



CITY OF FROSTBURG UTILITY RATE STUDY

August 5, 2022

PROPOSALS DUE
SEPTEMBER 9, 2022

Issued by:

City of Frostburg
37 Broadway
Frostburg, MD 21532

www.frostburgcity.org

1. PURPOSE:

The purpose of this document is to solicit proposals from qualified consultants to provide professional services for a “Utility Rate Study” for the City of Frostburg. The document describes the task requirements and deliverables for this study. All the services are for the City of Frostburg.

2. OBJECTIVE:

The Objective of the “Utility Rate Study” is to review existing rate structures, utility fees, surcharges, and billing rates to make recommendations for changes that may be needed to support the operational and capital improvement funding for the next ten (10) years. This will include developing and evaluating current and future financial data for determining appropriate strategies and plans for continuing a financial solvent operation, amidst changes in debt obligations, increased operational costs, compliance with Consent Decree, and pass through rates beyond the City’s control. The City seeks to have a rate structure that is sustainable and equitable.

3. BACKGROUND INFORMATION:

The City of Frostburg is located in Allegany County in Western Maryland, and is part of the Cumberland Metropolitan Statistical Area. The City is home to Frostburg State University, a historic business district, 2 business parks, and residential neighborhoods. The 2020 Census indicated that the City’s population is 7,027, and the City has 2,540 utility accounts.

The City operates Enterprise Funds for its water and sewer service and strives to generate revenue that covers all expenses on an annual basis. The population of Frostburg has various income segments, but more than 50% of the population is considered low-moderate income, so rate affordability is critical. There are several complexities affecting the rates for the funds.

The following documents are attached for reference:

- Utility Rates (FY 2023 Fee Schedule)
- FY 23 Budget

A. Water Fund.

The City owns two raw water sources, Piney Reservoir and Savage Springs and Wells. The water sources are both located to the west of the City on the other side of the ridge of Big Savage Mountain and the water must be pumped to overcome the elevation. Just uphill of the Water Treatment Plant, the City has an in-line hydroelectric turbine installed on the water line that is net metered on the pumping station bill. The City has contracted with Maryland Environmental Service to operate the Water Treatment Plant and assist

with the maintenance of Piney Dam and Savage Springs and Wells, and is very pleased with this relationship. The City serves several outlying communities, mostly through systems owned by Allegany County and billed through master meters. It is estimated that 12,000 people are served by the City of Frostburg's water system, including those on campus at Frostburg State University. The fee structure is volumetric only and is more favorable to residential and small commercial uses; the rates significantly increase for high volume users. The City currently produces on average 1.1 MGD but is permitted to produce 2.0 MGD.

In 2006-2007, the City was engaged in litigation with Allegany County over the water rate structure charged to Allegany County for their customers. As a result, the City uses formulas mandated by the Public Service Commission to determine the County rates once every three years.

- B. Water Surcharge Fund. The Water Surcharge Fund generates revenue on a "FDE" basis. A Frostburg dwelling equivalent ("FDE"), is an equivalent dwelling unit determined by the City for the purpose of determining "surcharges", based on the volume of water consumed for water and sewer service. An FDE represents a single family home or thirty-eight thousand (38,000) gallons per year (or an average of one hundred four (104) gallons per day for other use types. The Water Surcharge Fund primarily funds debt service related to raw water or water treatment plant projects. The most significant portion of the of the debt will be paid off in 2028. The water surcharge rates the City passes on to out-of-City or County customers was part of the PSC decision, but there is no formula to determine surcharge increases. See Public Service Commission Case # 9040: <https://www.psc.state.md.us/search-results/?q=9040&x.x=10&x.y=7&search=all&search=case>
- C. Sewer Fund. The City operates a sanitary sewer collection system, which is then pumped through Allegany County's Braddock Run Sanitary District to LaVale Sanitary Commission to the City of Cumberland. The City's sanitary sewer treatment costs are dependent on Cumberland's charges and their formula, and largely outside of the City's control, other than reducing inflow into the sewer system.

As part of the Sewer Enterprise Fund, the City also collects a CSO Surcharge, based on FDE's. The CSO surcharge was established in 2003 to fund Combined Sewer Overflow separation projects. The City has used the revenue generated annually to fund design and the City's match to various separation projects and pay debt service. To date, over \$20M in construction projects have been largely funded by grants and City cash; loans to date total about \$740,000. As the 20 year consent order deadline approaches, and there are several more separation projects to complete; the City has been recently advised that grant funding through MDE may no longer be available for such projects, and loans with partial loan forgiveness through the WQSRF program may be best available option for the City to complete its separation efforts.

