

COUNCIL AGENDA STATEMENT



Meeting Date: February 12, 2019
To: Honorable Mayor & Members of the City Council
From: Dan Saus, Utilities Manager
Through: Charles Lindsey, City Manager

Agenda Item: **Resolution 2019-16**, Approving A Professional Services Agreement Between The City And Raftelis Financial Consultants, Inc. For Professional Services Related To The City's Annual Non-Ad Valorem Stormwater Special Assessment Program, In An Amount Not To Exceed \$73,520.00; Authorizing The City Manager To Execute The Agreement And Expend Budgeted Funds On Behalf Of The City; And Providing For An Effective Date

BACKGROUND & JUSTIFICATION:

Raftelis Financial Consultants, Inc. has provided the services required to update the City's wastewater and stormwater assessment programs in the past. City Staff is considering reducing the reliance on infrastructure sales tax revenue for this program which may require a rate change to ensure revenue sufficiency. In consideration of a potential rate change, the City desires to review key elements of the stormwater rate structure and program administration. Raftelis will provide evaluation of the Equivalent Residential ERU, billing and data review, rate structure analysis, credit policy assessment, and will provide recommendations for updating the stormwater assessment methodology.

CONSISTENCY CHECKLIST:

	<u>YES</u>	<u>NO</u>
1. Comprehensive Plan	<u>X</u>	
2. Other (2010 State Mandate)	<u>X</u>	
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FISCAL NOTE:

The FY19 Stormwater budget includes appropriations of \$100,250 for Raftelis's services which includes funding for this rate study.

RECOMMENDATION:

Approval of Resolution.

**CITY OF MARATHON, FLORIDA
RESOLUTION 2019-16**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA APPROVING A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY AND RAFTELIS FINANCIAL CONSULTANTS, INC. FOR PROFESSIONAL SERVICES RELATED TO THE CITY'S ANNUAL NON-AD VALOREM STORMWATER SPECIAL ASSESSMENT PROGRAM EVALUATION IN THE AMOUNT OF \$73,520.00; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT AND EXPEND BUDGETED FUNDS ON BEHALF OF THE CITY; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City of Marathon, Florida (the "City") has established an annual non-ad valorem special assessment to fund stormwater management, and road and wastewater improvements on an on-going basis; and

WHEREAS, the City desires to engage the professional services of Raftelis Financial Consultants, Inc. to assist with a review of the City's non-ad valorem stormwater special assessment program and, City Staff is considering reducing the reliance on infrastructure sales tax revenue for this program which may require a rate change to ensure revenue sufficiency for upcoming years,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, THAT:

Section 1. The above recitals are true and correct and incorporated herein.

Section 2. The agreement between the City and Raftelis Financial Consultants, Inc. for professional services in the amount of \$73,520.00, a copy of which is attached as Exhibit "A," together with such non-material changes as may be acceptable to the City Manager and approved as to form by the City Attorney, is hereby approved. The City Manager is authorized to execute the agreement on behalf of the City and expend budgeted funds.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, THIS 12th DAY OF FEBRUARY, 2019.

THE CITY OF MARATHON, FLORIDA

Mayor John Bartus

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Diane Clavier, City Clerk

(City Seal)

**APPROVED AS TO FORM AND LEGAL SUFFICIENCY FOR THE USE
AND RELIANCE OF THE CITY OF MARATHON, FLORIDA ONLY:**

David Migut, City Attorney

August 27, 2018

Mr. Dan Saus
Utilities Director
City of Marathon
9805 Overseas Highway
Marathon, FL 33050

Subject: Stormwater Rate Study Proposal

Dear Dan:

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this engagement letter to the City of Marathon (City) to conduct a stormwater rate study. Based on our discussions with you and other City staff, we propose the following scope of services.

PROJECT UNDERSTANDING

Under an ongoing contract, Raftelis provided the City a Wastewater and Stormwater Financial Forecast and Analysis in 2016. As described in that analysis, the City's stormwater fee revenue is supplemented with Infrastructure Sales Tax revenue. The City is considering reducing the reliance on infrastructure sales tax revenue, which would require a rate change to ensure revenue sufficiency. In considering a potentially substantial rate change, the City desires to review key elements of the stormwater rate structure and program administration.

SCOPE OF WORK

The scope of work shall include the following tasks.

Task 1 - Data Request and Project Kick-off

Raftelis will prepare a written data request for the collection of financial, customer billing, operating and documented policies and processes necessary to conduct the fee study. Information requested will include but is not limited to, geographic parcel and impervious area data, development and land use data, financial reports, capital improvement plans, fixed assets, budgets, debt service schedules, and similar documentation.

