



Request for Proposal for Water and Sanitary Sewer Rate Study

Issued on: February 11, 2022

Due on: March 7, 2022

I. INTRODUCTION

The City of Woodbury is requesting proposals for a water and sanitary sewer rate study (with alternates in the proposal for separate storm water and street light utilities rate studies) to assist the City with determining rate impacts associated with its forecasted capital improvement plans as well as potential costs associated with what is expected to be the nation's largest new water treatment plant designed to treat PFAS-contaminated groundwater.

Proposals are due no later than the end of the day on March 7, 2022, with work on these studies expected to begin in late March, 2022. A preliminary version of the water and sanitary sewer rate study should be completed in late May, 2022 with additional versions of the water and sanitary sewer rate study throughout 2022. The optional analyses of the City's storm water and street light financial condition and projected rates are expected to begin later in 2022 into early 2023. The overall completion of the studies and submittal of final reports and recommendations in late 2022 to early 2023.

II. SUMMARY OF PROJECT

Rate Study Goals & Objectives

The City desires to select the best qualified firm through the RFP process with an emphasis of serving as a partner with City staff and the City's consulting engineers, AE2S and Jacobs Engineering, throughout the planning process for more than \$150 million of capital improvements to the water system and local City sanitary sewer system in the next five years. The preferred firm should have extensive experience with and knowledge of different methods of charging users of municipal utility systems, specifically water, sanitary sewer, storm water, and street light systems. Additional qualifications include rate studies emphasizing water conservation through changes in water rates as well as expertise in converting utility billing systems from quarterly to monthly payments. The preferred firm should be able to utilize the City billing system data from customers' historical and projected usage to provide a range of options for water and sewer rates to fit specific City goals such as revenue predictability and equity in utility rates. The preferred firm must be able to explain the advantages and disadvantages of various utility revenue generation philosophies, methods and techniques. Familiarity with infrastructure funding mechanisms is also a component of the analysis. A portion of this study will analyze the City's current rates and methods for charging new development for trunk system improvements.

The preferred firm, working closely with City staff, will be expected to conduct the analytical work and facilitate the process of arriving at a conclusion on utility rates structure and fee schedule for the next five years (2023-2027); as well as a projections of revenues, expenditures and fund/cash balances over the next 30 years. The City is undertaking the rate study in conjunction with the construction of its first water treatment facility. The facility is needed because groundwater contamination from the family of chemicals known as PFAS has been found to exceed State health indices in the majority (but not all) of the wells serving the City (see City's information on PFAS at <https://www.woodburymn.gov/321/PFAS-in-Groundwater>). A settlement agreement has been reached between the State of Minnesota and 3M to fund

treatment of most of the City's system (see details at <https://3msettlement.state.mn.us/>). The City will be utilizing the rate study as one part of its deliberations in the summer of 2022 regarding the need to expand the scope of treatment to include all City wells.

City Background Information

Background on the City can be found in the following links and documents:

City Utility System and Utility Rates: <https://www.woodburymn.gov/339/Utility-Billing-Rates>

City 2022 Budget: <https://www.woodburymn.gov/ArchiveCenter/ViewFile/Item/177>

City 2020 Audit: <https://www.woodburymn.gov/Archive/ViewFile/Item/118>

City Population and Household Growth Assumptions: See Appendix A

City Water Report: <https://www.woodburymn.gov/375/Woodburys-Water-Source>

Submittal Requirements

All proposals should be sent and all questions and correspondence should be directed to Mark Ruff, City of Woodbury, at mark.ruff@woodburymn.gov.

A digital PDF copy for distribution via e-mail must be received no later than 5:00 p.m. central time on Monday, March 7, 2022. Proposals submitted after the deadline will not be considered.

Proposals should be limited to 25 pages on 8.5" X 11" size paper, including supporting documentation. The front and back covers will not be counted towards the page limit.

Proposals may include up to one example final report from a similar study that will not be counted towards the total overall number of pages allowed.

Each proposal must be signed by an officer of your company responsible for the firm's representations in the proposal. The proposer shall designate one contact person who will be the only representative of the firm to which the city will respond.

Please note that all questions pertaining to the RFP are to be emailed to mark.ruff@Woodburymn.gov no later than February 22, 2022. An answer will be formulated as soon as possible and posted at www.woodburymn.gov/water-sewer-rate-study-rfp on the City's website.

There will be a virtual pre-proposal meeting conducted via Teams on February 23, 2022 at 1:00 pm Central Time. To receive an invitation to the pre-proposal virtual meeting, e-mail mark.ruff@woodburymn.gov.

In order to ensure a fair review and selection process, firms submitting proposals are prohibited from making contact with City of Woodbury staff or any representative of the City Council regarding the proposed rate study, other than as specified herein.

