City of Annapolis
Budget Revision Request

Control number _____

Department:

Finance

Date 13-Feb-2018

Account Name Only	Transfer FROM	Transfer TO
Watershed Restoration Fund Balance	34,577.00	
Watershed Restoration Contract Services		34,577.00

A transfer is required to pay Stantec Consulting Services Inc., to provide services for a Watershed Restoration Enterprise Fund rate study for the upcoming FY 2019 budget. Due to the fact that there are not sufficient funds in the Watershed Restoration Fund's operating budget, a request is being made to transfer funds from the Watershed Restoration Fund's fund balance. See attached proposal from Stantec Consulting Services Inc. for additional information.

Approved for Financial & Accounting Sufficiency:

Finance Director

Department Director

Approved by:

Mayor

Finance Committee

City Council

City Manager

City of Annapolis
Finance Office
160 Duke of Gloucester Street
Annapolis, MD 21401-2517

Finance@annapolis.gov • 410-263-7952 • Utilities 410-263-7953 • Fax 410-263-7529 • TDD use MD Relay or 711 • www.annapolis.gov

February 13, 2018

MEMORANDUM

TO: Ross Arnett, Chair
City Council Finance Committee

FROM: Bruce T. Miller
Finance Director

RE: Stormwater Fund Balance Transfer

In preparation of the fiscal year 2019 budget cycle, the City has contracted with Stantec Consulting Services, Inc. to perform a rate study on the Watershed Restoration Enterprise Fund. Funds are being requested from the Watershed Restoration Fund's fund balance as there are not sufficient funds in the operating budget. Additional information on the rate study is included in the attached proposal from Stantec Consulting Services.

Stantec

December 8, 2017

Melissa Leaman, CPA
Deputy Finance Director
City of Annapolis
160 Duke Gloucester
Annapolis, MD 21401

Re: Financial Consulting Services - Water & Sewer Study Update and Stormwater Rate Study

Dear Ms. Leaman:

As requested, Stantec Consulting Services Inc. (Stantec) is pleased to present this proposal to provide an update to the City's water and sewer financial model and to conduct a comprehensive stormwater rate study. Our proposal includes a detailed work plan based on our experience with the City and our understanding of the City's current approach to billing for stormwater service.

Our proposed scope of work and detailed work plan are enclosed for your review. The work plan has been broken down into two primary work elements including those tasks associated with the water and sewer model update and the tasks associated with the stormwater rate study. The work plan shows that the water and sewer rate study can be completed for $10,300 and the stormwater rate study can be completed for $34,577. Based upon this cost estimate, we propose to complete the projects for a lump sum cost of $44,877 that would be invoiced monthly based upon the percentage of each task completed.

We appreciate the opportunity to present this proposal and look forward to working with you on this study. If you have any questions, please do not hesitate to call me at (443) 538-1175.

Very truly yours,

David A. Hyder,
Principal

Stantec
1101 14th Street NW, Suite 1200, Washington DC 20005
Phone: 443-538-1175 • E-mail: David.hyder@stantec.com

SCOPE OF WORK

Our proposed scope of work and individual tasks for the water and sewer rate study update and the stormwater fee study are outlined below.

Work Element I - Water and Sewer Rate Study Update

The primary tasks associated with the water and sewer rate study update will include the following activities.

- Task 1 – Model Update - The City's water and sewer financial model will be updated with the actual operating results and the enterprise fund budgets. The updates will be completed in support of the City's annual budget process. The financial model will be used to evaluate the adjustments to water and sewer rates to ensure the ongoing sustainability of the water and sewer enterprise funds. The update will also evaluate the how City fund's the capital improvement plan with cash or issuance of debt.

- Task 2 – City Staff Work Session - Our project team will meet with the City staff during one work session to review the results of the model update and the recommended future rate adjustments.

- Task 3 – Documentation - The results of the water and sewer rate study will be documented in a concise report outlining our finding, conclusions and recommendations.

Work Element II - Stormwater Rate Study

It has been a number of years since the City last has a formal stormwater rate study completed. So, unlike the water and sewer rate study which will be an update, the stormwater rate study will be more comprehensive in nature. The primary tasks associated with the stormwater rate study will include the following activities.

- Task 1 – Revenue Requirements - Our project team will develop of a stormwater utility financial model to document the stormwater system annual revenue requirements. The model will including the historical and planned operating and capital expenses associated with the City's stormwater management program. The model will incorporate the system capital costs that were developed by AECOM. In addition the model will incorporate the annual maintenance costs associated with the capital projects. The model will be designed to allow for evaluation of various level of service within the City based on the range of operating and capital costs.

- Task 2 – Revenue Sufficiency Analysis – The financial model will be used to evaluate the sufficiency of the existing stormwater revenues to meet the revenue requirements at varying levels of service. Necessary adjustments to stormwater fees will be documented for each level of service.

