



City of Hallandale Beach

Hallandale Beach
PROGRESS. INNOVATION. OPPORTUNITY.

City Commission Agenda Cover Memo

Meeting Date:		File No.:	Item Type:		1 st Reading	2 nd Reading
11/20/2024		24-335	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Other	Ordinance Reading	N/A	N/A
				Public Hearing	<input type="checkbox"/>	<input type="checkbox"/>
				Advertising Required	<input type="checkbox"/>	<input type="checkbox"/>
				Quasi-Judicial:	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal Impact (\$):	Account Balance (\$):		Funding Source:		Project Number:	
\$76,700	\$76,700		3310W-534010 3399W-573170 3599S-573170		N/A	
Contract/P.O. Required	RFP/RFQ/Bid Number:		Sponsor Name:		Department:	
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	City of Daytona Beach, FL RFP #19632		Geovanne Neste, Finance Director		Finance Department	
Strategic Plan Focus Areas:						
<input checked="" type="checkbox"/> Fiscal Stability	<input checked="" type="checkbox"/> Resident Services	<input type="checkbox"/> Public Safety	<input checked="" type="checkbox"/> Infrastructure & Mobility	<input type="checkbox"/> Economic Development & Affordable Housing		
Implementation Timeline:						
Estimated Start Date: 10/1/2024				Estimated End Date: 3/3/2025		

SHORT TITLE:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, APPROVING A CHANGE ORDER TO THE AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS, INC. IN AN AMOUNT NOT TO EXCEED SEVENTY-SIX THOUSAND, SEVEN HUNDRED DOLLARS (\$76,700) FOR PHASE II UTILITY RATE STUDY AND BOND FEASIBILITY REPORTS; AND PROVIDING FOR AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

Staff seeks approval for additional work, a change order in the amount of \$76,700, which will increase the total purchase order number 20220678 from \$259,190 to \$335,890 for Raftelis Financial Consultant, Inc. to conduct the second phase of a rate study and complete bond feasibility reports.

Prudent business practices include conducting a utility rate study every three to five years to establish rates that are sufficient to cover the cost of operating, maintaining, repairing, and financing utility system operations. The Finance Department is currently using an outside consultant, Raftelis Financial Consultant, Inc., to conduct the second phase of a rate study and complete bond feasibility reports through a piggyback of the City of Daytona Beach, Florida, (City of Daytona Beach) agreement with Raftelis Financial Consultant, Inc. The utility rate study covers utility rates for fiscal years 2024 through 2028. Finance is seeking approval for additional work needed to complete both reports with updated financial information and additional analytical time required for the issuance of utility revenue bonds.

Background:

The City of Hallandale Beach owns, operates, and maintains a water and wastewater (sewer) utility (Utility System). The City's sewer utility does not treat its sewer. Instead, it has a long-established agreement with the City of Hollywood to transmit sewage at volume rates.

The City has major infrastructure needs for its water, wastewater, and stormwater utilities due to the age of the infrastructure, deferred maintenance, and the impacts of climate change and ongoing development requiring additional service capacity. As such, staff has been tasked with developing and implementing a long-term plan, including:

- Water, wastewater, and stormwater master plans to establish a long-term capital improvement plan of the entire system.
- Issuance of utility revenue bonds to fund capital projects over the next 10 years.
- Pursuing federal and state grant/loan opportunities to help offset the cost of servicing debt.
- Establishing an asset management program for the ongoing tracking, maintenance, and renewal/replacement of utility infrastructure.
- Incorporating a rate stabilization fund.
- Ensuring sufficient funding for renewal and replacement reserves.

When financing utility infrastructure through the issuance of utility revenue bonds, lenders require utility enterprise funds to maintain levels of net operating revenues sufficient to cover annual debt service.

On February 16, 2022, the City Commission, via Resolution Number 2022-019, approved contracting with Raftelis Financial Consultant, Inc. (Financial Consultant), piggybacking the City of Daytona Beach's two (2) year agreement with the Financial Consultant in the amount of \$107,250 from March 4, 2020 through March 4, 2022 (Exhibit 5). The agreement includes an option to renew the contract for up to three (3) additional terms of one (1) year each through March 4, 2025.

During September 12, 2022, City Commission Special Workshop, Phase I of the FY 2023-2028 Utility Rate Study was presented by the Financial Consultant and the proposed rate increases for water and wastewater were discussed. The FY 2023-2028 Utility Rate Study is being completed in two phases. The main objective of Phase I of the study was to establish rates that are sufficient to cover the cost of operating, maintaining, repairing, and financing system operations over the next five years in anticipation of the first series of utility revenue bonds. The City Commission adopted Phase I of the FY 2023-2028 Utility Rate Study on September 28, 2022.

On September 28, 2022, the City Commission adopted a CIP Plan that included approximately \$230 million in water, sewer, and stormwater infrastructure projects over the next 10 years. Included in this plan was approximately \$180 million to be financed through the issuance of utility revenue bonds if alternative funding sources are not obtained. The CIP Plan was used to complete Phase I of the rate study noted above.

