

**THE TOWN OF NORTH EAST, MARYLAND
106 SOUTH MAIN STREET
NORTH EAST, MD 21901**

REQUEST FOR PROPOSAL 2017-08-01

FOR

WATER UTILITY RATE STUDY

ISSUE DATE: AUGUST 18, 2016

CLOSING DATE: NOON ON SEPTEMBER 30, 2016

I. PROCUREMENT OBJECTIVE

A. Summary Statement:

The Town of North East is requesting proposals from qualified consultants to conduct a comprehensive Water Rate Study. The intent of the study is to independently assess and evaluate the Town's existing water rates and provide recommendations on the Town's rate structure. The broad objective of the study is to adequately fund the water utility operations and capital costs while minimizing rates to the greatest degree possible.

The study will be based on a comprehensive review of the Town's water fund expenses and budget, proposed water improvements, customer classifications, meter and fire services by size, breakdown of use by in Town and out, future planned growth of the Town and surrounding area, and any other information deemed necessary.

B. Contact Information for Questions and Submissions:

All questions and inquiries should be directed to:

Kendrick Natale, Director of Finance & Administration
Town of North East
PO Box 528
North East MD 21901-0528

Telephone: 410-287-5801
Email: knatale@northeastmd.org

In order to submit a proposal, please read and comply with the Proposal Requirements and submit an original technical proposal without any cost information, three (3) copies and one (1) digital copy (in PDF format) in separate sealed envelopes marked "**TECHNICAL PROPOSAL – WATER RATE STUDY**" and one (1) cost proposal in a separate sealed envelope marked "**COST PROPOSAL – WATER RATE STUDY**" to the following address:

Town of North East
Attn: Town Administrator
106 S. Main Street
North East, MD 21901

C. Submission Deadline:

All proposals must arrive sealed at Town Hall by **noon on September 30, 2016** in order to be considered. Bids received after that time will be returned unopened. It is the responsibility of the proposer to see that his/her proposal is delivered to Town Hall by the deadline. Proposals will not be opened publicly, and the Town will endeavor to keep such confidential until a preferred service provider is recommended to the Mayor and Commissioners. Proposals must bear original signatures and figures

Proposals may be mailed or hand delivered. Faxed or emailed bids will not be accepted. All proposals must be in a sealed envelope with the following information clearly printed on the outside:

**THIS IS A SEALED BID PROPOSAL FOR
THE TOWN OF NORTH EAST WATER RATE STUDY**

D. Duration of Offer:

Proposals submitted in response to this solicitation are irrevocable for 60 days following the closing date. This period may only be extended with the offeror's written permission.

II. GENERAL INFORMATION**A. Study Objectives:**

The study is to be performed in conformance with the following policy directions:

1. Evaluate the existing water rate structures for conformance with existing statutory regulations and make recommendations for any changes that are necessary to achieve compliance.
2. Identify the various direct costs included in the Town's budget and make recommendations for any changes necessary to ensure those direct operational costs are properly aligned with the Town's Enterprise Fund.
3. Evaluate existing overhead distribution formulas and develop recommendations that will improve equity in the application of overhead between the Enterprise Fund and the Town's General Fund.
4. Develop a cost of service/cost allocation study in conformance with the guidelines of the American Water Works Association's Manual on Water Rates, Fees, & Charges (M1 Manual), and make recommendations as necessary to achieve equity between water classifications.
5. Evaluate and quantify the costs of future expansion as well as any direct or indirect benefits to the Town.
6. Review the Town's existing water rate structure within each water classification and develop recommendations for improvements that will ensure the structure promotes realization of various statewide initiatives, Town goals, and best meets the Town's operational needs.
7. Evaluate the existing water connection and major facility fees and make recommendations for any changes for "buy-in" and new capacity to offset demand for future new service locations.
8. Develop a computer (excel) based spreadsheet model of the water rate study. The Model needs to be a tool that can be used by Town Staff with training from the consultant.
9. Prepare a project report describing the study, its results, and recommendations along with a summary that will supply meaningful information to the public, Mayor and Commissioners, and staff.

B. Study Requirements:

Any recommendations made must consider or make provision for the following factors:

- a. Current and future cost of providing water services in conformance with established or anticipated changes to standards and regulations.
- b. Changes in projected demand.
- c. Availability of water supply.
- d. Age and condition of water systems and the need to fund long-term capital replacement.
- e. The agreement between the Town and Cecil County regarding service to customers outside of Town.
- f. Rates must conform to the ruling by the Maryland Public Service Commission in the recent case involving Cecil County.

