



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen
John Stufflebean
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: 06-02-08

Approved

Date

6/10/08

COUNCIL DISTRICT: City-Wide

SUBJECT: CONSULTANT SERVICES FOR THE STORM DRAINAGE, SANITARY SEWER CONNECTION, AND SEWAGE TREATMENT PLANT CONNECTION FEES STUDY

RECOMMENDATION

- a) Approval of an agreement with FCS Group for consultant services for the City's Storm Drainage, Sanitary Sewer Connection, and Sewage Treatment Plant Connection Fee Study, from the date of execution to June 30, 2009, in a total amount not to exceed \$308,000.
- b) Adoption of the following Appropriation Ordinance amendments in the Storm Sewer Capital Fund (469):
 1. Increase the Storm Drainage Fee Study appropriation in the Storm Sewer Capital Fund by \$25,000; and
 2. Decrease the Ending Fund Balance in the Storm Sewer Capital Fund by \$25,000.
- c) Adoption of the following Appropriation Ordinance amendments in the Sewage Treatment Plant Connection Fee Fund (539):
 1. Increase the Connection Fee Study appropriation in the Sewage Treatment Plant Connection Fee Fund by \$101,000; and
 2. Decrease the Ending Fund Balance in the Sewage Treatment Plant Connection Fee Fund by \$101,000.

OUTCOME

Approval of the consultant agreement and appropriation ordinance amendments will enable FCS Group to complete an evaluation of the Storm Drainage, Sanitary Sewer Connection and Sewage Treatment Plant Connection Fees and make recommendations to Council concerning any needed adjustment of those fees.

EXECUTIVE SUMMARY

Public Works and Environmental Services Departments recommend a complete evaluation of the storm drainage, sanitary sewer connection, and sewage treatment plant connection fee programs currently in place. These fees were last raised in 1980, 1990, and 1983 respectively.

BACKGROUND

The City of San José has been collecting sanitary and storm area connection fees since the 1950's. Prior to the mid 1950's, sewer construction was financed by the City's general fund. In 1976, City Ordinance No. 18045 required all developers, businesses and individual property owners who applied for connection to the City's sanitary and storm sewer systems to pay a Sewage Treatment Plant fee in addition to the Sanitary and Storm connection fees. The collected fees are used to fund capital improvement programs and future capacity expansion to support economic development.

The fees for Storm Drainage, Sanitary Sewer Connection, and Sewage Treatment Plant Connection (STP), were last evaluated in 1980, 1990, and 1983 respectively and are therefore outdated with respect to current capital costs, program policy mandates, and other system needs. In addition, the current STP connection fee structure does not include any components for the South Bay Water Recycling (SBWR) program which was created in the mid 1990s to reduce the maximum treated waste-water flow to the bay. The use of recycled water supports the Council green vision, and the City has already made significant investments for the treatment and distribution of recycled water. However, the current ordinance does not include any requirement that developers contribute to the cost of extending the recycled water line to their projects.

ANALYSIS

A Request for Qualifications for engineering and financial services for the Storm Drainage, Sanitary Sewer Connection and Sewage Treatment Plant Connection Fees Study was advertised on October 10, 2007, and the City received Statements of Qualifications (SOQ) from 10 firms. Staff from the Departments of Public Works (DPW) and Environmental Services (ESD) conducted a selection process for consultant services in accordance with the Council adopted, Qualifications Based Consultant Selection (QBCS) process, and the Local Business and Small Business preference Ordinance.

After evaluation of the SOQ's submitted, six firms were invited for interviews; however only five firms accepted. Interviews were conducted in January 2008 by a panel comprised of City staff from DPW and ESD. The five firms were evaluated and ranked based upon relevant experience with similar scopes of work which entailed identifying and compiling both existing and planned asset data, and review and analysis of the fee calculation methodology in accordance with local and state policies and regulations. The five firms were ranked by the interviewing panel as follows:

Ranked List determined by the Interview Panel:

1	FCS Group
2	Brown & Caldwell
3	Black & Veatch Corporation
4	Raftelis Financial Consultants, Inc.
5	Red Oak Consulting

Based on its past experience with similar studies and the balanced team of financial, engineering and legal members, FCS Group (FCS) was deemed the most qualified firm to evaluate and make recommendations on the connection fees imposed by City of San José for storm drainage, sanitary sewer and sewage treatment plant connection fees. In addition, FCS has experience with other local agencies on establishing funding mechanisms for recycled water as a component of sewage treatment fees.

Under this agreement FCS will review the existing City ordinances, resolutions, documentations and methodologies that are related to each of the aforementioned fees. Financial analysis will be performed on each of the facilities (storm, sanitary, SBWR and WPCP) to project financial performances with respect to future capital improvement needs to support economic developments and other financing sources. Staff will base its recommendation for revision of the fees and fee ordinances on the consultant's work product along with consideration of payer equity and sensitivity.

In addition, FCS will provide a financial planning model which will be structured to project connection fee revenues and capital needs related to both 5-year and 20-year planning horizons, and to accommodate ongoing CITY update and use. The forecasting tool allows for consideration of both near and long-term rate strategies in a comprehensive manner. This tool will provide staff with a high level impact of proposed capital improvements based on available funding levels.

The total project cost is \$323,000 consisting of \$308,000 for consulting services and \$15,000 for project delivery costs. Current funding for this project totals \$197,000. Appropriation actions are recommended to fully fund this study (\$126,000).

The target date for completion of the study is October 2008.

EVALUATION AND FOLLOW-UP

The results of the fee study and any recommendations for fee increase will be presented to Council for discussion in the fall of this year.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action does not meet any of the criteria above. Public Works staff conducted a formal Request for Qualifications (RFQ) process in October 2007 for engineering/financial consulting services for this study and the RFQ was listed on the City's Internet Bid Line and was advertised in the *San José Post Record*. This memorandum will be posted on the City's website for the June 24, 2008 Council agenda.

COORDINATION

This agreement and memorandum were coordinated with the City Attorney's Office and Planning, Building and Code Enforcement Department. This agreement has also been coordinated with the City's Contracting-In Committee.

FISCAL/POLICY ALIGNMENT

In conjunction with the Mayor's recent March Budget Message for Fiscal Year 2008-2009, which discussed efforts in finding solutions to eliminate the structural deficit while preserving the integrity of the services the City provides to the community, evaluating and updating the current connection fees will ensure City maintains the appropriate funding levels for capacity expansion of the various storm, sanitary, SBWR and sewage treatment facilities.

COST SUMMARY/IMPLICATIONS

1.	AMOUNT OF RECOMMENDATION: \$308,000	
	Study Delivery	\$15,000
	Consultant Agreement	<u>\$308,000</u>
	TOTAL PROJECT COSTS	\$323,000
	Prior Year Expenditures	0
	REMAINING PROJECT COSTS	\$323,000

HONORABLE MAYOR AND CITY COUNCIL

06-02-08

Subject: Consultant Services for the Storm Drainage, Sanitary Sewer Connection and Sewage Treatment Plant Connection Fees Study

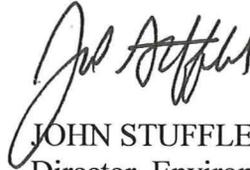
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CEQA

CEQA: Not a project.



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For questions please contact TIMM BORDEN, DEPUTY DIRECTOR, PUBLIC WORKS DEPARTMENT, at 408-535-8300.