D. Other Considerations.

- i. Due to anticipated changes in debt, infusion of American Rescue Plan funds into water and sewer infrastructure, and future capital investments, the City recognizes that it is appropriate to analyze water and sewer rate structure and make necessary changes at this time.
- ii. The City is currently completing a meter replacement program to upgrade all meters to radio read. It is expected that with the completion of this effort in 2023 the City will transition to monthly billing, which has been requested by the users for family budgeting and affordability.
- iii. Prior to the Combined Sewer Overflow Elimination projects, the City had limited stormwater conveyance systems. Annually, these systems grow through CSO separation projects and through new subdivisions. Maintenance and repairs to the stormwater conveyance systems are currently funded through the general fund – Street Department budget.

4. CONSULTANT REQUIREMENTS

- A. To be considered for award, a Consultant shall meet or exceed each of the following minimum requirements. Failure to meet a requirement will result in the disqualification of the proposal and consequently the proposal will not be considered for award.
- B. The Consultant Organization or its principles shall have a minimum of 10 years' documented experience in conducting the required water and sewer revenue & rate analysis.
- C. The Consultant or its principles shall have extensive knowledge of the current American Water Works Association's M-1 Manual methodologies for reviewing and developing water and sewer utility rate structures and capital connection charges for enterprise funds.
- D. The Consultant shall have human, managerial, and fiscal resources to complete the project within the six-month time period.
- E. The proposed Project Manager shall have at least five years' recent demonstrated experience working with public agencies in comparable rate analysis and studies.

5. SCOPE OF WORK:

The City's objective is to receive a fully documented Water/Sewer Fund rate study with appropriate analysis and recommendations. The rate study shall be conducted using sound methodologies to support charges to users of services on a fee basis.

A. Summary of Scope of Work

- i. Document all current fees and charges levied by the City:
 - (a) Water Rate
 - (b) Sewer Rate
 - (c) Water Surcharge
 - (d) CSO Surcharge
 - (e) Connection Fees
- ii. Document the current rate and fee structure used by the City.
- iii. Identify and analyze the costs (personnel, operating, capital, debt service, etc.) incurred to provide each service (may include interviewing appropriate City personnel.)
- iv. Compile data to develop the total costs associated with each fee area and develop the total costs to include direct plus indirect costs of each service.
- v. Develop and justify rate and user fee recommendations, taking the factors identified above into consideration.
- vi. Project impact of implementing the rate and fee recommendations.
- vii. Recommend up to three scenarios best suited to meeting the City's goals of a user- equitable, self-supporting structure that will also encourage conservation.
- viii. Present to the Mayor and Council the completed study methods, results, analyses and recommendations.

B. Minimum Rate Study Elements

- i. *Revenue Requirements.* The Consultant shall identify and develop revenue requirements separately for both water and sewer operations for a ten year period. The revenue requirements shall include forecasts of operating and maintenance expenses, documentation of existing debt service, capital investments and financing for these projects. The revenue requirements shall

also provide an evaluation of the City's planned investment in replacement of infrastructure compared to the necessary replacement of assets. Lastly, the revenue requirements shall include reserves as appropriate for each utility.

- ii. *Demand Forecast.* The Consultant shall develop a forecast of customer growth and demand within the City's service area. The demand forecast shall take into account historical growth patterns, the City's comprehensive plan and all other relevant planning documentation. The consultant shall evaluate the usage patterns of residential, commercial, and institutional uses to inform the development of the rate structures.
- iii. *Customer Usage Patterns.* The Consultant shall examine the usage patterns for the City's various customer types and identify at a minimum the average usage per customer account, seasonal usage patterns, and customer type peaking factors.
- iv. *Cost of Service.* The Consultant shall prepare a cost of service analysis to appropriately allocate costs among the City's customers. The Consultant shall use industry standard approaches to the cost of service analysis including those described by the American Water Works Association. The cost of service analysis shall identify the City's fixed and variable costs in providing water, sewer, and storm water service.
- v. *Rate Design.* The study shall include an evaluation of the City's current water and sewer rate structures and development of alternative rate structures. The Consultant shall evaluate the rate structure based on pricing goals and objectives developed during the study based on input from City staff. The Consultant shall document the customer impacts based on various rate structure alternatives. The Consultant shall provide a recommended rate structure with specific recommended rates for a five year projection period and 10 year projection period. The study shall articulate the advantages and disadvantages of the existing and alternative rate structures. Recommendations for funding storm water system maintenance should be addressed as well.
- vi. *Benchmarking.* The Consultant shall identify similar water and sewer utilities in the region and benchmark the City's water and sewer operations and financials to them.
- vii. *Financial Policies.* The Consultant shall evaluate and document the current financial policies maintained by the City for the water and sewer enterprise fund, including level of reserves, and other applicable financial policies. Consultant shall understand the City policies and goals for the funds and make recommendations in accordance with industry standards and best

practices as warranted.