On September 28, 2022, the City Commission, via Resolution Number 2022-093, approved the first change order to purchase order number 20220678 with Raftelis Financial Consultant, Inc. The purchase order increased from \$107,250 to \$199,190 to include a stormwater impervious area measurement of the City and to split the rate study in phases.

Separate from the rate study, is a bond feasibility report that is required when issuing utility revenue bonds. During the process of completing the necessary bond feasibility study with the City's financial consultants, it was observed that a considerable number of bond-funded projects that were bid out after the completion of design, had bid values significantly exceeding the preliminary estimates incorporated within our initial CIP Plan. These discrepancies can be attributed to current market conditions and the inflationary environment that persistently impacts the development of utility infrastructure projects today. Consequently, the City's bond consultants advised reassessing the initial cost projections in the CIP Plan, in collaboration with the City's engineers. These revisions were crucial before proceeding with the issuance of the first tranche of bonds.

In March 2023, the Public Works Department, in collaboration with the Budget and Finance Departments, updated the CIP Plan to align with current market conditions. This adjustment led to an increase of \$22.3 million in capital project costs within the CIP Plan through FY 2028-29. These changes were integrated into an amended bond feasibility study and an updated utility rate study. The total value of CIP Plan projects through FY 2028-29 is approximately \$252.9 million, with \$207.4 million funded by utility revenue bonds.

Staff recommended and the City Commission approved the updated Phase I Rate Study on June 21, 2023. The rates in this report were used to adopt utility rate increases that were effective on October 1, 2023.

Initially slated to be issued in December 2023, the issuance of the utility revenue bonds was delayed based on an assessment of cash needs and project timing. A Stormwater Master Plan was subsequently issued, and the City's bond consultants advised reassessing cost projections to incorporate the report's recommendations into the CIP Plan before proceeding with the issuance of the first tranche of bonds.

In March 2024, the CIP Plan was updated again to incorporate urgent stormwater projects identified in the City's newly completed Stormwater Master Plan. This update added \$30.1 million to the overall project costs. Due to the urgency of these stormwater needs, the updated plan includes allocations from the bond proceeds for stormwater projects, which were not part of the initial estimates.

As a result, the total CIP Plan through FY 2028-29 now stands at \$283.0 million, with \$235.1 million expected to be funded through bonds. The first tranche of utility revenue bonds is projected at \$60.0 million. The updated CIP Plan will also need to be incorporated into the assumptions included in the Phase II FY 2023-2028 Utility Rate Study. The Phase II Rate Study will include updated rates starting in FY 2025-26.

Current Situation:

The first series of utility revenue bonds are expected to be issued in the first quarter of FY2025. In anticipation of this issuance, the City's bond consultants have advised staff to reassess the cost projections in the CIP Plan with any updates based on actual results. In addition, The Financial Consultant must incorporate revisions to the bond feasibility report to incorporate FY2024 unaudited financial information as well as FY2025 adopted budget information. These revisions are crucial before proceeding with the issuance of the first tranche of bonds. However, they require additional analytical time from the Financial Consultant for completion.

Additional justification for the required analytical time and associated costs, including delays in project completion and the need for multiple report drafts, is detailed in Exhibit 8 (Raftelis Additional Funding Letter).

Below is a summary of the amended contract with the Financial Consultant and the additional expenditures related to the additional time:

Water and Wastewater Rate Study:	
Amended Contract Cost	\$ 90,150
Proposed Contract Amendment	25,800
Proposed Amended Contract Cost	<u>115,950</u>
Stormwater Rate Study:	
Amended Contract Amount	<u>80,850</u>
Bond Feasibility Report:	
Amended Contract Amount	88,190
Proposed Contract Amendment	50,900
Proposed Amended Contract Cost	<u>139,090</u>
Additional contract cost requested:	<u>\$ 335,890</u>

Please note that Phase II of the FY 2023-2028 Utility Rate Study is currently underway and is focused on reviewing the current rate structure based on meter size, consumption levels, and customer classification (e.g. single family, multi-family, commercial). Reviewing the rate structure using industry standard cost allocation methods such as those recommended by the American Water Works Association may provide an opportunity to ensure equitable rate increases in future years and promote water conservation. Phase II of the rate study is planned for completion during FY2025 and applies to rates in FY2026. Phase II, which initially started in FY2023, needs additional analytical time to incorporate updated CIP Plan information and include FY2024 projections and the FY2025 budget.

Staff is requesting City Commission to authorize a change order for additional analytical time to revise the bond feasibility reports and complete Phase II of the utility rate study in the amount of \$76,700 to purchase order number 20220678 and authorization to piggyback off the City of Daytona Beach agreement with Raftelis Financial Consultant, Inc. for a total amount not to exceed \$335,890 through September 30, 2025.

Why Action is Necessary:

Pursuant to Chapter 23, Section 23-8 Exception to Bid Requirements, (6) Bids and Contracts from Other Entities, and Section 23-9 Cooperative Purchasing, the City Manager is authorized to procure all supplies, materials, equipment, and services from other governmental units, when the

