



Staff Report

CITY OF UPLAND
"The City of Gracious Living"

DATE: February 10, 2025
TO: MAYOR AND CITY COUNCIL
FROM: MICHAEL BLAY, CITY MANAGER
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ED DIGGS, INTERIM UTILITIES MANAGER
SUBJECT: CONSIDER APPROVAL OF PROFESSIONAL SERVICES AGREEMENT FOR THE
PREPARATION OF A WATER AND RECYCLED WATER RATE STUDY

RECOMMENDED ACTION

It is recommended that the City Council approve a professional services agreement with Raftelis Financial Consultants Inc. in the amount of \$100,120 for the preparation of the 2025 Water and Recycled Water Rate Study; and authorize the City Manager to execute the agreement.

GOAL STATEMENT

The proposed action supports the City's goal of establishing equitable customer rates that are cost effective, equitable, and generate the necessary revenue to cover operational, debt service, capital investments, and reserves for the implementation of program requirements and to continue providing high quality and reliable water and recycled water services to the community.

BACKGROUND

The City's water and recycled water system plays a crucial role in the protection of public health and the environment, while also supporting community growth and development. As part of maintaining financial sustainability for water and recycled water services, it is necessary to periodically review and update the water and recycled water rate structure to ensure that rates are equitable, sufficient, and aligned with industry standards. The Water Utility is responsible for providing safe, reliable, and compliant water services to the community. The City's Water Utility is a not-for-profit programs. Water rates are established to provide sufficient revenue to cover operational, debt service, capital investments, and reserves for the program requirements.

To support this process, a water rate study is typically conducted every five years to evaluate the current rate structure, analyze cost of service, identify any adjustment needed to ensure compliance with relevant regulations, and assess the financial stability of the water fund. The most recent Administrative Draft Cost of Service and Rate Study Report was completed January 2018, with a follow up rate study completed in 2020.

ISSUES AND ANALYSIS

The completion of a comprehensive water and recycled water rate study is essential to ensuring the ongoing financial sustainability of the City's water system. Rate Studies are typically conducted on a 5-year increment. The most recent Administrative Draft Cost of Service and Rate Study Report was completed January 2018, with a follow up rate study completed in 2020. A Water and Recycled Water Master Plan is currently in process by Brown and Caldwell Inc., in which projects and system upgrades will be identified on a prioritized timeline for capital improvement. Timing the cost-of-service study with a prioritized Capital Improvement Project timeline as proposed in the Water and Recycled Water Master Plan would benefit the City, ensuring adequate funding of prioritized system repairs.

In conjunction with the City's Purchasing Policy, Section 11.1 Bid Process Exemptions and Documentation – Professional Services, "Technical consultant services are of a professional nature and...do not readily fall within the competitive bidding process." As such, the City received a proposal for services by Raftelis Financial Consultants, Inc., providing information on the proposed methodology for the water and recycled water rate study, the cost of services, and relevant experience with similar projects. After a comprehensive review of the proposal, Raftelis Financial Consultants, Inc., was selected to complete the 2025 Water and Recycled Water Rate Study.

The consultant will be responsible for:

- Conducting a thorough analysis of the existing water and recycled water rate structure.
- Reviewing the financial health of the water systems and identifying future funding needs.
- Development of an updated rate structure that ensures financial sustainability and regulatory compliance.
- Preparing a financial report and presenting the findings to City Council upon completion.

Awarding this contract to Raftelis Financial Consultants, Inc. will allow the City to move forward with updating the rate structure to reflect current needs and conditions. Staff recommends approval of the proposed Professional Services Agreement to ensure timely completion of this critical project.

ENVIRONMENTAL DETERMINATION

The proposed action includes the award of a professional service agreement for a rate study and is not subject to the California Environmental Quality Act (CEQA). Section 15378 of the CEQA guidelines defines a project subject to CEQA. The proposed action is not included within the definition of a “project” and thus is exempt.

FISCAL IMPACTS

The total cost for the water and recycled water rate study including all optional tasks is \$100,120, with additional work provisions that if approved by the City Manager could raise the cost of the agreement to \$110,132. There are available funds in the Water Utility Capital Projects Account No. 6407500-5540-91011.

ALTERNATIVES

Provide alternative direction to staff.

CEQA: Not a Project.