MEETING DATE: 5/07/12

AGENDA ITEM: **Award of Contract to NBS Government Finance Group dba NBS for preparation of the Annual Sewer User Service Charges on the Los Angeles County Assessor's Property Tax Roll and Update to the Sewer User Service Charges**

ATTACHMENTS

NBS
32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Toll free: 800.676.7516 (P) 951.296.1997
nbsgov.com

April 18, 2012

Mr. Charles D. Herbertson
Public Works Director
Public Works Department
City of Culver City
9770 Culver Blvd.
Culver City, CA 90232

Subject: **Proposal to Provide Enhanced Tax Roll Billing Services for the City of Culver City Sewer Charges**

Dear Charles:

NBS would like to thank you for the opportunity to perform the above referenced work for the City of Culver City ("City"). Please find enclosed two (2) copies of our Executed Agreement. Upon signing, please return one copy to the undersigned and keep one copy for your records.

Scope of Services

|Sewer Charges - Enhanced Tax Roll Billing Services|

Project Schedule. NBS will communicate with City staff, legal counsel and other interested parties to:

- Establish lines of communication.
- Clarify the specific project goals, components and criteria that will meet the City's preference.
- Identify and resolve any special circumstances that may be involved in the project.
- Develop project schedules to meet legal requirements and provide for effective interfacing of all involved parties.
- Establish meeting points consistent with the schedule to achieve project milestones.
- Establish and coordinate with City staff a schedule to assure completion of necessary actions and compliance with statutes.

Database Maintenance. NBS will obtain water use data for the previous calendar year from Los Angeles Department of Water and Power and Golden State Water Company to calculate the sewer user service charge and update the database. The City will provide the consultant data regarding change of business use for parcels during the prior calendar year. Consultant will update water meter, water use, sewer charge and parcel information in the database.

Charge Calculation and Submittal to the County. NBS will assign the approved rates to each meter and provide a total sewer charge for each Assessor's parcel. The total levy will be submitted to the Los Angeles County Auditor Controller per their instructions by their August deadline for placement on the annual property tax rolls. Any rejected parcels will be reconciled, the database updated to reflect these changes and the parcels will be resubmitted to the Auditor Controller.

Reports. **NBS** will provide City with an updated database in Excel Format and provide a summary report that includes the total charges and use by user group.

Support. **City** staff will answer questions from property owners regarding the sewer user charges on the tax roll. The **City** phone number will be on the tax bill. However, **NBS** will be available throughout the year for questions regarding the tax roll from City staff.

Fee Structure

|Sewer Charges - Enhanced Tax Roll Billing Services|

Consulting Fees – Base Per Year.. $15,000 (1)
Estimated Expenses – Maximum Per Year.. $500 (2)

(1) Subject to annual fee increases described below.
(2) Estimated expenses described below.

|Annual Fee Increases|

A cost of living allowance ("COLA") may be applied to the services listed above on October 1 each year, beginning with October 1, 2013. The COLA would be based on the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all urban consumers for the Southern California counties, subject to a minimum of 0%.

|Expenses|

Customary out-of-pocket expenses will be billed to the City at actual cost to **NBS**. These expenses may include, but not be limited to mailing fulfillment, postage, supplies, reproduction, telephone, travel, meals, and various third-party charges for data, maps, and recording fees.

|Additional Services|

The following table shows our current hourly rates. Additional services authorized by the City, but not included in the scope of services will be billed at this rate or the then applicable hourly rate.

Title	Hourly Rate
Director	$ 190
Senior Consultant/Programmer	150
Engineer	140
Consultant	130
Analyst	100
Clerical/Support	55

|Terms|

Consulting fees will be invoiced at the beginning of each quarter. Expenses will be itemized and included in the next regular invoice. If the project is prematurely terminated by either party, NBS shall receive payment for work completed. Payment shall be made within 30 days of submittal of an invoice. If payment is not received within 90 days simple interest will begin to accrue at the rate of 1.5% per month. Either party can cancel contracts with 30 days written notice.