Raftelis will schedule a project kick-off to include all relevant departments followed by individual department meetings to review existing data maintenance practices, program plans, and other fee related items.

Task 2 – Assessment of Equivalent Residential Unit Value

This task includes an assessment of the current equivalent residential unit (ERU) value. The current ERU value is 4,769 square feet, and this value is meant to represent the amount of impervious area on a typical single residential dwelling unit (“whether single-family, condominium, mobile home, or townhouse unit,” as defined in Resolution 2005-107). Raftelis will use the geographic parcel data to select a statistically significant sample of 400 properties that fall into the single residential dwelling unit category. Our expert GIS analyst will carefully review each property using the highest quality aerial imagery available to capture all impervious surfaces on the property. Based on the results of the sample, Raftelis will render an opinion on the accuracy of the current ERU value, and if necessary, we will suggest a revised value.

Task 3: Billing Data Maintenance Review

This task includes a review of billing data maintenance policies and processes. In an impervious area rate structure, it is critical for a utility to keep underlying data sources up to date, and to regularly reconcile the billing database with those current data. This ensures that the utility can efficiently and effectively conduct customer service related to the stormwater fee, and it enhances the defensibility of the rate as confidence in the rate base can remain high. Raftelis will ask for and review documented policies and processes, or, if these are not yet documented, Raftelis will gather the information through interviews with GIS or billing staff and include the current process and recommendations in our final report.

Task 4: Rate Structure Analysis and Options

Relying on the previous tasks, Raftelis will analyze the existing rate structure and offer an opinion on whether it is the most appropriate structure for the City. We will lay out some of the commonly used rate structure elements and, in collaboration with City staff and leadership, may suggest an alternative rate structure to aid in recovering sufficient revenues under Task 5. In particular, Raftelis will be looking to ensure that appropriate revenue levels are being recovered from commercial and residential customer classes, and whether the single family residential class might more appropriately be treated a set of tiered rates rather than a single flat rate. Raftelis will analyze tiering options and recommend a tiered structure, if tiering is deemed appropriate. Raftelis recommends measuring an additional 200-400 single residential dwelling units to improving tiering accuracy. The results of Task 2 will be critical to making this determination.

Task 5: Credit Policy Assessment

Raftelis has extensive knowledge of stormwater utility credit policies in use around the country. We will work with City staff to understand the development patterns, and existing private stormwater treatment practices and prevalence of those practices throughout the

City. We will recommend an approach that suits the City's stormwater goals, and appropriately acknowledges any customer measures that reduce the City's costs of managing and treating stormwater over time.

Task 6: Financial Modeling

Using a rate structure or up to three alternatives agreed to with the City under Task 4, an ERU value determined under Task 2, and incorporating estimated revenue and cost reductions associated with a credit policy as recommended in Task 5, Raftelis will develop a financial model to calculate stormwater rates that achieve revenue sufficiency based on known current and future program costs. The model will incorporate a number of metrics against which to evaluate revenue sufficiency, performance against program financial goals, equity among rate classes, customer impact, rate stability, and others of interest.

Task 7: Report and Presentations

Raftelis will document the process and recommendations from a study in a report. Raftelis will develop a draft report, revise the report based on one set of staff comments and deliver a final report.

This task also includes one presentation of the study results to staff and one presentation to City Council.

Additional Tasks Not Within Scope

If tiering is recommended under Task 4 and the City decides to pursue tiering, the tiered charges per parcel would be calculated based on a predictive equation developed during the project. Another approach is to measure each residential property's impervious area and base the tiered charge on measured data. If the City wished to measure impervious area on all residential properties, Raftelis would add an additional scope item to measure these properties. It is not included in the scope as written.

PROJECT SCHEDULE

Raftelis will complete the stormwater fee analysis within 120 days of Notice-to-Proceed, contingent on data availability from the City.

COMPENSATION AND BILLING

Compensation for services, material, supplies and any other items or requirements necessary to complete the work required herein shall not exceed seventy-three thousand five hundred twenty dollars (\$73,520.00) based on the project cost estimate in Attachment

A. The project fees are based on our standard hourly billing rates for professional and administrative personnel assigned to the project based on hourly rates consistent with, plus any direct expenses such as travel costs, postage, supplies, etc.

Any meetings requested by the City in addition to the two (2) enumerated herein will be billed in addition to the project budget above based on standard hourly rates and expenses as set forth in the Agreement.

Thank you for the opportunity to continue serving the City of Marathon. Should you have any questions, do not hesitate to contact me at 407-960-1811 (thairston@raftelis.com).

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.



Tony D. Hairston
Vice President

