

February 16, 1999

To: Board of Directors (Budget and Finance Committee--Action)

From: General Manager _____

Submitted by: Lambertus H. Becker _____
Chief Financial Officer

Subject: Authority to Execute an Agreement with Reiter Lowry Consultants for Consulting Services and Appropriation of Funds to Pay Expenses of \$2,074,843 Associated with Administration of the Water Standby Charge Program for Three Years from July 1, 1999 through June 30, 2002

RECOMMENDATION

It is recommended that the Board of Directors:

1. Authorize the General Manager to execute an agreement with Reiter Lowry Consultants, in form approved by the General Counsel, to provide services associated with administration of Metropolitan’s Water Standby Charge Program for three years from July 1, 1999 through June 30, 2002; and
2. Appropriate \$2,074,843 from the Operations and Maintenance Fund to pay for the costs of the consulting services.

EXECUTIVE SUMMARY

Metropolitan realizes revenue of about \$41.5 million annually from the water standby charge. A Request for Proposal was issued to seek qualified firms to administer this program. Only Reiter Lowry Consultants (RLC) submitted a proposal. It is recommended that an agreement be executed with RLC, which will also contract with an MBE/WBE firm to perform approximately 19 percent of the work, to administer the program for the next three years. Staff has also examined the feasibility of administering the program in-house and found it to be more cost-effective to continue to outsource this highly specialized program.

REPORT

Overview

In June 1998, your Board authorized a one-year extension of Agreement No. 4848 with Reiter Lowry Consultants (RLC) to administer Metropolitan’s Water Standby Charge Program for the 1998-99 fiscal year.

In order to continue administration of Metropolitan's Water Standby Charge Program, a Request for Proposal (RFP) was issued in November 1998 to solicit bids from qualified vendors. A preproposal conference was held on December 1, 1998 at which time four consulting firms including RLC were represented. Subsequently, only one firm, RLC, submitted a proposal.

RLC has been involved with the standby charge programs and related direct assessment services since 1988. This firm has successfully administered Metropolitan's Water Standby Charge Program, over the entire six-county service area, since its inception in fiscal year 1992-93. They have accumulated and continue to update acreage data on over 4.2 million parcels within Metropolitan's service area, including data on acreage exempted from the charge. Because of their comprehensive approach, RLC's standby charge clients derive a higher volume of revenue than if they had used only the information that was originally supplied by the county assessors. By using a variety of additional sources and methodologies, RLC is able to identify a substantial number of missing parcels that are subject to the standby charge. As an example, Metropolitan annually collects approximately \$500,000 more standby charge revenue by capturing additional billing units using RLC's specialized services.

The service to be provided by RLC includes use of the firm's Parcel Information System, data preparation, submission of standby charges to each county assessor/tax collector within Metropolitan's service area, research and information used in the processing of exemptions, responding to taxpayer inquiries, and other miscellaneous services, including the imposition of new charges on annexed territory in compliance with the provisions of Proposition 218 (the Right to Vote on Taxes Initiative passed by the voters in 1996). RLC will contract with a certified MBE/WBE subcontractor to provide data processing services for the standby charge program.

Fees

The fee for the proposed services is \$2,074,843 for a three-year term (\$691,614 per year or about 1.6% of the total amount collected through the charge). The fee covers all ongoing and preparatory work required to be done by RLC for administration of Metropolitan's Water Standby Charge Program. The prior three-year agreement with RLC was for \$2,204,385, or an annual cost of \$734,795. The proposed agreement is a reduction of 5.9 percent from the previous contract. Table 1 shows a detailed breakdown of the annual estimated costs for the three-year term. Table 2 shows hourly rates for RLC. Funds for the continuing services will be included in the annual budget appropriations for each of the next three fiscal years and paid from the Operations and Maintenance Fund.

Parcel Information Service

Upon Metropolitan's request, information in the Parcel Information System with respect to parcels within Metropolitan must be provided to Metropolitan in a hard copy machine readable format. Metropolitan has the right to utilize all information with respect to Metropolitan charges and parcels which is contained in the database. The database, however, is comprised of third-party licensed proprietary operating systems and software and is the sole and exclusive property of RLC, and maintained and used by the consultant for several clients including Metropolitan. Member agencies that are clients of RLC are Central Basin Municipal Water District, West Basin Municipal Water District, Calleguas Municipal Water District, Upper San Gabriel Valley Municipal Water District, and Las Virgenes Municipal Water District. The cost of maintaining the database is a shared cost, which has enabled RLC to reduce charges to all clients including

Metropolitan. Since inception of the program with Metropolitan, RLC's annual fees for standby charge administration have declined from \$1.7 million to \$691,614.

