STAFF REPORT

ITEM NO. 11

CITY OF OCEANSIDE

DATE: September 4, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **PROFESSIONAL SERVICES AGREEMENT WITH CAROLLO ENGINEERS IN THE AMOUNT OF $109,775 FOR THE WATER UTILITIES DEPARTMENT EFFICIENCY STUDY PROJECT**

SYNOPSIS

Staff recommends that the City Council approve a professional services agreement in the amount of $109,775 with Carollo Engineers of San Diego for the Water Utilities Department Efficiency Study project; and authorize the City Manager to execute the agreement.

BACKGROUND

On November 12, 2009, Council adopted an ordinance amending Oceanside City Code, Chapter 37, establishing water and wastewater user rate and external water provider charge increases. Additionally, direction was provided to the City Manager to start a management and organizational assessment to find future savings in the water and wastewater divisions.

Staff sent requests for proposals (RFPs) to seven consulting firms in December of 2009. In April of 2010, staff recommended that Council approve the efficiency study with Financial Consulting Solutions Group, Inc. of San Francisco. Council rejected the recommendation and directed staff to bring forward the study at a later date.

ANALYSIS

There have been numerous changes and efficiencies implemented within the Water Utilities Department since the study proposal was rejected by Council in 2010. Some of the larger ones include: the hire of a new Water Utilities Director, consolidation of inspection and public outreach programs, right-sizing the utilities fleet, refunding water and sewer debt, consolidating storage and office space, and entering into two new public-private partnerships for solar and cogeneration.

The purpose of the efficiency study would be to identify further opportunities to improve the productivity, efficiency and cost-effectiveness of the operations in the Water, Wastewater and Administrative Divisions of the department.

The primary objectives of this project are to evaluate the efficiency of the Water Utilities Department operations and make recommendations that result in improving those operations by conducting the following tasks:

- Review staffing efficiency and make recommendations for improving employee efficiency.
- Review existing practices for performance and efficiencies, to include field maintenance and operations for meter services, water distribution and maintenance, sewer collections, and laboratory operations. A review of staffing at the City's Water Treatment and Wastewater Treatment facilities, with an eye to improving efficiency should also be considered.
- Evaluate injury and property claims. Benchmark and provide strategies for reducing costs and improving safety.
- Model process steps for work, eliminate steps and recommend appropriate automation.
- Benchmark comparison to similar cities with utilities or utility districts in Southern California.
- Recommend the utilization of existing and/or new technology to improve efficiency.
- Provide options for outsourcing some activities which may include but is not limited to:
    - Warehousing/purchasing/procurement
    - Electronic bidding procedures for capital improvement projects and equipment
- Identification of non-revenue water usage and procedures and implementation strategies to reduce lost revenues due to non-revenue water usage.
- Review department procedures and identify redundant processes.
- Evaluate and recommend further consolidations resulting in cost savings.
- Identify public/private partnership opportunities.
- Audit of accounts (field vs. billing), to include rate class review.

On February 6, 2013, proposals were sent to eight consulting firms (Exhibit A). On March 7, 2013, staff received a single proposal from Carollo Engineers. The proposal provided was responsive to the City's request, and staff recommends Carollo Engineers be awarded this project.

Once approved by Council, it is anticipated that the project will start in September and take approximately six months to complete.

FISCAL IMPACT

The Miscellaneous Water Projects fund (750771712.5326) has an available balance of $500,000. The consultant's cost associated with developing the City of Oceanside Water Utilities Department Efficiency Study is $109,775. Therefore, adequate funds are available.

INSURANCE REQUIREMENTS

The City's standard insurance requirements will be met.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission approved staff's recommendation at its regularly scheduled meeting on July 19, 2013.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve a professional services agreement in the amount of $109,775 with Carollo Engineers of San Diego for the Water Utilities Department Efficiency Study project; and authorize the City Manager to execute the agreement.

PREPARED BY:

Cari Dale
Water Utilities Director

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manger

Michael Blazenski, Interim Financial Services Director

Exhibit A: Request for Proposal Mailing List
Exhibit B: Professional Services Agreement