- Task 3 – Stormwater Fee Structure Analysis – The City currently bills residential customers a flat stormwater fee per quarter regardless of the characteristics of the individual

parcels. Non-residential parcels are billed based on measured impervious area. Our project team will evaluate alternative stormwater fee structures for the City's residential parcels. This analysis will require the City to provide an impervious area layer for all residential parcels. Our project team will evaluate the distribution of impervious area on residential parcels to determine if an alternative fee structure would be appropriate, such as stormwater fee based on tiered grouping of impervious area. As part of this task we will develop a maximum of two alternative residential stormwater fee structures.

- Task 4 – Study Documentation – Our project team will document the stormwater rate study in a concise report outlining our findings, conclusions and recommendations. In addition we will develop presentation materials for a work session with the City Council.

- Task 5 – Council Presentation – Our project team will participate in a work session with the City Council to review the results of the study and to provide our recommendations for the Council's consideration.

During the course of the study we will participate in two work sessions with City staff to review the results of the study in addition to a project kickoff meeting.

SCHEDULE

Our project team can began work on the study for the City within a week of notice to proceed. We can provide a draft report for the water and sewer rate study within 90 days of notice to proceed and a stormwater rate study draft report within 120 days of notice to proceed. These schedule are dependent on the City providing data necessary for the analysis within one week of notice to proceed.

DETAILED WORKPLAN AND FEE ESTIMATE

Based on our proposed scope of work, we have developed the following detailed workplan and estimated level of effort for the study.

City of Annapolis, Maryland

Water and Sewer Rate Study update and Stormwater Rate Study

Project Work Plan and Cost Estimate

	Project Tasks	Project Director	Project Consultant	Project Analyst	Project Admin	Total Project
Work Element 1:	**Water and Sewer Rate Study Update**					
Task 1	Water and Sewer Model Update					
1.1	Prepare initial data request list and submit to City staff.	0	2	0	2	4
1.2	Analyze customer billing data from prior year and populate the financial model with actuals.	1	2	4	0	7
1.3	Update financial model with actual and budgeted revenues and expenses.	1	4	6	0	11
1.4	Analyze funding of capital improvement plan based on rate impacts.	1	2	1	0	4
1.5	Review revenue sufficiency of existing rate plan and adjust to develop recommended rate plan.	2	2	1	0	5
Task 2	City Staff Work Session					
2.1	Conduct work session with City staff to review results of the model update and recommended plan.	2	0	0	0	2
Task 3	Documentation					
3.1	Develop water and sewer rate study update draft report and submit to City staff for review.	4	6	6	0	16
3.2	Address City staff comments and edits and submit final report.	2	2	2	0	6
Total Estimated Labor Hours		13	20	20	2	55
Total Estimated Fee						$ 10,000
Estimated Expenses						$300
Total Not-to-Exceed Fee						$10,300

City of Annapolis, Maryland

Water and Sewer Rate Study update and Stormwater Rate Study

Project Work Plan and Cost Estimate

Project Tasks		Project Director	Project Consultant	Project Analyst	Project Admin	Total Project
Work Element 2:	**Stormwater Rate Study**					
Task 1	Revenue Requirement Develop - Financial Model					
1.1	Prepare initial data request list and submit to City staff and conduct kickoff meeting with City staff (Meeting #1).	2	0	2	2	6
1.2	Populate financial model with stormwater management operating and capital costs.	2	4	12	0	18
1.3	Develop level of service scenarios based on increased capital spending and system maintenance.	4	6	8	0	18
1.4	Model anticipated funding plan for capital improvement projects.	1	2	4	0	7
Task 2	Revenue Sufficiency Analysis					
2.1	Analyze the City's current billing units for stormwater service and populate model with billing determinates.	2	2	2	0	6
2.2	Develop revenue forecast based on stormwater fees and billing determinates.	2	2	2	0	6
2.3	Evaluate revenue sufficiency of existing stormwater fee at various levels of service.	2	2	4	0	8
2.4	Develop recommended revenue adjustment plant based on level of service.	2	2	4	0	8
2.5	Meet with City staff to revenue financial model and revenue sufficiency (Meeting #2).	2	0	0	0	2
2.6	Make adjustments to financial model based on input from City staff during work session.	2	2	2	0	6
Task 3	Stormwater Fee Structure Analysis					
3.1	Analyze impervious area data provided by the City. Conduct statistical analysis of residential property impervious.	3	6	10	0	19
3.2	Develop alternative stormwater fee structures for residential property owners based on statistical analysis of impervious area.	4	4	10	0	18
3.3	Develop stormwater fee forecast based on alternative fee structure.	2	4	6	0	12
3.4	Meet with City staff to review the stormwater fee alternatives (Meeting #3).	4	4	0	0	8
3.5	Modify fee structures based on input from City staff.	0	4	0	0	4
Task 4	Study Documentation					
4.1	Develop stormwater rate study draft report and submit to City staff for review.	6	4	10	2	22
4.2	Address City staff comments and edits and submit final report.	2	2	4	0	8
Task 5	Council Presentation					
5.1	Prepare for and attend a work session with the City Council to review the study.	4	4	0	2	10
Total Estimated Labor Hours		46	54	80	6	186
Total Estimated Fee						$30,570
Estimated Expenses						$1,007
Total Not-to-Exceed Fee						$34,577