The City will review the proposals and determine which proposal best fits the criteria herein as well as the best interests of the City.

Required Contents for Proposals

Provide the following information within the proposal clearly separated by section.

- A. Title Page. Show proposal subject, the name of the proposer's firm, address, telephone number and email for the firm's contact person, and the date submitted.

- B. Table of Contents. Include a clear identification of the material by section and by page number.
- C. Proposing Firm Overview. Briefly describe the firm's background, size, governance, ownership and history.
- D. Identification and Qualification of Assigned Personnel
 - a. Describe your firm's staffing proposal for providing services as indicated in the RFP. Describe the experience of the person who would be leading the study on behalf of the firm and for key additional staff that will be assigned to the project with a description of their area of responsibility.
 - b. Describe the approach you would use to communicate and coordinate the project with the City. We expect that most of the meetings with staff will be virtual. However, the budget for the proposal should include time and travel expense for two in-person meetings with staff and/or elected officials.
 - c. Describe your firm's experience and current practice in working on similar studies as is being requested for the City of Woodbury.
- E. Firm's Detailed Approach to the Scope of Services. The proposal shall address in detailed fashion the approach of the firm to conducting the study using the categories in the Scope of Services section of this RFP. The City will supply data to the firm including estimated capital improvement costs, operating costs and growth estimates. The City will ask the firm to add perspective on items such as inflation on revenues and expenses, comparable systems' operating costs, future Metropolitan Council changes to sanitary sewer costs, state or federal rules impacting utility systems, etc. Any perspective that can be added to the proposal on how your firm partners with its clients in dealing with these external influences on utility systems are welcomed.
- F. Compensation. Compensation on this proposal shall be based upon hourly rates. The proposal shall contain an estimated staff, travel, and other costs for each of the following categories:
 - a. the initial/preliminary version of the study for water and sanitary sewer rates as outlined in the scope of services.
 - b. estimates of additional versions of the water and sanitary sewer rate study as outlined in the scope of services. The estimated cost of each version is expected to vary depending upon if it is a minor change (water treatment cost estimate or change in the rates within the existing structure) or a major change (switching from quarterly to monthly billing or another type of change to the tiering structure of the rates). Please estimate version costs by the type of major or minor change.
 - c. an estimated cost for each of the optional components of the study related to storm water and street light utilities.
- G. The proposal shall include an outline of tasks by each member of the proposer's team for the initial version and any major change to the initial version such as a change to the tiering structure of the rates.
- H. List of References. Provide at least 5 references of public clients of similar size and scope who have received services from your firm for work on similar studies. Please list the lead staff from your firm responsible for those studies.
- I. External Funding & Programs. For informational purposes, briefly describe the firm's experience in working with various funding options for capital improvements including federal and state grants and loans. Please provide examples and any specific insights into recently approved federal funding.

Scope of Services

The City currently budgets for water and sanitary sewer operations separately while it combines the two enterprise functions into one category in its Comprehensive Annual Financial Report (CAFR). The City is expecting the rate study will separate the water and sanitary sewer projections into two stand-alone analyses.

The City pays for major water and sewer trunk expenses associated with growth from developer payments and hook-up fees through a trunk capital projects fund that is separate from the water and sanitary sewer enterprise fund. The trunk capital projects funds will be a component of the analyses. The trunk portion of the rate study will be focused on how much of the new water treatment facility and associated infrastructure not covered by the 3M settlement funding is reasonably attributable to growth. Given growth expectations provided by the City, what would be the impact on the City's various charges for growth by adding a portion of the water treatment improvements to the trunk funds' existing capital improvement plan. The City is not expecting to change its methodology of charging new development for utility improvement at this time.

The study is expected to be broken into the following steps for water, sanitary sewer and associated trunk funds as the first part of the utility rate analysis:

