

- **Board of Directors**
Budget and Finance Committee

October 17, 2000 Board Meeting

8-2

Subject

Amendment to Professional Services Agreement #18363 (Agreement) with Raftelis Financial Consulting for Development of Cost of Service Study and Expert Advice on Rate Design

Description

Raftelis Financial Consulting (RFC) has over 25 years of experience in water and wastewater utility cost of service and rate design. RFC was retained by Metropolitan in August 1998 through a competitive Request for Proposals (RFP) to develop a Preliminary Working Draft of Metropolitan's Cost of Service Study (study) and is assisting staff on the detailed design of a new rate structure. The study, which serves as the basis for analyzing rate design alternatives, was first distributed to the Board and member agencies in June 1999 as part of the Strategic Planning effort. RFC has since been working with staff on the development of the detailed rate design, taking into account the input from the member agency technical workgroup process.

It is recommended that the General Manager be authorized to amend the Agreement with Raftelis Financial Consulting to increase the maximum amount payable from \$245,000 to a total of \$328,000. RFC has developed a solid understanding of Metropolitan's costs and rate design issues over the last two years. By amending this contract, Metropolitan will retain this expertise, helping staff to complete the final rate design for the Strategic Plan within the Board-directed deadlines.

The increased costs are due to RFC's greater than expected involvement in the rate design process, including participation in an expert panel review of the rate design, assistance with cost-of-service issues, survey analysis of wholesale water utility rate structures and assistance with rate issues related to the pass through of rates and charges levied on member agencies who in turn provide wholesale service. Funds are available within the fiscal year 2000-01 professional services budget of the Chief Financial Officer.

Policy

Pursuant to Section 8115 (a) of the Metropolitan Water District Administrative Code, if the amount payable or expected to be paid under the terms of the contract is \$250,000 or more, the contract shall be executed only upon prior approval of the Board, provided that the Board may designate an officer of the District to negotiate and execute classes of contracts without prior approval of the Board.

Board Options/Fiscal Impacts

Option #1

It is recommended that the General Manager be authorized to amend the Agreement with Raftelis Financial Consulting to increase the maximum amount payable from \$245,000 to a total of \$328,000.

Fiscal Impact: \$83,000 (Funds available within FY2001 budget)

Option #2

Do not amend the contract with Raftelis Financial Consulting. This would delay completion of the cost-of-service work and rate design report. In addition, member agency issues regarding pass through of rates and charges may not be adequately addressed.

Fiscal Impact: Increased staff work on rate design, leading to costs greater than \$83,000

Staff Recommendation

Option #1.



Brian G. Thomas
Chief Financial Officer

9/21/2000

Date



Ronald R. Jester
General Manager

9/27/2000

Date

BLA#473