Please feel free to contact me if you have any questions or need further information.

Best regards,

NBS Government Finance Group, DBA NBS	**City of Culver City**
Mike Rentner	Name
President and CEO — 4/18/12	
Title — Date	Title — Date

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April 18, 2012

Mr. Mate Gaspar
Engineering Services Manager
Public Works Department
City of Culver City
9770 Culver Blvd
Culver City, CA 90232

RE: PROPOSAL FOR SEWER RATE ADVISORY SERVICES

Mr. Gaspar:

Thank you for meeting with me recently to discuss the City's various sewer rate issues. The proposal outlined below is intended to address the specific issues we discussed and provide options for resolving these issues, although these tasks are not "cast in stone." And can be modified as needed during the study.

OBJECTIVE

The City's last sewer rate study in 2003 needs to be evaluated and potential changes made to address a number of concerns including:

- Restaurant charges, particularly strength factors used to calculate BOD and TSS-related charges.
- Commercial and multi-family residential customer classes, particularly the 15% landscape irrigation credit for multi-family accounts.
- Use of a 42% credit for landscape irrigation, what impacts this has on residential rates, and whether there are better alternatives and/or mechanisms for handling these irrigation credits.
- Whether revenue requirements are appropriately allocated to each customer class
- How capital improvement projects, including repair and replacement costs, should be funded going forward.
- Sewer fund reserve balances and establishing and maintaining sufficient reserves.
- Reviewing the description of base charge and commodity charges and recommend revised language that is understandable to rate payers.

NBS proposes to provide three tasks as a part of the review and analysis of the City's sewer rates. The primary issues addressed include the following:

- Conceptual Review and Evaluation of Alternatives
- Cost-of-service Analysis of Sewer Rates
- Meetings, Presentation/Workshop, and a Report with Recommendations for Changes

TASK PLAN

Task 1 - Conceptual Review and Evaluation of Alternatives

1-1. *Evaluate Existing Conditions* – NBS will review the current sewer rate methodology with particular attention to the basis for strength charges for restaurants. Other items include customer classes and the basis for commercial and multi-family charges. This evaluation will include the approach used in the City's 2003 rate study and options for other approaches that could be used. We will ask the City for additional data as needed to help with this analysis (e.g., customer billing data, system statistics, Hyperion treatment charges, financial performance). This evaluation will specifically include:

- Commercial strength factors, particularly restaurant factors, will be evaluated to determine whether they are appropriately recovering revenue from commercial as well as residential customer classes.
- Multi-family and residential landscape irrigation credits and an evaluation of alternative approaches that may be more equitable and a better solution to the issue of irrigation vs. effluent generation.

1-2. *Review Existing Rate Model* – NBS will review the City's current rate model as a source of information and in order to better evaluate the sewer rates by customer class. Consider whether revenue requirements are being appropriately allocated to customer classes. Also review how the current model is providing for (or not providing for) capital improvement project costs.

1-3. *Prepare a Brief Technical Memo* – This memo will outline NBS' findings up to this point and outline recommendations for how to proceed in order to correct the areas of concern.

1-4. *Conduct a Strategy Session with City Staff* – NBS will conduct a strategy session with City staff to discuss our finding regarding these issues and the details of the rate analysis prior to proceeding with Task 2.

Task 2 – Rate Analysis

2-1. *Develop Recommended Rate Model Changes* – Based on the results of Task 1-4, NBS will evaluate specific changes that might be made to the City's rate model and/or customer classes. This might also involve changes to how strength charges are allocated to individual customer classes. While these rate changes can be compared on a "revenue neutral" basis, in that they would not change the total rate revenue collected from the City's sewer customers, the City needs an accurate projection of financial components moving forward (i.e., those noted in Task 2-2).