1. Develop an understanding of existing rate structures and the assumptions underlying cost distribution to the different rate categories.
2. Develop an understanding of the Town's reserve and other financial policies and ensure any recommendations for changes in rates meet the cash flow objectives of those policies.
3. Assess existing customer service fee structure and identify other potential areas for service and system charges (shut-off activities, back flow devices, plan reviews, site inspections, etc.) and recommend changes, if appropriate. Assessment is to note any resulting increase in liability the Town may incur as a result of assessing the fees.
4. Develop an understanding of future anticipated capital expenditures, prepare alternative scenarios for financing the capital improvements, and develop a schedule showing the impacts of those plans on future rates.
5. Develop a proposed rate schedule that reflects the Mayor and Commissioners priorities and contains a forecast for proposed rates over a five year period that can be used by the Town to finance future capital expenditures.
6. Develop a rate projection that forecasts rates to 15 years based on expected cost increases over time. The computer model must have the ability to run capital improvement scenarios and quickly show impact on rates.
7. Prepare an analysis of the Town's reserves as part of the model.
8. Demonstrate that costs from any proposed modifications are equitably distributed in proportion to the benefit received by the various rate payers.
9. Provide justifications for any special classes of customers or types (including public and private fire service) under the recommended rate structure.
10. Demonstrate that any alternative rate structure is easy to understand and administer and can be accommodated within the existing billing system.
11. Demonstrate that any proposed rate structure is in compliance with the outstanding Water Bonds, any relevant state laws, contracts between the Town and its customers, and ruling of the MD PSC.
12. Demonstrate that any proposed modifications to the rates and fees are in keeping with the Town's priorities and other adopted policies.
13. Calculation of Connection and Major Facility Fees – The consultant is requested to review the existing fees and recommend appropriate fees. At a minimum, the consultant is requested to explain the advantages and disadvantages of different methods used to determine the fees. Recommendation for the appropriate timing of the assessment of the connection and major facility fees is also requested.
14. Deliver a spreadsheet model that reflects any changes to the rate structure accepted by the Mayor and Commissioners and provide training to staff in running "scenarios" that will allow staff to fully understand how the model operates and how the results of various future recommendations that may be proposed can be illustrated.

C. Study Elements:

In making its rate recommendations, the final report shall explicitly include the following elements and analysis:

1. *Current Rate Structure* – Assess the current rate structure's suitability for sustaining cost recovery based on customer demands.
2. *Equity* – Assess the equity of recommended water rates for all rate classes.
3. *Environmental Regulation* – The study shall include an assessment of the revenue stream generated by the recommended rates and their ability to continue to fully fund water system costs under the impacts of future water quality and statutory regulations and standards.
4. *Other Service Charges* – Assess existing customer service fee structure and identify other potential areas for service system charges and recommend changes, if appropriate.

Assessment is to note any resulting increase in liability the Town may incur as a result of assessing the fees.

5. *Electronic Rate Model* – Provide an easy to use electronic rate model for the Town to use in future rate setting.

D. Services to be Provided by Consultant:

1. Conduct a detailed review of existing water rates and status of the water fund, and develop a general familiarity with the Town's billing system.
2. Meet or confer with staff as needed and attend up to three meetings with the Mayor and Commissioners at a working session to present to the interim status of the study and obtain their input. Attend the public hearing where the water rates are considered for adoption.
3. Conduct analyses as required to address the scope of work.
4. Preliminary Reports:
 - a. Prepare preliminary study reports and tentative rates.
 - b. Submit 10 copies of the report plus one reproducible copy.
 - c. Present preliminary report and tentative rates to the Mayor and Commissioners at a work session.
5. Draft Final Report
 - a. Incorporate changes pursuant to comments received at the Town's work session.
 - b. Submit 10 copies of the report plus one reproducible copy.
 - c. Present preliminary reports and tentative rates to Mayor and Commissioners at a regularly scheduled public meeting.
6. Final Report
 - a. Incorporate changes pursuant to comments received at the public meeting presentation.
 - b. Submit 10 copies plus one reproducible copy of the report.
 - c. Provide an electronic copy in PDF format.
 - d. Present the final reports and recommended rates to the Mayor and Commissioners and members of the public at a regular Mayor and Commissioners meeting during a formal public hearing.
7. Supply time schedule for developing the preliminary and final reports.
8. Provide an easy to use electronic rate model for the Town to use in future rate setting.

E. Services to be Provided by the Town:

The services to be provided by the Town include, but are not necessarily limited to the following:

1. Furnish all reasonably available records and information, including financial reports, budget, consumption data, and customer classes.
2. Provide information on the most recent capital improvement projects list.
3. Provide staff support and assistance as required and agreed to in advance of the study.

F. Revisions to the RFP:

If it becomes necessary to revise this RFP, amendments will be provided to all prospective offerors that were sent this RFP or otherwise are known to have obtained this RFP. Acknowledgement of receipt of any revisions will be required before final bids are submitted. It is the responsibility of any offeror that did not receive this RFP directly from the Town of North East's finance office to notify the Town of their interest in the project, including offeror who found the RFP on the Town's website, in order to ensure they receive any revisions to the RFP.