- A. User Data. The firm undertaking the analysis will be expected to accurately model the City's usage by customer or set of customer types in order that variations in the City's tiered rate structure can be translated into revenue projections for each utility. The City uses CIS Infinity software for its utility billing system. The firm will be expected to provide input on the impact of changing rate structures on user consumption based upon experience with other studies and upon research published in applicable literature. The City is considering a change from a quarterly billing cycle to a monthly billing cycle for all residential and commercial uses. One of the rate study versions requested of the firm may include a change to a monthly billing cycle. The firm will be expected to provide advice regarding the transition process to a monthly billing cycle.
- B. Revenue history and projections. The firm undertaking the study will utilize user data, population growth assumptions, and City goals for water conservation to project usage and revenues for the next five years and the next 30 years. The firm will be asked to provide recommendations and observations of factors that will influence revenues over this time period.
- C. Expense history and projections. The City will provide a range of expense projections for existing utility operations and the proposed water treatment plan. The preliminary engineering report for the water treatment facility is being prepared at the same time as the rate study (spring/summer 2022). Therefore, expense estimates for the facility will be approximate. The firm is expected to make recommendations on how expenses are categorized in the budget and what are typical approaches to tie certain expenses such as general fund transfers for overhead costs to increases in revenues or expenses.
- D. Capital improvement plan. The City pays for certain capital costs from its operating revenues including transfers to street reconstruction capital projects, other system replacement costs, and portions of major projects not covered by developer payments. The City will supply a long-term capital improvement plan for its traditional costs along with an expected cost and draw schedule for the City's share of the water treatment facility and distribution network not covered by the 3M settlement. A portion of the rate study analysis will evaluate the ability of new growth in the City to contribute to the City's share of the water treatment facility. The rate study may also evaluate the potential for the City to reduce its reliance on special assessments for certain reconstruction activities.

- E. Debt service. The City currently has no debt service obligations from its sanitary sewer and water enterprises with the exception of approximately \$210,000 in annual transfers from the water and sewer utility to the debt service fund that is paying for previously constructed public works building improvements. The firm undertaking the study will be expected to incorporate debt projections for the future capital improvements in the study. If the firm is not a municipal advisor under Security and Exchange Commission (SEC) regulations, the firm should detail how it works with the City's municipal advisor to provide these numbers.
- F. Net position and cash balance history and projections. The revenue and expense calculations listed above will provide for annual cash flow. The firm is expected to estimate future cash balances and net positions for each utility along with recommendations regarding appropriate cash balances in the near term and longer term.
- G. Initial study results: The firm will be expected to produce an initial/preliminary version of the calculations by the end of May, 2022 using the City's current quarterly billing system, the expected capital improvement plan, expected growth and potential for growth to contribute to a water treatment facility. The firm will be meeting with a larger group of staff every two weeks to review progress during the study and one city council work session should also be anticipated.
- H. Additional versions. The City will request additional versions of the rate study throughout 2022 to early 2023. The versions could include:
 - a. A change from quarterly to monthly billing
 - b. A revision of the rate tiering structure
 - c. Various versions of financing alternatives, project costs, or adjustments to existing rates without changing the tiering structure.
- I. Storm Water and/or Street Light Utility Projections. The City has a storm water utility and a street light utility which are each paid by system users in the same utility billing process as water and sanitary sewer. Proposers should add as an optional service a projection of the cash flow for the storm water utility and the street light utility as well as a component of coordinating rate increases among all utilities to enhance predictability of rate changes to residents and system users.
- J. Written report. The firm will be expected to provide a written report of approximately 20 to 40 pages of text and summary graphs plus appendices with full projections and assumptions at the end of the study (late 2022 or early 2023). The firm may be asked to help generate periodic documents for presentations to the City Council and/or the State of Minnesota prior to the final report.
- K. Schedule. The firm's team shall be ready to start in late March, 2022. A preliminary/Initial study should be completed by May, 2022. The final report will likely be prepared at the end of 2022 or early 2023.

Proposal Evaluation & Selection

Qualitative Selection. The City of Woodbury intends to retain the firm determined in the City's view as the best qualified to perform the work and whose proposal best confirms with the needs of the City, with experience, ability to communicate clearly, and other performance factors considered along with the cost of services. The City will decide on the need for the optional services of storm water and street lighting after the final selection of a firm.

Rights of Review: The City reserves the right to reject any and all proposals or to request additional information from any and all proposers for purposes of clarification including cost estimates, and to accept or negotiate any modification to any proposal following the deadline for receipt of all proposals.

APPENDIX A



Population and Household Estimates

Year	Population Estimate	Total Housing Units	Housing Units Permitted	Household Size
1920	956			
1930	931			
1940	954			
1950	1,056			
1960	3,014	721		4.18
1967	4,396			
1970	6,184	1,399		4.26
1980	10,297	3,232		3.10
1990	20,075	6,927		2.86
2000	46,463	16,676		2.79
2010	61,961	23,568		2.63
2020	75,102	28,304		2.62
2021	76,593	29,195	927	2.62
2022	78,920	30,122	525	2.62
2023	80,295	30,647	300	2.62

Legend: Red text indicates decennial US Census figures
 Green text indicates City of Woodbury housing unit growth projections
 Blue text indicates Met Council projections

<u>Met Council Projections</u>				
2030	80,500	29,500		2.73
2040	87,800	32,100		2.74

Updated on January 3, 2022
<J:/Community Development/Populations & Projections>