Contingency Plan

RLC maintains a disaster recovery and contingency plan including a complete back-up system of hardware and software in case of emergencies. RLC has also agreed to provide a business continuation supplement for continuation of the program, thereby ensuring that MWD or another consultant will be able to obtain the necessary training and knowledge to administer the program.

In-House Alternative

Staff evaluated the feasibility of administering the Water Standby Charge Program in-house and has detailed these costs in Exhibit I. It was determined that to successfully implement this program in-house, Metropolitan would be required to do the following:

- Buy a mainframe computer or rent time from an outside service provider to be able to read and produce 9 track media tapes to/from each of the six counties;
- Develop and maintain an information system that would provide the necessary data to analyze up to 20 million records for the six counties;
- Annually maintain and update the data from each county;
- Ensure compatibility with the data systems of each of the counties;
- Hire and/or reassign 10 full-time equivalents (FTEs) with the level of knowledge, expertise and training required to provide the level of service currently provided by RLC; and
- Run the system in parallel with RLC for a year to provide training, develop similar business processes, and ensure accuracy of the data required to collect the total annual revenue currently realized of about \$41.5 million.

Adoption of the recommendations in this letter is exempt from the provisions of the California Environmental Quality Act since it can be seen with certainty that the proposed consulting services will not have a significant effect on the environment.

JSB

Attachment 9-3A

Attachment 9-3A**Exhibit I****ESTIMATED COSTS TO ADMINISTER
STANDBY CHARGE PROGRAM IN-HOUSE**

Item	One Time Costs	Annual Costs
Purchase mainframe computer	\$150,000	
Operating System Licenses	\$35,000	
Software	\$100,000	
Computer System Updates (operating system, hardware and software, licenses)		\$25,000
Assessors' Data		\$60,000
Development of Parcel Information System for all six counties (programming and training costs)	\$350,000	0
Parallel operation and training of Metropolitan staff (10 FTEs)	\$875,000	
RLC parallel operation	\$691,000	
Metropolitan staff to maintain the data and systems, submit charges to counties, generate data for annual Engineer's Report, respond to taxpayer inquiries, and process exemptions (10 FTEs)		\$875,000
TOTAL COSTS	\$2,201,000	\$960,000

In addition to the costs noted above, in order to develop the administration of the standby charge program in-house and hire and train the necessary staff, an extensive lead time of up to two years may be required. Therefore, it would not be possible, in view of the hardware and software development and integration issues, to set up the program in-house to enable Metropolitan to collect the standby charges for fiscal year 1999-00. The services to be provided by RLC are highly specialized and of a technical nature due to the complexity of dealing with six counties, the inordinately short processing time between receipt of preliminary rolls and the statutory deadlines for submission of revised data to the counties, and the lack of acreage data from some counties. In consideration of all these factors, it does not appear to be cost-effective to develop and maintain the program in-house.

Table 1

THREE YEAR FEE PROPOSAL BY RLC FOR ADMINISTRATION OF METROPOLITAN’S STANDBY CHARGE PROGRAM

	Estimated Annual Cost
	<hr/>
Maintain Standby Charge Databank	\$533,285
Submit Charges to Counties (1)	32,354
Support Services for Engineer’s Report (2)	20,850
Taxpayer Inquiries & Exemption Processing (3)	37,500
Verify Continuation of Exemption (4)	<hr/> 67,625
ANNUAL TOTAL	\$691,614

Notes:

- (1) Prepare and reconcile final assessments, prepare microfiche hard copy.
- (2) Supply microfiche of proposed assessments for each parcel to accompany Resolution of Intention and Engineer’s Report; assist for Public Hearing.
- (3) Provide telephone and written response to inquiries; continue exemption administration.
- (4) Develop procedures for verification of eligibility for continuation of exemption.

Table 2

<u>Billing Category</u>	<u>Hourly Rate</u>
Principal	\$140
Associate	110
Programmer Analyst	100
Research Assistant	80
Word Processing	55