Water Utilities Department Efficiency Study
RFP Mailing List

Company Name	Attn:	Address	City	State	Zip	Contact
KPMG, LLP	Mark Hutchins	355 No. Grand Avenue, #2000	Los Angeles	CA	90071-1568	Mark Hutchins
The HDL Companies	Lloyd de Llamas	1340 Valley Vista Drive, #200	Diamond Bar	CA	91766	Lloyd de Llamas
Carollo Engineers	Robert S. Grantham	2700 Ygnacio Valley Rd, Ste 300	Walnut Creek	CA	94598	Robert S. Grantham
Citygate Associates, LLC	David Deroos	2250 East Bidwell, #100	Folsom	CA	95630	David Deroos
Management Partners, Inc.	Andrew Belknap	2107 North First Street, #470	San Jose	CA	95131	Andrew Belknap
MGT of America	Michelle Laneze	2123 Centre Point Blvd	Tallahassee	FL	32308	Michelle Laneze
ICMA Consulting Services	A.T. Garnett	777 North Capitol Street, NE #500	Washington	DC	20002-4201	A.T. Garnett
The Novak Consulting Group	Julia Novak	210 Glenmary Ave.	Cincinnati	OH	45220	Julia Novak
Veolia Water North America	Sachin Chawla	Hand Delivered				

Exhibit A

EXHIBIT B

CITY OF OCEANSIDE

PROFESSIONAL SERVICES AGREEMENT

PROJECT: CITY OF OCEANSIDE UTILITIES DEPARTMENT EFFICIENCY STUDY – 750010711 & 800010721

THIS AGREEMENT, dated _____, 2013 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and CAROLLO ENGINEERS, hereinafter designated as "CONSULTANT".

RECITALS

A. CITY desires to obtain professional services from an independent contractor for the above named project.

B. CONSULTANT has submitted a proposal to provide services for the CITY in accordance with the terms set forth in this Agreement.

C. CITY desires to contract with CONSULTANT as an independent contractor and CONSULTANT desires to provide services to CITY as an independent contractor.

D. CONSULTANT has demonstrated its competence and professional qualifications necessary for the satisfactory performance of the services designated herein by virtue of its experience, training, education and expertise.

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1.0 **SCOPE OF WORK.** The CONSULTANT desires to perform an efficiency assessment of the Water Utilities Department as more particularly described in the CONSULTANTS proposal dated March 7, 2013, attached hereto and incorporated herein as Exhibit A.

1.1 **PROFESSIONAL SERVICES PROVIDED BY CONSULTANT.** The professional services to be performed by CONSULTANT shall consist of but not be limited to the following:

1.1.1 Work closely with the Water Utilities Director in performing work in accordance with this Agreement in order to receive clarification as to the result which the CITY expects to be accomplished by CONSULTANT. The Water Utilities Director, under the authority of the City Manager, shall be the CITY'S authorized representative in the interpretation and enforcement of all work performed in connection with this Agreement. The Water Utilities Director may delegate

authority in connection with this Agreement to the Water Utilities Director's designees. For the purposes of directing the CONSULTANT'S performance in accordance with this Agreement, the Water Utilities Director delegates authority to Greg Blakely, Administration Manager.

1.1.2 In compliance with Government Code section 7550, the CONSULTANT shall include a separate section in the proposal prepared pursuant to this Agreement, which contains a list of all the subcontractors and dollar amounts of all contracts and subcontracts required for the preparation of work described in this Agreement.

1.2 **SERVICES PROVIDED BY CITY.** The CITY shall perform the following services:

1.2.1 Provide access to all public records and furnish one copy of reports requested.

2.0 **TIMING REQUIREMENTS**

2.1 Time is of the essence in the performance of work under this Agreement and the following timing requirements shall be strictly adhered to unless otherwise modified in writing as set forth in Section 2.2. All work shall be completed in every detail to the satisfaction of the CITY by June 30, 2014. Failure by CONSULTANT to strictly adhere to these timing requirements may result in termination of this Agreement by the CITY and the assessment of damages against the CONSULTANT for delays.

2.2 CONSULTANT shall submit all requests for extensions of time for performance in writing to the Water Utilities Director no later than ten (10) calendar days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. The Water Utilities Director shall review all such requests and may grant reasonable time extensions for unforeseeable delays which are beyond CONSULTANT'S control.

2.3 For all time periods not specifically set forth herein, the CONSULTANT shall respond in the most expedient and appropriate manner under the circumstances, by either telephone, fax hand delivery or mail.

3.0 **INDEPENDENT CONTRACTOR.** CONSULTANT'S relationship to the CITY shall be that of an independent contractor. CONSULTANT shall have no authority, express or implied, to act on behalf of the CITY as an agent, or to bind the CITY to any obligation whatsoever, unless specifically authorized in writing by the Water Utilities Director. CONSULTANT shall be solely responsible for the performance of any of its employees, agents or subcontractors under this agreement.

CONSULTANT shall report to the CITY any and all employees, agents and consultants performing work in connection with this project, and all shall be subject to the approval of the CITY.

4.0 **CITY BUSINESS LICENSE.** Prior to the commencement of any work under this agreement, the CONSULTANT shall obtain and present a copy of an Oceanside City Business License to the Water Utilities Director.

