



STAFF REPORT
1/22/2025

TO: Honorable Mayor and City Council Members

FROM: Castulo R. Estrada, Utilities Director

SUBJECT: Authorize the City Manager to Execute a Professional Services Agreement with NewGen Strategies & Solutions in the amount of \$192,120 to conduct a Comprehensive Water and Wastewater Rate Study

STAFF RECOMMENDATION:

Staff recommends that Council authorize the City Manager to enter into a Professional Services Agreement with NewGen Strategies & Solutions in the amount not to exceed \$192,120 to conduct a Comprehensive Water and Wastewater Rate Study.

BACKGROUND:

The City of Coachella owns and operates the Utility System providing potable water service and wastewater service to the residents, businesses and industries within the City and its service areas. The cost of water and wastewater service is recovered through water and wastewater rates. The last Water Utility Revenue Rate Analysis (rate study) was finalized in 2009. In March of 2010, Ordinance No. 1016 adopted new rates commencing May 1, 2010. Ordinance No. 1016 adopted the following schedule:

Rates for Monthly Meter Charge (\$/Meter Size)

<u>Meter Size</u>	<u>Effective Date</u>					
	<u>5/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>	<u>1/1/2013</u>	<u>1/1/2014</u>	<u>1/1/2015</u>
5/8" – 3/4"	9.69	10.66	11.92	12.52	13.14	13.80
1"	13.57	14.93	16.69	17.53	18.40	19.32
1 1/2"	17.45	19.19	21.46	22.53	23.66	24.84
2"	28.11	30.92	34.57	36.30	38.12	40.02
3"	106.62	117.28	131.14	137.70	144.59	151.82
4"	135.70	149.27	166.91	175.26	184.02	193.22
6"	203.55	223.91	250.37	262.88	276.03	289.83
8"	281.09	309.20	345.74	363.03	381.18	400.24

Rates for Consumption Charge

<u>Tiers</u>	<u>Effective Date</u>					
	<u>5/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>	<u>1/1/2013</u>	<u>1/1/2014</u>	<u>1/1/2015</u>
Block 1 Rates (per hcf) – 0 to 41 hcf	\$1.05	\$1.16	\$1.30	\$1.36	\$1.43	\$1.50
Block 2 Rates (per hcf) – Over 41 hcf	\$1.21	\$1.31	\$1.45	\$1.51	\$1.58	\$1.65

Per the above table the last water rate increase was adopted on 1/1/2015.

Operational and maintenance costs increase every year due to a number of factors including the cost of materials, inflation, increase in staff, and increase in infrastructure inventory. The City is also facing new challenges which include the need for more staff to maintain and operate the system as was concluded in the recent Manpower Study. Recently, the State Water Resources Control Board adopted a new Maximum Contaminant Level (MCL) for Hexavalent Chromium which is naturally occurring in the groundwater of the Coachella Valley. All groundwater wells operated by the City for the production of drinking water are impacted by this new MCL and require the addition of treatment facilities to remove the Hexavalent Chromium below the 10 mg/l MCL.

As part of the chromium-6 compliance plan, which requires the City to implement treatment by October of 2027 it is critical that a new rate study be performed to ensure there are enough revenues to meet anticipated expenses. The initial costs for the treatment is estimated to be \$10 million - \$12 million per well for a total cost of \$60 million - \$72 million in capital improvements to the system, this cost would increase with the addition of more wells added to the system for the production of drinking water. The City is currently working to add a seventh well to the system. Operational and maintenance cost will also increase with the new added treatment technology.

Similarly, the last Wastewater Rate Study was finalized in November of 2017. A schedule of rate increases was adopted as follows:

Single Family Residential Customers (Fixed Monthly Charge)					
Classification	Current	Effective 7/1/2018	Effective 7/1/2019	Effective 7/1/2020	Effective 7/1/2021
Single Family Residential	\$41.81	\$44.22	\$45.99	\$47.83	\$49.74

Single Family Residential Customers
The proposed Fixed Monthly Service Charge reflects a monthly flat rate structure billed semi-annually on the property tax bill.

Commercial and Multi-Family/Mobile Unit Customers					
Fixed Service Charge					
Meter Size	Current	Effective 7/1/2018	Effective 7/1/2019	Effective 7/1/2020	Effective 7/1/2021
5/8"	\$26.65	\$21.40	\$22.26	\$23.15	\$24.08
3/4"	\$39.98	\$21.40	\$22.26	\$23.15	\$24.08
1"	\$66.63	\$35.66	\$37.09	\$38.57	\$40.11
1 1/2"	\$133.25	\$71.33	\$74.18	\$77.15	\$80.24
2"	\$213.20	\$114.13	\$118.70	\$123.45	\$128.39
3"	\$399.75	\$228.25	\$237.38	\$246.88	\$256.76
4"	\$666.25	\$356.65	\$370.92	\$385.76	\$401.19
6"	\$1,332.50	\$713.30	\$741.83	\$771.50	\$802.36
8"	\$1,332.50	\$1,141.27	\$1,186.92	\$1,234.40	\$1,283.78

Variable Commodity Charge					
Classification	Current	Rate (\$/HCF)			
		Effective 7/1/2018	Effective 7/1/2019	Effective 7/1/2020	Effective 7/1/2021
Multi-Family/Mobile Units	N/A	\$3.15	\$3.28	\$3.41	\$3.55
Commercial Low	\$1.98	\$2.75	\$2.86	\$2.97	\$3.09
Commercial Medium	\$3.41	\$3.56	\$3.70	\$3.85	\$4.00
Commercial High	\$14.14	\$7.91	\$8.23	\$8.56	\$8.90
Institutional	N/A	\$2.70	\$2.81	\$2.92	\$3.04

Per the above table the last sewer rater increase was adopted on 7/1/2021.

Similar to water operations, sanitation also experiences increases in operational and maintenance costs every year due to a number of factors including the cost of materials, inflation, increase in staff, and increase in infrastructure inventory. The City is also facing new challenges which include the need for more staff to maintain and operate the system as was concluded in the recent Manpower Study. Other challenges include ensuring enough revenues are collected to cover existing debt obligations, and covenant ratios.

DISCUSSION/ANALYSIS:

The City posted a Request for Proposal on October 17, 2024 to the City's website with a deadline for submission of November 21, 2024. Three proposals were received from Black & Veatch, Raftelis and NewGen Strategies & Solutions. The proposals were reviewed and scored by staff. The recommendation above came from the consensus that NewGen Strategies and Solutions is the most qualified to perform the financial professional services identified in the request for proposal.

FISCAL IMPACT:

The recommended action will not have an impact on the budget. The cost has been approved in the FY 2024/2025 budget, no additional allocation is needed.

ATTACHMENTS

Professional Services Agreement Draft
Proposal from NewGen Strategies & Solutions
Proposal Scoring Matrix