- viii. *Meetings & Public Education.* The Consultant shall provide a minimum of 2 briefings to the Mayor and City Council related to the findings of the study during public meetings. The briefings shall be presented in a manner that are easily understood by the general public and ensures that the study is completed in an open and transparent manner.
- ix. *Public Service Commission.* If the recommended and selected rate structure deviates from the current rate structure and formula provided by the Public Service Commission, the Consultant shall facilitate the process to amend the formula structure amongst all parties.
- x. *Rate Formula or Model.* The Consultant shall provide or develop a user-friendly formula or Excel based financial model or other model that can be utilized by the City to make updates. The Consultant shall provide the City with a no-cost, perpetual license to use the formula or model. The Consultant shall provide complete documentation and training for City staff on the financial formula or model to ensure that it is a useful tool for future rate calculations and tracking of the utility funds. The model shall incorporate the selected rate structure and be able to run various iterations based on capital and operational spending and determine rates for City, out-of-City, and Allegany County customers in a methodological manner.
- xi. *Documentation.* The Consultant shall provide the Final Report in a concise “public- friendly” format that outlines the analysis, key assumptions, findings, conclusions and study recommendations.

C. Work Schedule. The allotted time to complete all work is six months from the date of the signed contract. All work shall be initiated and pursued on a schedule to be mutually established between the City and Consultant after award.

D. Meetings.

- i. The Consultant shall participate in at least one in-person progress meeting at City Hall and five teleconference or web-based meetings with City personnel to review progress and coordinate procedures and data.
- ii. The Consultant shall make a formal presentation of its Final Report to the Mayor and Council of Frostburg at one of the City’s regularly scheduled meetings on the third Thursday of the month at 7 pm. At least one presentation at a Work Session prior to the Final Report is expected as well (2nd Thursday at 3 pm).
- iii. The Consultant may be required to participate in additional meetings /

presentations if required (Citizens / Rate-payers' meetings, Resolution adoption, etc.)

E. Deliverables.

i. *Draft Report.*

- (a) The Consultant shall submit a draft report (preliminary recommendations and draft report, which shall be due within five months after Contract approval) prior to completion and submission of the final report for review and comment by the City.
- (b) The Consultant shall deliver the files of the Draft Report that include all worksheets and models.
- (c) Any comments by City staff and all agreed upon revisions shall be incorporated prior to submission of the final report. Following the City's approval of the Final Report, all electronic files (rate model, etc.) shall be provided to the City's Finance Department.

ii. The Consultant shall provide the City with at least two weeks for review of submittals, the preliminary recommendations and the draft report.

iii. *Final Report.*

- (a) The Consultant shall prepare and submit its Final Report, which must include the recommended rates, the methodologies used, alternative structures considered, and justification for the recommended rate structure.
- (b) The report shall include an executive summary that summarizes the findings of the funds analysis and clearly states the results.
- (c) Sections of the report shall include at a minimum:
 - Executive Summary
 - Scope
 - Project Information
 - Discussion on Consumption Projections and Population Growth Estimates
 - Analysis of Model Results

- Alternative Rate Structures Considered
- Recommended Rate Structure

(d) The Consultant shall deliver at least 10 professionally developed and bound Final Reports and two USB drives of the Final Report that includes the presentation Power Point(s) at least seven days before the scheduled presentation to the Mayor and Council.

F. City Responsibilities.

The City will provide the following to the Consultant:

- i. General Guidance
- ii. Background Material.
- iii. All Existing Data Regarding the Consumption of Water, Planning and Other Related Areas
- iv. Current Rate Model
- v. Current billing Output
- vi. Other data as requested.

G. Potential Additional Projects.

- i. The City reserves the right to negotiate with the awarded Consultant to conduct additional rate analysis and/or studies without further competition. The City may invite the awarded Consultant to offer a proposal in accordance with the pricing structures of the awarded contract based upon the City's requirements.
- ii. The City makes no commitment that any additional project(s) will be negotiated or awarded.

6. RFP RESPONSE

A. Proposed Schedule.

The following dates are proposed by the City; however, the dates and times may be changed as the needs of the City change. It is solely your responsibility to stay informed on the dates and times.