5.0 **WORKERS' COMPENSATION.** Pursuant to Labor Code section 1861, the CONSULTANT hereby certifies that the CONSULTANT is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and the CONSULTANT will comply with such provisions and provide certification of such compliance as a part of these Award Documents. The certification shall be in accordance with Subsections 7.3 through 7.8 of this Agreement.

6.0 **LIABILITY INSURANCE.**

6.1 CONSULTANT shall, throughout the duration of this Agreement, maintain comprehensive general liability and property damage insurance, or commercial general liability insurance, covering all operations of CONSULTANT, its agents and employees, performed in connection with this Agreement including, but not limited to, premises and automobile.

6.2.1 CONSULTANT shall maintain liability insurance in the following minimum limits:

Comprehensive General Liability Insurance
(bodily injury and property damage)

Combined Single Limit Per Occurrence	$ 1,000,000
General Aggregate	$ 2,000,000*

Commercial General Liability Insurance
(bodily injury and property damage)

General limit per occurrence	$ 1,000,000
General limit project specific	$ 2,000,000

Automobile Liability Insurance $ 1,000,000

*General aggregate per year, or part thereof, with respect to losses or other acts or omissions of CONSULTANT under this Agreement.

6.2.2 If coverage is provided through a Commercial General Liability Insurance policy, a minimum of 50% of each of the aggregate limits shall remain available at all times. If over 50% of any aggregate limit has been paid or reserved, the CITY may require additional coverage to be purchases by the CONSULTANT to restore the required limits. The CONSULTANT shall also notify the CITY'S Project Manager promptly of all losses or claims over $25,000 resulting from work performed under this contract, or any loss or claim against the CONSULTANT resulting from any of the CONSULTANT'S work.

6.3 All insurance companies affording coverage to the CONSULTANT for the purposes of this Section shall add the City of Oceanside as "additional insured" under the designated insurance policy for all work performed under this Agreement. Insurance coverage provided to the CITY as an additional insured shall be primary insurance and other insurance maintained by the CITY, its officers, agents and employees shall be excess only and not contributing with insurance provided pursuant to this Section.

6.4 All insurance companies affording coverage to the CONSULTANT pursuant to this Agreement shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact business of insurance in the state or be rated as A-X or higher by A.M. Best.

6.5 All insurance companies affording coverage shall provide thirty (30) days written notice to the CITY should the policy be cancelled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.

6.6 CONSULTANT shall provide evidence of compliance with the insurance requirements listed above by providing a Certificate of Insurance and applicable endorsements, in a form satisfactory to the City Attorney, concurrently with the submittal of this Agreement.

6.7 CONSULTANT shall provide a substitute Certificate of Insurance no later than thirty (30) days prior to the policy expiration date. Failure by the CONSULTANT to provide such a substitution and extend the policy expiration date shall be considered a default by CONSULTANT and may subject the CONSULTANT to a suspension or termination of work under the Agreement.

6.8 Maintenance of insurance by the CONSULTANT as specified in this Agreement shall in no way be interpreted as relieving the CONSULTANT of any responsibility whatsoever and the CONSULTANT may carry, at its own expense, such additional insurance as it deems necessary.

7.0 **PROFESSIONAL ERRORS AND OMISSIONS INSURANCE.** Throughout the duration of this agreement and four (4) years thereafter, the CONSULTANT shall maintain professional errors and omissions insurance for work performed in connection with this Agreement in the minimum amount of One Million dollars ($1,000,000).

CONSULTANT shall provide evidence of compliance with these insurance requirements by providing a Certificate of Insurance.

8.0 **CONSULTANT'S INDEMNIFICATION OF CITY.** CONSULTANT shall indemnify and hold harmless the CITY and its officers, agents and employees against all claims or lawsuits for damages to persons or property arising out of the negligent acts, errors, omissions or wrongful acts or conduct of the CONSULTANT or its employees, agents, subcontractors or others in connection with the execution of the work covered by this Agreement, except for those claims arising from the willful misconduct, sole negligence or active negligence of the CITY, its officers, agents or employees. CONSULTANT'S indemnification shall include any and all costs, expenses, expert fees, attorneys' fees and liability assessed against or incurred by the CITY, its officers, agents or employees in defending against such claims or lawsuits, whether the same proceed to judgment or not. Further, CONSULTANT, at its own expense, shall, upon written request by the CITY, defend any such suit or action brought against the CITY, its officers, agents or employees resulting or arising from the tortious acts or omissions of the CONSULTANT.

CONSULTANT'S indemnification of CITY shall not be limited by any prior or subsequent declaration by the CONSULTANT.