2-2. *Revenue Requirements by Customer Class* – NBS will conduct a cost-of-service analysis of the current rate methodology to determine if the revenue requirements allocated to each customer class should be changed. This analysis will specifically evaluate:

- Total annual expenses and revenues that result in annual "net revenue requirements" for the next 10-15 years. This will be the primary factor that determines the sufficiency of current rates.
- Year-end reserve fund levels. We will define appropriate types and levels of reserves and project how those levels change over the projection period. NBS will recommend an approach to reserve levels and funding for CIP costs. This also will be an important consideration in whether current rates are adequate or rate increases are needed.

2-3. *Develop Recommended Changes to Rate Design* – As a result of evaluating the City's rate model and cost-of-service allocations, we may recommend changes to the City's sewer rate design. The basis for these changes would be to improve the equity and fairness of the rates, document compliance with Prop 218 requirements, and address specific complaints the City has received from various groups of customers. Rate adjustments needed to meet capital funding needs, other net revenue requirements, and maintain reserve levels will be recommended for the next 10 years. This will include adjustments to commercial rates and annual revenue requirements.

2-4. *Revised Description of Base Charge and Commodity Charge Language* – Based on our review of the City's description of existing language, NBS will develop new descriptions of base and commodity charges with the intent that it accurately describes the recommended rate structure going forward, is understandable to both rate payers and City staff, and effectively helps implement the City's recommended new sewer rate structure.

Task 3 – Meetings, Presentations and Study Report

3-1. *Meetings* – NBS will provide one meeting after completing Task 1 to review the initial results with City staff and a second meeting to review Task 2 results with City staff.

3-2. *Presentations* – NBS will provide one presentation/workshop with the City Council to summarize and discuss the study findings, results, and recommendations.

3-3. *Study Report* – NBS will prepare a draft report covering the purpose and objectives of the study, methodology used in the evaluation and analysis, key findings and recommendations. Following review and comments by City staff, NBS will prepare a final report.

TIMING

The approximate time for completing these tasks would be as follows:

Task 1 – Conceptual Review and Evaluation of Alternatives:	Three Weeks
Task 2 – Rate Analysis:	Three Weeks
Task 3 – Meetings, Presentations and Study Report:	One to Two Weeks

ESTIMATED CONSULTING FEE

NBS applies the following hourly rates for our staff time recorded directly to this project:

- Project Manager: $190 per hour
- Senior Consultant: $150 per hour
- Consultant: $130 per hour
- Financial Analyst: $100 per hour

Based on areas of focus for this defined scope of services, we expect our average effective hourly rate for these services to be roughly $175.00. As shown in the table below, the estimated consultant fee for Tasks 1 through 3 will be $32,650.

TASKS	LABOR	CONSULTANT FEE
1-1. Evaluate Existing Conditions	30 hours	$ 5,250.00
1-2. Review Existing Rate Model	24 hours	4,200.00
1-3. Prepare a Brief Technical Memo	6 hours	1,050.00
1-4. Strategy Session with City Staff	8 hours	1,400.00
Estimated Task 1 Fee		**$ 11,900.00**
2-1. Recommend Rate Model Changes	16 hours	$ 2,800.00
2-2. Revenue Requirements by Class	30 hours	5,250.00
2-3. Develop Changes to Rate Design	20 hours	3,500.00
2-4. Revised Base/Commodity Charges	10 hours	1,750.00
Estimated Task 2 Fee		**$ 13,300.00**
3-1. Meetings (2 with City Staff)	12 hours	$ 2,100.00
3-2. Presentation (1 with City Council)	12 hours	2,100.00
3-3. Study Report	10 hours	1,750.00
Estimated Task 3 Fee		**$5,950.00**
Direct Expenses	--	1,500.00
Total Fee – Tasks 1-3 & Expenses		**$ 32,650.00**

Please do not hesitate to contact me at any time with questions or discussion: 800.676.7516 (office), 530.297.5856 (cell phone), or email at gclumpner@nbsgov.com.

Sincerely,

Greg Clumpner
Director