

**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE ISSUED: September 6, 2012  
ATTENTION: Natural Resources and Culture Committee,  
Agenda of September 19, 2012  
ORIGINATING DEPARTMENT: Public Utilities  
SUBJECT: Water and Wastewater Cost of Service Studies ("COSS")  
Amendment No. 1  
COUNCIL DISTRICT(S): All  
CONTACT/PHONE NUMBER: David Stallman/858-614-5745

**REQUESTED ACTION:**

Authorizing the Mayor, or his designee, to award Amendment No. 1 to the existing five year contract (FY12 – FY16) for the Public Utilities Department's Water and Wastewater COSS with Black and Veatch Corp. ("B&V") for an additional amount not to exceed \$146,350, bringing the total contract amount to \$383,280.

**STAFF RECOMMENDATION:** Adopt the Resolution.

**EXECUTIVE SUMMARY:**

The water and wastewater systems are owned by the City of San Diego and as of July 1, 2009, are jointly operated by the City through the Public Utilities Department ("PUD"). Both the water and the wastewater systems are among the most complex water/wastewater systems in the nation. Such sizeable systems require continuous upgrades and replacement of their aging components to meet current building standards, updated Safe Drinking Water Standards, and complying with the sewage discharge requirements under Federal law. The PUD is continuing a multi-year capital improvement program to meet the regulatory requirements, and upgrade its infrastructure.

The PUD's last COSS for the water and wastewater systems were completed in December 2006. It has been the practice of the PUD to commission these periodic studies separately. Now that the two separate systems are managed under one department; to provide consistency and continuity between the two studies, they have been awarded as a single agreement for two separate deliverables: one COSS for the water system; and one COSS for the wastewater system. The goals of each study are: 1) to develop recommendations for the establishment of future fair and equitable water and sewer rates for the PUD's customers; 2) fair and equitable capacity fees for new customers; and 3) to produce a revenue program that will explore optional rate structures, while continuing to follow accepted industry standards, as endorsed by the American Water Works Association and the State Water Resources Control Board, respectively. Each study will include a review of the PUD's current financial plan and related assumptions, usage characteristics, and rate structure. The rate studies will cover a five year time period and the term of this agreement will be for four years, with a PUD option for a fifth year.

B&V was selected to perform the COSS via the City's purchasing process and supported by Equal Opportunity Contracting. The review panel determined that B&V provided the best value and could meet the PUD's timeline. B&V has also elected to subcontract a portion of the work to the firm of Katz and Associates, Inc., a "small locally owned business."

Since the contract was awarded in May 2012 through Mayoral Action, PUD management has identified the need for additional public outreach related to the COSS, as well as the following additional research tasks that will affect water and wastewater's cost of providing service: 1) to assist the PUD with the analysis and potential contract for providing up to 7 million gallons per day of secondary effluent from the North City Water Reclamation Plant to a large customer(s); 2) review CWA rates using accepted cost of service principals and make recommendations; and 3) additional rate related services in Fiscal Year 2013, which may include, but is not limited to: business case analyses of public-private partnership proposals; and attendance at meetings to support contract rate negotiations services. The breakdown of the total additional scope is provided in Amendment No. 1.

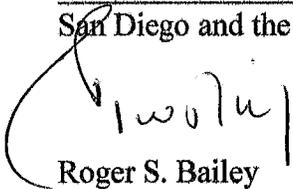
EQUAL OPPORTUNITY CONTRACTING: This agreement was subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

FISCAL CONSIDERATIONS: The total "Not to exceed" dollar amount of this contract, with the added scope, and extending for the full five years is \$383,280, which consists of \$205,940 for the Water fund and \$177,340 for the Wastewater fund.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: As part of this contract, B&V along with Katz and Associates, Inc. and City staff will provide informational materials and presentations to Council, IROC, and various industry groups and Town Hall meetings.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The key stakeholders are the City of San Diego and the Public Utilities Department customers.



Roger S. Bailey  
Director of Public Utilities

Attachment: Amendment No. 1

AMENDMENT NO. 1  
TO THE  
AGREEMENT  
BETWEEN  
THE CITY OF SAN DIEGO  
AND  
BLACK & VEATCH MANAGEMENT CONSULTING  
FOR  
WATER AND WASTEWATER  
COST OF SERVICE STUDIES

WHEREAS, on May 7, 2012, the City of San Diego (City) entered into an Agreement with Black & Veatch Management Consulting (Contractor) for professional consulting services to conduct a new cost of service study (COSS) for water and wastewater funds for Fiscal Year 2014 through Fiscal Year 2017(Agreement); and

WHEREAS, the City and the Contractor mutually desire to increase the scope of services to have the Contractor further assist the City in public outreach efforts and to analyze additional areas impacting water and wastewater rate development; and

WHEREAS, the City and the Contractor mutually desire to increase the maximum compensation amount of \$236,930.00 by \$146,350 to \$383,280;

NOW THEREFORE, the CITY and the CONSULTANT mutually agree to amend the AGREEMENT as follows:

1.0 Revise Section B: Price Schedule:

The CITY shall pay the Contractor Consultant an amount not to exceed \$383,280 based on the attached Exhibit B-1.

2.0 Revise Section C: Scope of Services:

Revise Section C to include Exhibit C-1 attached to this Amendment No. 1.