9.0 **ERRORS AND OMISSIONS.** In the event that the Water Utilities Director determines that the CONSULTANT'S negligence, misconduct, errors or omissions in the performance of work under this Agreement has resulted in expense to CITY greater than would have resulted if there were no such negligence, errors or omissions in the plans or contract specifications, CONSULTANT shall reimburse CITY for the additional expenses incurred by the CITY, including engineering, construction and/or restoration expense. Nothing herein is intended to limit CITY'S rights under Sections 6, 7 or 8.

10.0 **NO CONFLICT OF INTEREST.** The CONSULTANT shall not be financially interested in any other CITY contract for this project. For the limited purposes of interpreting this section, the CONSULTANT shall be deemed a "City officer or employee", and this Section shall be interpreted in accordance with Government Code section 1090. In the event that the CONSULTANT becomes financially interested in any other CITY contract for this project, that other contract shall be

void. The CONSULTANT shall indemnify and hold harmless the CITY, under Section 9 above, for any claims for damages resulting from the CONSULTANT'S violation of this Section.

11.0 **OWNERSHIP OF DOCUMENTS.** All plans and specifications, including details, computations and other documents, prepared or provided by the CONSULTANT under this Agreement shall be the property of the CITY. The CITY agrees to hold the CONSULTANT free and harmless from any claim arising from any use, other than the purpose intended, of the documents, prepared or provided by the CONSULTANT. CONSULTANT may retain a copy of all material produced under this Agreement for the purpose of documenting their participation in this project.

12.0 **COMPENSATION.**

12.1 For work performed by CONSULTANT in accordance with this Agreement, CITY shall pay CONSULTANT in accordance with the schedule of billing rates set forth in Exhibit "A", attached hereto and incorporated herein by reference. No rate changes shall be made during the term of this Agreement without prior written approval of the Water Utilities Director. CONSULTANT'S compensation for all work performed in accordance with this Agreement shall not exceed the total contract price of $109,775.

No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the Water Utilities Director. CONSULTANT shall obtain approval by the Water Utilities Director prior to performing any work which results in incidental expenses to CITY as set forth in Section 13.2.2.

12.2 CONSULTANT shall maintain accounting records including the following information:

12.2.1 Names and titles of employees or agents, types of work performed and times and dates of all work performed in connection with this Agreement which is billed on an hourly basis.

12.2.2 All incidental expenses including reproductions, computer printing, postage, mileage and subsistence.

12.3 CONSULTANT'S accounting records shall be made available to the Water Utilities Director for verification of billings, within a reasonable time of the Water Utilities Director's request for inspection.

12.4 CONSULTANT shall submit monthly invoices to CITY. CITY shall make partial payments to CONSULTANT not to exceed the total contract price within thirty (30) days of receipt of invoice, subject to the approval of the Water Utilities Director, and based upon the following partial payment schedule:

12.4.1 Final payment shall be made to CONSULTANT upon CONSULTANT's completion of the study to the satisfaction of the Water Utilities Director.

13.0 **TERMINATION OF AGREEMENT.** Either party may terminate this Agreement by providing thirty (30) days written notice to the other party.
If any portion of the work is terminated or abandoned by the CITY, then the CITY shall pay CONSULTANT for any work completed up to and including the date of termination or abandonment of this Agreement, in accordance with Section 13.
The CITY shall be required to compensate CONSULTANT only for work performed in accordance with the Agreement up to and including the date of termination.

14.0 **ASSIGNMENT AND DELEGATION.** This Agreement and any portion thereof shall not be assigned or transferred, nor shall any of the CONSULTANT'S duties be delegated, without the express written consent of the CITY. Any attempt to assign or delegate this Agreement without the express written consent of the CITY shall be void and of no force or effect. A consent by the CITY to one assignment shall not be deemed to be a consent to any subsequent assignment.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

15.0 **ENTIRE AGREEMENT.** This Agreement comprises the entire integrated understanding between CITY and CONSULTANT concerning the work to be performed for this project and supersedes all prior negotiations, representations or agreements.

16.0 **INTERPRETATION OF THE AGREEMENT.** The interpretation, validity and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. The Agreement does not limit any other rights or remedies available to CITY.
The CONSULTANT shall be responsible for complying with all local, state and federal laws whether or not said laws are expressly stated or referred to herein.

Should any provision herein be found or deemed to be invalid, the Agreement shall be construed as not containing such provision and all other provisions, which are otherwise lawful, shall remain in full force and effect, and to this end the provisions of this Agreement are severable.

