the System and the ability to perform sensitivity analyses to finalize the capital funding plans and financial forecasts. Ryper will work with the City to identify any fiscal policies and financial performance targets that will provide guidelines and support for the financial forecasts and fiscal policies necessary to address the goals related to financial performance, such as debt service coverage ratios and reserve fund levels that the City may deem necessary for the System.

Task 7 – Compliance Analysis: This task will be conducted to identify the ability of the recommended rates to meet any rate covenant and flow of fund requirements as defined in the governing bond resolution and/or loan agreements (SRF loans) that authorized the issuance of the debt for the System. The compliance analysis will be performed for the Forecast Period to maintain the financial integrity of the City. If required, this compliance analysis will also include an evaluation of the additional bonds test for the System to determine that the issuance of the additional utility revenue bonds on a senior, and/or subordinate lien basis with the outstanding indebtedness will be met to fund future capital needs.

Task 8 – Development of Net Revenue Requirements and Rate Impact Analyses and Staff Presentation: Based on the aforementioned tasks, Ryper will prepare a summary of the total net revenue requirements of each individual System and the accompanying rate impact requirement for each fiscal year of the Forecast Period. An on-site meeting will be held with City staff to present the results of the initial project findings. Based on the results of the staff meeting, Ryper will make modifications to the analyses prior to the delivery of the revenue sufficiency analyses and capital funding plans.

Task 9 – Rate and Fee Comparisons with Other Utilities: Ryper will prepare comparisons of the existing and proposed water and wastewater rates (monthly service charges) with those of other neighboring or similar utilities. This will provide a comparison to the City of the rate levels charged by others in relation to the existing and proposed rates of the City.

Task 10 – Report and Presentation of Project Results and Findings: Ryper will prepare a report and summary presentation documenting our analyses, assumptions, and considerations for final review by City staff. Ryper will make any modifications as deemed necessary by City staff to the analysis and report prior to the submission of the recommendations for City Commission consideration.

Task 11 – Public Hearing: To present the results, recommendations, and rates to the City’s Commission and the public with respect to the recommendations as delineated in the report, Ryper will attend one public hearing with the City’s Commission. Ryper will submit materials related to the presentation one week in advance of the City’s Commission workshop meeting.

MEETINGS

During the course of this engagement, it is anticipated that Ryper will attend a total of two (2) on-site meetings and several teleconference meetings consisting of:

- one on-site meeting to review initial revenue requirements with City staff; and
- one on-site meeting to present the results of the Study to the City Commission.

The attendance of any additional on-site meetings will be considered to be an additional service. For the purposes of the scope of services and the development of the project cost estimate shown in Exhibit A, an allowance for 6 hours per meeting per Ryper representative has been assumed.

STAFF ASSISTANCE

As with any major study performed for a public utility, the City's staff will be called upon to provide assistance to Ryper to complete the engagement on a timely basis. The following is a list of the activities anticipated to be performed by the staff of the City:

1. The gathering of specific customer, operational and financial data and information relative to the Project;
2. The performance of certain analyses relative to the compiling of data if not in a usable format in general records and reports of the City;
3. Aiding in the formulation of policy decisions relative to cost or need determination, cost allocations, and rate recommendations. An example would include rate-phasing alternatives, capital improvements project prioritization, etc.; and
4. Performing a general review and providing comments relative to the results of our analyses.

ADDITIONAL SERVICES

During the course of the Project, the City may request additional services relative to the performance of the revenue sufficiency analyses from Ryper. Such services will not be conducted until authorized by the City. All invoices for additional services performed by Ryper will be based on the hourly rate schedule of Ryper members as identified in Exhibit A of this proposal or on some other basis as mutually agreed between the City and Ryper. Although no additional services are anticipated for this engagement, examples of additional services may include the following:

1. Attendance of meetings with City staff, City Commission or interested parties, or public hearings in addition to what is contemplated in the scope of services.
2. The derivation of rate design analyses beyond what is contemplated in the scope of services.
3. Design of other rates or miscellaneous service charges not specifically addressed in the scope of services.
4. Performance of any annual update to the financial forecast after completion of the Project.
5. Delays in the Project schedule at no fault to Ryper, which may have impacts on analyses performed, and which would affect the budget for the scope of services reflected herein.

SCHEDULE

Ryper will endeavor to complete the Scope of Services within the timeframe of the City's schedule to complete the Project, subject to any excused delay occasioned by factors beyond Ryper's reasonable control. Based on data availability Ryper intends to complete the analyses within 90 days of notification to proceed.

PROPOSED FEES

Ryper shall bill for the services described above on a lump sum basis of \$24,935. A further breakdown of the estimated Ryper personnel hours and proposed fees is shown below in Exhibit A.

Exhibit A – Cost Estimate				
Description	Project Manager	Financial Analyst	Clerical	Total
Direct Labor Rates	\$165	\$110	\$65	
Task 1 – Kickoff and Data Acquisition/Compilation Review	4	4	1	9
Task 2 – Development of Customer Usage Forecast	6	12	0	18
Task 3 – Development of Revenue Projections from Existing Rates	6	6	0	12
Task 4 - Development of Operating Expense Projections	8	12	0	20
Task 5 - Capital Improvement and Funding Analysis	8	12	0	20
Task 6 – Other Revenue Requirement Identification and Management Dashboard	6	8	0	14
Task 7 - Compliance Analysis	6	6	0	12
Task 8 - Development of Net Revenue Requirements and Rate Impact Analyses and Staff Presentation	6	8	0	14
Task 9 – Rate and Fee Comparisons with Other Utilities	4	8	0	12
Task 10 – Report and Presentation of Results and Findings	12	8	2	22
Task 11 – Public Hearing	4	4	2	10
Meetings (allowance of 6 hours per meeting) (2 total)	12	0	0	12
Total Hours	82	88	5	175
Total Labor Cost	\$13,530	\$9,680	\$325	\$23,535
Travel Allowance				\$1,400
Total Project Budget				\$24,935