

City of Mercedes
Request for proposal
Bid # 2021-09-03
Water & Sewer Rate Study

The City of Mercedes is requesting proposals from qualified financial consultants to conduct a comprehensive water and sewer rate study. The intent of the study is to independently assess and evaluate the City of Mercedes' existing water and sewer rates and provide recommendations. The broad objective of the study is to adequately fund water and sewer utility operations, capital costs, and bonded debt while minimizing rates to the greatest degree possible.

The Study will be based on a comprehensive review of the City of Mercedes' water and sewer funds and budgets, Comprehensive Water System Plan, Wastewater Facilities Plan, customer classes, current usage date, future planned growth of the City of Mercedes, and any other information deemed necessary.

Scope of Work

A. STUDY OBJECTIVES

1. Provide a comparison of current water and sewer system costs (operations, capital improvements, bonded debt) against appropriate industry benchmarks.
2. Recommended baseline rate structures required to fund water and sewer systems and consider annual inflationary, indexed adjustments to rates needed to maintain each utility.
3. Recommend ways of communicating utility system costs including recommendations for restructuring utility bill format.

B. STUDY REQUIREMENTS

The study is to be performed in conformance with the following policy directions:

1. The recommended rate structures shall be based on cost of services and shall be sufficient to meet the utility requirements of the City of Mercedes.
2. The study shall recommend rate structures that consider and make provisions for the following factors:
 - a. Current and future costs of providing water and sewer services in accordance with established and anticipated standards and regulations.
 - b. Projected demands.
 - c. Availability of supply (seasonal fluctuations and long-term availability).
 - d. Age and condition of systems.
 - e. Funding requirements for all current long-term liabilities and debt obligations (bond and loans).
 - f. Demand and operational requirements associated with new development.
3. The recommended rate structures shall provide direct identification of revenues appropriated to major funded activities and infrastructure.

4. The recommended rate structures shall be consistent with industry practice for utility rate making in Texas.
5. The study shall provide at least two recommended rate alternatives for each utility based upon standard rate practice (increasing block rates, decreasing block rate, etc.) that meet the criteria above. The consultant will make a recommendation as to which alternatives best meet the criteria. All water alternatives shall assume a “base plus consumption” format. Sewer Rates shall consider a waste strength factor.
6. The benefits of any proposed modifications shall be weighed against the financial impacts on ratepayers.
7. Justifications for any special classes of customers under the recommended rate structure shall be demonstrated.
8. The recommended rate structure shall result in no decrease in stability of the revenue stream, as compared to the current structure. Consideration should be given to funding past and future depreciation (replacement of facilities).
9. The recommended rate structure shall be easy to administer and understand.
10. The City of Mercedes’ billing system should be able to handle any proposed rate structure.
11. The recommended rate structure shall be planned for at least five years.
12. To include a proposal for water storage capacity for current and future water needs, in case of a major disruption to water source such as a major drought.

C. STUDY ELEMENTS

In making its rate structure recommendations, the final report shall explicitly include the following elements and analysis:

1. **Current Rate Structure:** Assess the current rate structure’s performance as a baseline for comparing recommended changes.
2. **Equity:** Assess the equity of recommended water and sewer rates for all types of property ownership to include multi-family units.
3. **Conservation Impacts:** Assess the interaction between the water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations as well as their impact on the economic well-being of the community.
4. **Sensitivity Analysis:** Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water and sewer system costs. Assessment is to include a sensitivity analysis where the long-term revenue generated under each alternative shall be illustrated when confronted with the impacts of growth.
5. **Other Service Charges:** Assess existing customer service fee structure and identify other potential areas for service and system charges and recommend changes.
6. **Rate-payer Education/Communication:** Recommend methods for communicating utility costs to include layout of the utility bill and how it might be used to identify actual costs of providing water and sewer services under recommended rate structures. Assess ease of communication associated with each recommended rate structure.

7. Annual operating fund balance targets.
8. Annual target contingency fund balances and level of liquidity.
9. Budgeting Horizon and Cycle: Assess appropriate budgeting horizon and cycle needed to support recommended rate structures.
10. Comprehensive Summary of Recommended Rate Structure(s). Assess performance of each recommended rate structure and provide recommendation on preferred rate structure.
11. Supporting Data. Provide data supporting conclusions and observations made for each of the areas above and site within study.

D. SERVICES TO BE PROVIDED BY CONSULTANT

1. Conduct a review of the existing water and sewer rates and status of the utility funds. Develop a general familiarity with the City of Mercedes' billing system.
2. Meet or confer with staff as needed and attend two meetings (evening) with the City Commission at a working session to present the interim status of the study and obtain their input. Meet with a special committee during one evening to obtain comments.
3. Conduct analysis as required to address the scope of work.
4. Preliminary Report:
 - a. Prepare a preliminary study report and tentative rate structures.
 - b. Submit 8 copies
 - c. Present preliminary report and tentative rate structures to staff and/or committee for comments.
 - d. Present preliminary report and tentative rate structures to the City Commission.
5. Final Report
 - a. Incorporate changes pursuant to comments received at the first presentation.
 - b. Submit 8 copies, plus one reproducible copy.
 - c. Provide a disk with report in MS Word Format, with spreadsheets in Excel format.
 - d. Present the final report and recommended rate structures to the City Commission and members of the public at a regular Commission meeting.
6. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to the City no later than November 2021.

E. SERVICES TO BE PROVIDED BY THE CITY OF MERCEDES

The services to be provided by the City of Mercedes include, but are not necessarily limited to the following:

1. Furnish all reasonable available records and information, including financial reports, budgets, and consumption data.
2. Provide a loaner copy of the Comprehensive Water System Plan and Wastewater Facilities Plan.
3. Provide staff and engineering support and assistance as required and agreed to in advance of study.

Proposal Submittal

- A. The following information is to be submitted as part of the proposal. The proposal is not to be more than 15 single-sided pages in length including single page resumes of persons to be assigned to the project. One original and seven copies of the proposal are to be provided. Other material may be attached as deemed appropriate, to include a copy of a rate study performed by the applicant that most closely fits the scope of work outlined above. The 15-page portion of the proposal is to be organized into the following categories:
1. Project Approach: Describe your approach to this project and any special ideas, techniques, or suggestions that you think might make the project proceed smoothly.
 2. Experience: Describe the experience of the firm and of the individuals assigned with related projects of a similar nature. Provide at least three references.
 3. Qualifications: Describe your firm's unique qualifications and training for this type of work. Cite specific accounting certifications or accreditations.
 4. Schedule: Describe you plan/schedule for completing the work.
- B. DEADLINE FOR SUBMISSION OF PROPOSALS:

1. Interested firms should submit proposals by 4:00 p.m. September 28, 2021 to:

Joselynn Castillo
City of Mercedes
400 S. Ohio Ave.
Mercedes, TX 78570

2. Proposals should be marked:
"Water and Sewer Rate Study – Bid # 2021-09-03"

Selection of Consultant

Proposals will be evaluated by a committee made up of City employees and City commission member. They will be evaluated on the basis of experience, qualifications, your approach to the project, and any innovative ideas you have for making the project successful.

Final selection will be based on the evaluation for proposals unless it is deemed necessary by the committee to conduct interviews of closely scored consultants. The consultant determined best qualified to perform this project will be recommended to the City Commission for contract award.