17.0 **AGREEMENT MODIFICATION.** This Agreement may not be modified orally or in any manner other than by an Agreement in writing, signed by the parties hereto.

18.0 **DISPUTE RESOLUTION.**

a. Any controversy or claim arising out of or relating to this Agreement, or concerning the breach or interpretation thereof, shall be first submitted to mediation, the cost of which shall be borne equally by the parties.

b. No suit shall be brought on this contract unless all statutory claims filing requirements have been met.

19. **NOTICES.** All notices, demands, requests, consents or other communications which this Agreement contemplates or authorizes, or requires or permits either party to give to the other, shall be in writing and shall be personally delivered or mailed to the respective party as follows:

TO CITY:	**TO CONSULTANT:**
City of Oceanside Water Utilities Director 300 North Coast Highway Oceanside, CA 92054	Robert S. Grantham Carollo Engineers 615 South Tremont Street Oceanside, CA 92054

Either party may change its address by notice to the other party as provided herein.

Communications shall be deemed to have been given and received on the first to occur:

a. Actual receipt at the offices of the party to whom the communication is to be sent, as designated above, or

b. Three (3) working days following the deposit in the United States mail of registered or certified mail, postage prepaid, return receipt requested, addressed to the offices of the party to whom the communication is to be sent, as designated above.

20.0 **SIGNATURES.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto for themselves, their heirs, executors, administrators, successors and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Professional Services Agreement to be executed by setting hereunto their signatures on the dates indicated below:

CAROLLO ENGINEERS

By: _____ VP

Name/Title Steven Swanbank

Date: 8/12/13

By: _____

Name/Title MICHAEL BARNES SECRETARY

Date: 8/12/2013

86-0899222
Employer ID No.

CITY OF OCEANSIDE

By: _____

Peter A. Weiss, City Manager

Date: _____

APPROVED AS TO FORM:

_____ ASST.
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of CONTRA COSTA

On 08/12/2013 (Date) before me, SUSAN LYNN WELSH, NOTARY PUBLIC (Here Insert Name and Title of the Officer),

personally appeared STEVEN G. SWANBACK & MICHAEL BARNES (Name(s) of Signer(s)),

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~/are subscribed to the within instrument and acknowledged to me that ~~he/she~~/they executed the same in ~~his/her~~/their authorized capacity(ies), and that by ~~his/her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

SUSAN LYNN WELSH
Commission # 2028037
Notary Public - California
Contra Costa County
My Comm. Expires Jul 5, 2017

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: Susan Lynn Welsh
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: PROFESSIONAL SERVICES AGREEMENT / WATER UTILITIES EFFICIENCY STUDY

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Individual

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Individual

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
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Item #5907

Exhibit A

PROPOSAL

CITY OF OCEANSIDE

Water Utilities Department

Efficiency Study

[750010711, 800010721]

March 2013

carollo

Engineers...Working Wonders With Water®

carollo

Engineers...Working Wonders With Water®

March 7, 2013

Ms. Cari Dale, Water Utilities Director
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Subject: Proposal to Provide Professional Services for the Water Utilities Department Efficiency Study [750010711, 800010721]

Dear Ms. Dale:

The City of Oceanside (City) Water Utilities Department (Department) has aggressively sought to implement environmentally and cost conscious programs, while undertaking capital investments to maintain long-term system reliability. The City has also entered a "new normal," experiencing increased rate pressures and reductions in per capita water demands. The Department will now undertake an organizational assessment study, during which several questions must be addressed. How does the Department efficiently deliver water, wastewater, and stormwater services? How do the study and the resulting action plan integrate with the Department's level of service objectives, the 2012 Strategic Plan, and the Integrated Water Utilities Master Plan?

Addressing these questions will aid the Department in achieving its overall vision. More directly, the organizational assessment process will provide a roadmap for the Department to achieve long-term efficiency savings.

We have assembled a team that is ideally suited to undertake this study. First, we are intimately familiar with your capital and operating programs, and will build from this existing knowledge. We have also conducted similar studies for agencies such as Albuquerque Bernalillo County Water Utility Authority, Denver Metro Wastewater Reclamation District, and Eastern Municipal Water District. Finally, we have assisted our clients to implement public-private partnerships throughout California and the country by identifying the specific advantages based on costs, delivery, and control, and then assisted these agencies through the contracting process.

We value the long-standing relationship we have with the City and view this study as a partnership with the Department and community at large. At the completion of this study, you will be able to move the plan forward with the discrete study recommendations and a long-range operational plan for the future.

Sincerely,

CAROLLO ENGINEERS, INC.

