



City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:		Item Type:		1 st Reading	2 nd Reading	
9/28/2022		<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"/>
File No.:						
22-366						
Fiscal Impact (\$):		Account Balance (\$):	Funding Source:	Project Number :		
\$91,940		3310W - \$273,941 3660 - \$267,080	3310W-534010 3660-534010	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"/> Finance & Budget		<input checked="" type="checkbox"/> Organizational Capacity		<input checked="" type="checkbox"/> Infrastructure/Projects		
Implementation Timeline:						
Estimated Start Date: 2/17/2022 Estimated End Date: 9/30/2023						

SHORT TITLE:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, AUTHORIZING UTILIZATION OF THE CITY OF DAYTONA BEACH, FLORIDA'S AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANT, INC. TO APPROVE A CHANGE ORDER FOR ADDITIONAL WORK TO SPLIT THE UTILITY RATE STUDY INTO TWO PHASES, AND TO PREPARE A BOND FEASIBILITY REPORT REQUIRED FOR A TOTAL NOT TO EXCEED CONTRACT AMOUNT OF ONE HUNDRED NINETY-NINE THOUSAND, ONE HUNDRED NINETY DOLLARS (\$199,190); AND PROVIDING AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

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 a rate study through a piggyback of the City of Daytona, Florida, (City of Daytona) agreement with Raftelis Financial Consultant, Inc. The utility rate study covers utility rates for fiscal years 2023 through 2027.

Staff is seeking approval for additional work needed to complete the rate study in two phases as well as the preparation of a bond feasibility report required for the issuance of utility revenue bonds.

Background:

The City of Hallandale Beach owns, operates, and maintains a water, wastewater (sewer), and stormwater utility. Prudent business practices include conducting a utility rate study every three to five years. The main objective of the study is to establish rates that are sufficient to cover the cost of operating, maintaining, repairing, and financing system operations. Additionally, revenues must meet debt service coverage requirements of the City's existing and future debt. The most recent rate study was issued in August 2019.

In fiscal year (FY) 2017, the City engaged Public Resources Management Group, Inc. (now Raftelis Financial Consultant, Inc.), to conduct a rate study of the City's water, wastewater, and stormwater rates. The Water, Wastewater and Stormwater Utility Rate Study was presented by the outside consultant to the City Commission and the proposed rate increases were discussed on August 15, 2018. Proposed changes were made to the rate study and a final report was issued on August 20, 2019, resulting in increases of 3% and 2% for water and wastewater, respectively, for fiscal years 2020, 2021, and 2022. All recommended rate increases included in the study were subsequently adopted.

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 a long-term plan that includes but is not limited to:

- 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 adequate funding of renewal & 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. The Finance Department has engaged PFM Financial Advisors, LLC, an external

financial consultant, in developing debt capacity needs based on the long-term plan of capital projects expected to be completed over the next ten (10) years. Based on current rates, a preliminary assessment concluded that current rates will not cover the City's future debt capacity needs. As such, Staff recommended that an updated 5-year utility rate study covering fiscal years 2023 through 2027 be completed in anticipation of the FY 2022-2023 budget cycle.

On February 16, 2022, the City Commission approved the procurement of contracting with an independent financial consultant, Raftelis Financial Consultant, Inc. (Financial Consultant), piggybacking the City of Daytona Beach's two (2) year agreement with the Financial Consultant 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. The City reviewed various potential contracts for utility rate studies and determined that the City of Daytona Beach contract was cost effective and included the scope of services needed to meet our long-term planning objectives. In addition, Raftelis completed the City's most recent rate study and is familiar with the City's utility system.

For the FY 2023-2027 Utility Rate Study, staff originally intended to review 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 and promote water conservation.

However, due to a significant upgrade to the City's utility billing software that was recently completed, and the need to issue revenue bonds in December 2022, Staff is recommending that the FY 2023-2027 Utility Rate Study be completed in 2 phases. The primary reason for deferring the rate structure changes to a subsequent project phase is to allow time for proper rate implementation using the City's new billing software and to ensure that such newly proposed structures can be feasibly implemented.

Lastly, the issuance of public offering utility revenue bonds requires a bond feasibility report be completed in conjunction with the rate study. As such, Staff has requested the Financial Consultant to provide quotes using the piggyback contract for the additional work needed. The cost related to the bond feasibility study is reimbursable from bond proceeds. A summary of additional contract cost requested is noted below in bold:

Water and Wastewater Rate Study:	
Original Contract Cost	\$ 50,000
Proposed Contract Amendment	20,150
Proposed Amended Contract Cost	<u>70,150</u>
Stormwater Rate Study:	
Original Contract Amount	57,250
Proposed Contract Amendment – Impervious Area Measurements	20,000
Proposed Contract Amendment – Rate Phasing	3,600
Proposed Amended Contract Cost	<u>80,850</u>
Bond Feasibility Report:	
Proposed Contract Amount	<u>48,190</u>
Additional contract cost requested:	<u>\$ 91,940</u>

Current Situation:

Staff is requesting City Commission to authorize a change order for additional services in amount of \$91,940 and authorization to piggyback off the City of Daytona Beach agreement with Raftelis Financial Consultant, Inc. for a total amount not to exceed \$199,190 through September 30, 2023.

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 best interests of the City would be served subject to the requirement that any purchase more than \$50,000 requires City Commission approval.

Cost Benefit:

Following the recommendations of a utility rate study that includes updated capital improvement plans, projected future debt service, anticipated grant revenues, and renewal replacement reserves, may avoid future costs associated with deferred maintenance and non-compliance with debt requirements. The estimated cost related to deferred maintenance is currently unavailable.

PROPOSED ACTION:

The City Commission consider the attached Resolution.

ATTACHMENT(S):

- Exhibit 1 – Proposed Resolution
- Exhibit 2 – Agreement City of Daytona Beach & Raftelis Financial Consultant, Inc.
- Exhibit 3 – RFP#19632 Rate and Evaluation Consulting Services
- Exhibit 4 – Resolution No. 2020-60
- Exhibit 5 – Resolution No. 2022-019
- Exhibit 6 – Bond Feasibility Report Proposal
- Exhibit 7 – Water & Wastewater Rate Study Additional Services Proposal

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