- i. RFP release date – August 12, 2022

- ii. Final date to receive written questions-August 29, 2022
- iii. Release date for answers to written questions –September 2, 2022
- iv. RFP closing date – Friday, September 9, 2022 at 2:00 P.M. local time.**
- v. Proposer interviews /presentations/ demonstrations, if requested – September 12-14, 2022
- vi. Anticipated award of contract –September 19, 2022
- vii. Anticipated project start date –September 20, 2022
- viii. Anticipated project completion date – March 16, 2022

B. Delivery of Proposals.

- i. Deliver Proposal Package(s) to City of Frostburg
37 Broadway
Frostburg, MD 21532
- ii. Mark each package: **FROSTBURG UTILITY RATE STUDY PROPOSAL**
- iii. **A proposal will not be considered for award if received after the official closing date and time regardless of when or how it was received by the City.**
- iv. The City will not consider facsimile (fax) or electronic submission of a proposal.

C. No Pre-proposal Conference.

D. Questions Concerning RFP.

- i. Questions, inquiries, suggestions, or requests concerning interpretation, clarification or additional information concerning any portion of this RFP should be made in writing by e-mail and sent to the below named individual who will be the official point of contact for this RFP.

E. RFP Point of Contact:.

- i. Submit questions to:
Elizabeth Stahlman

City Administrator

E-mail: estahlman@frostburgcity.org

- ii. Failure by a Consultant to ask questions, request changes, or submit objections by the dates indicated above shall constitute the Proposer's acceptance of all of the terms, conditions and requirements set forth in this RFP.
- iii. No answers given in response to questions submitted shall be binding upon this RFP unless released in writing as an addendum to this RFP.

F. Proposer's Representative:

- i. If you intend to respond to this RFP, promptly provide the name, mailing address, telephone number, and e-mail address of your liaison person to the Point of Contact above in order for the City to send any communications regarding this RFP.
- ii. You should designate within your proposal package an individual acceptable to the City to act as the project management liaison between you and the City's designated representative(s) regarding the performance of service(s) under the terms of the proposed contract.

7. EVALUATION CRITERIA

- A. The Selection Committee will recommend the firm (or project team) to the City Council that best meets the following criteria (in no particular order and with no particular weighting):
 - i. Price Proposal
 - ii. Consultant's Experience
 - iii. Consultant's Project Team's Qualifications and Experience
 - iv. Proposed Work Plan
 - v. References (Direct and Indirect)

8. TERMS & CONDITIONS OF THIS RFP:

- i. The City reserves the right to reject any and all responses to this RFP, and even if the City does elect to begin negotiations with any firm that responds to this RFP, the Project Description described above is in no way binding on the City.
- ii. The City shall not pay any costs incurred by any responding company for time and/or materials used to prepare the response or make any

presentation(s) related to this RFP.

- iii. Any submitted responses become the property of the City of Frostburg. The City of Frostburg and its agency partners will review the responses and investigate the qualifications of the team members and the demonstrated ability to perform satisfactorily, as well as the financial stability of the firms submitting the responses. The City of Frostburg reserves the right to require either telephone or personal interviews with each firm submitting a response. The City of Frostburg reserves the right to reject any or all responses in any order or combination, accept or reject any portion of a response, make modifications to the project after submission of the responses, and waive any formalities in responses if they deem it is in the best interest of the City of Frostburg do so, without liability on the part of the City.
- iv. Neither this Request for Proposals nor the City's consideration of any proposal shall create any contract, express or implied any contractual obligation by the City to any respondent, or any other obligation by the City to any respondent. The City makes no promise, express or implied, regarding whether it will enter into an agreement with any respondent or regarding the manner in which it will consider the submitted responses to this RFP.
- v. Applicants should note that freedom of information statutes give any person ("a requesting party") the right to obtain government documents unless the documents (or portions thereof) are exempt from disclosure as specifically enumerated in the applicable statute. The City does not intend to release proposal documents until such time as a development agreement is entered into with the successful applicant as such earlier release may cause substantial harm to bidders' competitive positions. Information that is exempt from disclosure includes, for example, trade secrets and confidential commercial and financial information. Applicants are solely responsible for marking the applicable portions of their proposals as "confidential". Failure to designate information as confidential or marking substantial portions or the entirety of a bid submission as confidential in an arbitrary manner may result in disclosure to a requesting party.

9. OTHER CONDITIONS

- A. American Rescue Plan Act Funding. This study will be funded with American Rescue Plan Act funding received by the City of Frostburg. The contract provisions to follow must be incorporated into the contract to be executed by the Frostburg Mayor and City Council and the Proposer.