Robert S. Grantham
Vice President

RSG:alh

Enclosures

615 South Tremont Street, Oceanside, California 92054
P: 760-637-2700 F: 760-637-2701
carollo.com

Scope of Work

Carollo's approach to organizational and management studies is to work collaboratively with our clients while maintaining our independence. It is our firm's mission to facilitate sound decision-making and management by public officials and stakeholders by providing a solutions-oriented analytical approach to public sector management and financial issues. Our approach is oriented toward developing study recommendations that can be implemented and demystifying issues that might otherwise prevent the Department from moving forward to address key policy and strategic issues. Finally, the proposed approach is intended to identify critical needs, efficiency improvements, and system gaps, then provide an action plan for resolving identified issues.

1.0 STATEMENT OF WORK

Given the scope of this project, our approach involves developing, gathering, and reviewing data from a wide variety of sources using a number of different approaches and techniques. The intent of our proposed work plan is to perform a high-level review of the Department's processes, operations, and systems in order to identify areas needing a more in-depth review. At the completion of this study, Carollo will deliver a discrete set of recommended actions. Key elements of our work plan involve the following:

- Key stakeholder and employee involvement (visioning workshop, interviews);
- Review of documents and files;
- Key process and procedural reviews and analyses (identifying and evaluating business process flows);
- Organizational analysis (organizational structure, strengths, weaknesses, opportunities, and threats (SWOT) analysis);
- Best practices (National Advisory Council on State and Local Budgeting Recommended Practices, APWA Public Works Management Practices Manual, etc.);
- Operational review;
- Opportunities for public-private partnerships; and
- Benchmarking and performance measurement (surveying other similarly sized agencies).

1.1 Work Plan

The following task plan outlines our proposed work structure for undertaking the data review, policy review, analysis, and documentation of the study findings and process. Within this work plan, we have incorporated study deliverables for each scope of work element.

1.1.1 Task 1: Management and Coordination

Carollo is committed to working closely with designated Department personnel to accomplish the tasks of the organizational review. This coordination will be in the form of meetings, a communication plan, written updates, and ongoing communication with the Department.

1.1.1.1 Task 1.1 - Data Request

Carollo will prepare a written data request that will precede the project's visioning meeting (Task 2.1), so that readily available materials can be assembled and any remaining data needs can be reviewed and discussed. The data request will address the Department's policies and procedures, current organizational structure and its history, financial plans, reporting relationships, use of technology, staff responsibilities, strategic plans, and other relevant documents. We have already collected some information through our existing financial study work with the Department and Water Utilities Master Plan process.

1.1.1.2 Task 1.2 - Project Meetings

Carollo will participate in three (3) on-site meetings throughout the course of the study, including the visioning workshop and two progress meetings.

1.1.2 Task 2: Management Efficiency and Operations Review

This task will entail holding a visioning and planning workshop with staff; reviewing the Department's existing data; and interviewing select Department staff. The objectives of these tasks will be to assess the performance and effectiveness of the Department's operations and recommend value-added and cost-effective improvements as appropriate. A particular emphasis will be placed on the collection and distribution system operations.

Given the high-level nature of our review, recommendations may also include the need to further review specific aspects identified as "critical" to the Department's operations. Specific objectives of this task include:

- Review and assess preventive maintenance practices.
- Identify potential performance measure or use existing Department measures to assess performance;
- Assess workload and staffing;
- Evaluate work safety;
- Identify work processes and procedures to identify duplication of effort and inefficient steps or processes; and,

- Assess productivity of the Department.

1.1.2.1 Task 2.1 - Visioning and Planning Workshop

To facilitate the involvement of Department staff and our collection of information, Carollo will hold a visioning and planning workshop. We will develop and follow a workshop protocol that addresses specific areas related to the current state of the organization and its anticipated future direction. As a part of this protocol, Carollo will guide the workshop participants through a process that identifies key Department activities, resources, strategies, and goals, as well as organizational strengths and barriers. This exercise will develop a top-level depiction of the Department's flow of materials and processes and the desired results of these activities. The purpose of the process will be to gain an understanding of how the Department's activities, processes, and strategies are aligned with intended outcomes so that appropriate organizational recommendations are developed and recommended.

The intent of the visioning workshop is to build on the information already learned. Therefore, the specific discussion areas of the visioning workshops will be developed and refined after a review of the Department's documentation and initial discussions with staff. Areas that have already been articulated clearly through our documentation review will be presented and used in the discussion, when necessary, but will not be the focus of these sessions.

Specific areas for review in the visioning workshops may include:

- Operational processes/activities/strategies.
- Management/leadership.
- Decision making.
- Communication/reporting relationships/accountability.
- Current staffing levels.
- Required expertise/certification(s).
- Culture.
- Organizational growth or contraction.