G. Cancellation of the RFP; Rejection of All Proposals:

The Town may cancel this RFP, in whole or in part, or may reject any/all proposals submitted in response whenever this action is determined to be in the best interest of the Town. The Town of North East shall have no liability or obligation to any of the proposers preparing or submitting proposals under this RFP.

H. Proposal Acceptance; Discussions:

The Town reserves the right to accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities; and to conduct discussions with all qualified offerors in any manner necessary to serve the best interests of the Town. The Town also reserves the right, at its sole discretion; to award the contract based upon the written proposals received without prior discussions or negotiations.

I. Presentation:

Offerors may be required to make individual written or oral presentations to Town representatives in order to clarify their proposals.

J. Incurred Expenses:

The Town will not be responsible for any costs incurred by an offeror in preparing and submitting a proposal in response to this RFP.

K. Proposal Form:

Proposals should be prepared simply and economically, providing a straight forward, concise description of the offeror's proposal for meeting the requirements of this RFP.

L. Access to Public Records Act Notice:

An offeror should give specific attention to the identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification as to why such materials, upon request, should not be disclosed.

M. Compliance with Law:

By submitting an offer in response to this RFP, the offeror, if awarded an investment, agrees that it will comply with all federal, state, and local laws applicable to its activities and obligations.

N. Acceptance of Terms and Conditions:

By submitting a response to this RFP, an offeror shall be deemed to have accepted all the terms, conditions and requirements set forth in the RFP unless otherwise clearly noted and explained in its proposal. All proposals submitted in response to this RFP become the property of the Town.

O. Agreement/Contract:

Any agreement or contract resulting from the acceptance of an offeror's proposal shall be on forms either supplied by or approved by the Town and shall contain, at a minimum, applicable provisions of the Request for Proposal. The Town reserves the right to reject any agreement that does not conform to the Request for Proposal and the Town requirements for agreements and contracts.

P. Data Given or Prepared by the Town:

No reports, information or data given to or prepared by the Town for the offeror under the contract/agreement shall be made available to any person or firm without the prior written approval of the Town.

III. PROPOSAL REQUIREMENTS

A. Technical Proposal

The following information is to be submitted as part of the proposal. The proposal is not to be more than ten (10) single-sided pages in length. Single page resumes of persons to be assigned to the project are not included in the ten page limit. Three copies of the proposal are to be provided. Other material may be attached as deemed appropriate, to include copies of rate studies performed by the offeror that most closely fit the scope of work outlined above. The ten page portion of the proposal is to be organized as follows:

1. *Approach to the Project* – Describe your approach to this project and any special ideas, techniques, or suggestions that you think might make the project proceed smoothly.
2. *Experience* – Describe the experience of the firm and of the individuals assigned with related projects of a similar nature. The team’s experience with creating water rate structures. Provide at least three references.
3. *Qualification* – Describe your staff’s unique qualifications and training for this type of work.
4. *Schedule* – Describe your plan/schedule for completing the work. A shorter timeline is preferred and will be given added value in the evaluation of the proposals.

B. Cost Proposals

A separate sealed envelope shall be provided containing the Cost Proposal for the study.

C. Deadline for Submission of Proposals

1. Interested firms should submit proposals by noon on September 30, 2016 to:

Town of North East
Attn: Town Administrator
106 South Main Street
North East, MD 21901

2. Technical proposals must be sealed and marked “**TECHNICAL PROPOSAL – WATER RATE STUDY**”
3. Cost proposals should be sealed in a separate envelope and marked “**COST PROPOSAL – WATER RATE STUDY**”.

IV. SELECTION OF CONSULTANT

A committee made up of Town employees will evaluate the proposals. They will be evaluated on the basis of experience, qualifications, approach to the project, degree of Town staff time required to complete the project and any innovative ideas the offeror has for

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making the project go quickly and smoothly. Cost will **not** be the primary factor in selecting a consultant.

Final selection will be based on the evaluation of the proposals unless it is deemed necessary by the committee to conduct interviews of closely scored offerors. The consultant deemed best qualified to perform this project will be recommended to the Mayor and Commissioners for contract award.

When the funding source does not preclude the Mayor and Commissioners of the Town of North East from doing so, they reserve the right to show preference to local bidders in the purchase of supplies, equipment, or services. The amount shall not exceed six percent (6%) of the amount bid or quoted and/or sixty thousand dollars (\$60,000), whichever is less. A "local bidder" is defined as an Individual, or business that maintains a place of business or maintains an inventory of merchandise and/or equipment in Cecil County, is licensed by Cecil County or the State of Maryland, if required, and is subject to Cecil County real and/or personal property taxes. Any local bidder in default on payment of any town, county or state tax or license shall not be eligible to receive preference until all taxes or licenses due are paid.