3.0 This Amendment No. 1 to the AGREEMENT shall affect only the page(s), paragraph(s), and/or term(s) and conditions referred to herein. All other terms and conditions of the AGREEMENT shall remain in full force and effect.

IN WITNESS WHEREOF, this AMENDMENT NO. 1 is executed by the City of San Diego, acting by and through its Mayor or designee pursuant to Municipal Code section 22.3206 authorizing such execution, and by Black & Veatch.

CONTRACTOR  
Black & Veatch Management Consulting

THE CITY OF SAN DIEGO  
a Municipal Corporation

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Jeff Baer  
Director Purchasing &  
Contracting Department

Date: \_\_\_\_\_

Date: \_\_\_\_\_

I HEREBY APPROVE the form and legality of the foregoing AMENDMENT this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

JAN I. GOLDSMITH, City Attorney

By: \_\_\_\_\_  
Deputy City Attorney

## EXHIBIT B-1

### FEE AND COMPENSATION SCHEDULE

| Task description                                | Estimated Hours per Task | Hourly Rate | Task Fee         |
|---|--------------------------|-------------|------------------|
| Task 1: Project Initiation and Management       | 30                       | \$180       | \$5,400          |
| Task 2: Detailed Data Review                    | 70                       | \$170       | \$11,900         |
| Task 3 – Rate and Allocation Development        | 385                      | \$165       | \$63,525         |
| Task 4: Public Outreach**                       | 210                      |             | \$47,480         |
| Sub - Katz                                      | 699                      |             | \$102,155        |
| Task 5 – Additional As-Needed Services *        | -----                    | -----       | \$93,560         |
| Task 6 – Assistance with Contract Development** | 110                      |             | \$22,870         |
| Task 7 - CWA Rate Review**                      | 128                      |             | \$29,540         |
| Direct Expenses                                 |                          |             | \$6,850          |
| <b>Total:</b>                                   |                          |             | <b>\$383,280</b> |

\* Additional Services include services which may be required for completion of the Project, but which, due to lack of firm definition of scope and limits at the time of entering into this Agreement, could not be identified with precision. Because the need for these Additional Services is not absolutely established, such Additional Services shall not be undertaken by the Contractor without specific definition and written authorization from the Mayor or designee. Specific authorizations shall include the scope of work, deliverables, schedule, compensation and payment provisions.

\*\* Denotes fee based on work being performed by several labor classifications.

#### Pricing for Additional Services Professional Rate Schedule

| Labor Classification   | Hourly Rate \$ |
|------------------------|----------------|
| Analyst/Senior Analyst | \$100 - \$145  |
| GIS Technician         | \$130 - \$140  |
| Project Director       |                |
| Task Lead              |                |
| Technical Advisors     |                |
|                        |                |

Other Direct Costs

Other Direct costs are those cost elements that are billed on a direct cost basis, other than direct labor. The basis for compensation is either actual cost billing rate, or as specified below. Only the following cost elements are billable on a direct cost basis.

| Other Direct Costs | Basis for Compensation |
|--------------------|------------------------|
|                    |                        |
|                    |                        |
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|                    |                        |
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## EXHIBIT C-1

### Amended Scope of Services for the 2012 Cost of Service Study (COSS) with Black and Veatch Corporation (B&V)

Since the original COSS contract was awarded in May, 2012, Public Utilities management has identified the need for additional public outreach related to the COSS, as well as additional research tasks that will affect water and wastewater's cost of providing service. Following is the revised scope of work for the following tasks and the inclusion of tasks 6 and 7:

**Task 4 - Additional Public Outreach:** Black & Veatch (Contractor) will attend (4) IROC meetings; (1) City Council Meeting; (5) NR&C meetings, including staff meetings; (1) meeting with representatives of Commercial & Industrial customer base; (1) Representatives of Multi-family customer base (e.g., Apartment Association); (1) Meeting with the Building Industry Association; (4) Briefings with Mayoral and Councilmember staff; (4) Water Stakeholder groups, e.g., Chamber of Commerce and SD County Taxpayer's Assoc.; (10) Community Town Hall, or other appropriate event to provide outreach to each Council district.

**Task 5 – Additional As-Needed Services for Fiscal Year 13:** The original contract has a budget for miscellaneous As-Needed services for Fiscal Years 2014, 2015 and 2016 with a Department option for a fifth year. The Department is requesting a similar arrangement for Fiscal Year 2013 for additional rate related tasks, which may include, but is not limited to: business case analyses of public-private partnership proposals; and attendance at meetings to support contract rate negotiations.

**Task 6 - Assistance with Effluent Pricing Options:** Contractor will provide assistance in developing pricing options for the various potential effluents (secondary, tertiary or advanced water treatment) from the North City Water Reclamation Plant (NCWRP) for up to 7 million gallons per day to a large customer(s). Contractor will be required to review existing City contracts with industrial wastewater customers; evaluate contracting alternatives that address long term operations and maintenance, and capital expenses; determine an appropriate commodity rate for return brine feed treatment; determine an appropriate methodology assessing capacity fees; and develop appropriate commodity rates.

**Task7 - CWA Rate Review:** CONTRACTOR will provide a high level review of CWA's existing and proposed rate structure and evaluate whether the rate the City is charged is equitable under industry standard Cost of Service principles.

END