Outcome of this work will include evaluation of management reporting lines. Organizations can have business service lines (i.e., water and wastewater as separate entities), functional service lines (i.e., field operations and electricians), or a hybrid of the two. The Department is currently structured along water and wastewater business lines, with the lab, data, and geographic information system (GIS) providing crossover services. We will examine if this structure provides the optimal means of service delivery, or where a crossover could provide efficiencies. This analysis can only be developed with a keen understanding of the differing water and wastewater operations and requirements and certifications.

1.1.2.2 Task 2.2 - Review of Department Records

We will review records and systems data provided by the Department, including, but not limited to: 1) documentation on operational policies and practices, 2) work order data or other cost accounting data detailing the work on the Department's operations, and 3) budget and staffing data.

Carollo will obtain electronic copies of materials when possible and will make copies of materials borrowed from the Department. Carollo will review and align the data and information gathered from its document review and visioning workshops to ensure consistency and to develop workflow maps of the Department's current processes, including structure, staffing levels and expertise, and reporting relationships. As necessary, Carollo will follow-up with the Department to obtain an understanding of organizational areas when written information is not available.

1.1.2.3 Task 2.3 - Stakeholder Interviews and Data Collection

We will interview the Department Director, the City's Finance Director, and three (3) assistant directors to identify/obtain additional important data or information not included, or discussed, as part of the visioning workshop and records review. These interviews will also collect information related to Department SWOT, and will serve as a means of sharing the results of our review for this task.

1.1.2.4 Best Management Practice Survey

We will also compare the Department's service levels and the organizational structure to comparable agencies in Southern California and industry standards, including best practices.

We will develop a survey to compare the City's Water Utilities Department to up to 10 water and wastewater agencies within San Diego County and Southern California. A particular emphasis will be placed on the distribution and collection system, as well as meter services. Information to be collected as part of this survey will include number of accounts and meters; annual service calls; annual water demands and water losses; number of full time equivalent employees; linear feet of pipe, number of value, hydrants, and pump/lift stations; annual feet of pipe flushed and values exercised; number of repairs; and annual replacement funding and/or capital replacements.

1.1.3 Task 3: Processing Streamlining Options and Outcomes

1.1.3.1 Task 3.1 - Operations Review

Carollo will conduct an operations staffing review for the City's treatment facilities and distribution and collection systems in order to identify process streamlining options and opportunities. As part of this process, Carollo will conduct the following:

a. Evaluate current staffing, work assignments, job descriptions, and workload:
   1) Plant operator.
   2) Plant supervisor.

3) Treatment specialist.
4) Treatment superintendent.
5) Other.

b. Review previous consulting reports, staff survey relies, and other relevant documents.

c. Assess interaction between human monitoring and existing automation and instrumentation.

d. Determine potential staffing schedules to adequately address the workload.

e. Describe contingencies to address vulnerabilities, as necessary.

f. Discuss potential migration approach and timeline, if determined to be necessary.

1.1.3.2 Task 3.2 - Outsourcing and Public-Private Partnerships

Carollo will evaluate the need and opportunity for outsourcing and/or public-private partnerships. The Department already utilizes third-party contracts, such as for its cogeneration facility. The City has embraced outsourcing in other departments. However, outsourcing must consider which operational elements can be outsourced and which elements must remain a City-delivered function based on the City's need for control.

The City has already identified a number of possible outsourcing opportunities, such as meter reading and maintenance. Carollo's review will identify opportunities based on delivery needs, cost savings, and available third-party service providers. Implementation would be conducted during a later study phase, outside of this preliminary study review.

1.1.3.3 Task 3.3 - Process Implementation Plan

Following this review, Carollo will develop a set of findings and recommend a process for implementation. The purpose of this process implementation plan is to provide the City with a discrete set of action items and next steps. This plan will also be a critical communication tool to allow staff to communicate the benefits of the study to the Utilities Commission for buy-off.

1.1.4 Task 4: Review Levels of Service and Organizational Structure

The structure of an organization plays an important role in its day-to-day functioning. An efficient structure facilitates delegation of authority, operationalized control, and communication systems. The organizational structure and design also determines the avenues through which an organization can achieve its long-term objectives and negate obstacles encountered on the way. Generally, organizations are structured around function or business units (based on products or services). Most utilities are a hybrid, organizing along business lines where strong identification for employees, the public, or elected officials is needed, but have aspects of functional design for administration, finance, and other staff support functions for improved efficiency.

Our review of the Department's current service levels and organizational structure will be incorporated, to some extent, in our collection and review of information for Task 2.

Through our visioning workshop, review of data, and interviews with staff, specific areas of interest for this task will include:

- Organizational charts and the duties and responsibilities for each division;
- Position descriptions for each division employee;
- Services and activities performed by each division; and
- Administrative and strategic set-up of the existing organizational structure.

1.1.4.1 Task 4.1 - Comparison of Levels of Service and Organizational Structure

Carollo will develop an overview of best practices, as it relates to levels of service and organizational structures. Carollo will also document the differences and benefits of organizational structures (functional versus business units) and how they may relate to the Department's needs.

1.1.5 Task 5: Evaluate Current Technology Use

We will provide an overview of the City's use of existing technology, challenges with the existing technology, and potential use of new technology. The technology review will also consider and account for streamlining through automation. As an example, we will examine converting the Department's construction bidding system to an online process. While this review is intended to provide a high-level overview, it will build on the Information Technology Master Plan, considering which aspects are underway and which aspects have and can be delayed.

1.1.6 Task 6: Utility Commission Presentation and Study Report, and Presentations to City Council

Based on the findings and recommendations of this study, Carollo will develop a draft and final report and present the study findings to the Utilities Commission.

1.1.6.1 Task 6.1 - Prepare Draft Report

After all analyses have been performed, Carollo will develop a draft report. The report will contain an executive summary that provides a clear and concise overview of the study and its recommendations. The main body of the report will provide additional detail and supporting charts and graphs. Carollo will provide the draft report for staff review and comment.

1.1.6.2 Task 6.2 - Prepare Final Study Report

Based on staff review and comment, Carollo will finalize the report and submit an electronic version of the final report to the City.

1.1.6.3 Task 6.3 - Utility Commission Presentation

Carollo will present the study findings and recommendations to the Utilities Commission.

Budget

Our level of effort, by a per-task basis task and materials, is presented in the table below and is based on the work plan presented earlier in this proposal. As requested in the RFP, we have included the estimated level of effort, by task, along with our hourly rates and costs. Labor costs are based on representative hourly labor rates by personnel classifications. Any additional scope requests will be performed on a time-and-materials basis per the rate schedule. We have included a Not-to-Exceed fee of $109,775.

We have also provided an estimated payment schedule based on the completion of key tasks.

Proposed Project Budget

Task Description	Labor Hours								Total Direct Labor	PECE	Travel	Total Cost
	Principal-in-Charge	Operational Review	Information Technology	Outsourcing	Senior Engineer	Analyst	Admin Support	Total Hours				
Hourly Rate	*$257*	*$236*	*$257*	*$257*	*$236*	*$149*	*$99*			*$11.70*		
Task 1 - Management and Coordination	26	18	10	0	0	0	6	60	$14,094	$702	$1,500	**$16,296**
Task 2 - Management Efficiency and Operations Review	10	34	10	8	6	22	0	90	$19,914	$1,053	$1,000	**$21,967**
Task 3: Processing Streamlining Options and Outcomes	2	40	0	24	10	6	0	82	$19,376	$959	$2,000	**$22,335**
Task 4: Review Levels of Service and Organizational Structure	14	10	0	10	0	30	0	64	$12,998	$749	-	**$13,747**
Task 5: Evaluate Current Technology Use	2	8	40	0	0	8	0	58	$13,874	$679	-	**$14,553**
Task 6: Utility Commission Presentation and Study Report, and Presentations to City Council	14	20	4	4	4	42	16	162	$19,160	$1,217	$500	**$20,877**
TOTAL	**68**	**130**	**64**	**46**	**20**	**108**	**22**	**516**	**$99,416**	**$5,359**	**$5,000**	**$109,775**

Proposed Monthly Payment Schedule

May 2013	June 2013	July 2013	August 2013	September 2013	October 2013	Total
-	$16,296	$21,967	$50,635	-	$20,877	**$109,775**

CAROLLO ENGINEERS, INC.
FEE SCHEDULE

As of January 1, 2013
California

	Hourly Rate
Engineers/Scientists	
Assistant Professional	$149.00
Professional	182.00
Project Professional	216.00
Lead Project Professional	236.00
Senior Professional	257.00
Senior Process Specialist	346.00
Technicians	
Technicians	111.00
Senior Technicians	157.00
Support Staff	
Document Processing / Clerical	99.00
Project Equipment Communication Expense (PECE) Per DL Hour	**11.70**
Other Direct Expenses	
Travel and Subsistence	at cost
Mileage at IRS Reimbursement Rate Effective January 1, 2013	$.565 per mile
Subconsultant	cost + 10%
Other Direct Cost	cost + 10%
Expert Witness	Rate x 2.0

This fee schedule is subject to annual revisions due to labor adjustments.