

MEMORANDUM

DATE: January 6, 2022

TO: THOMAS C. ESQUEDA, City Manager
City Manager's Office

FROM: CHERYL BURNS, MPA, Senior Management Analyst **CB**
Department of Public Utilities

SUBJECT: UNIQUE QUALIFICATIONS OF MUNICIPAL FINANCIAL SERVICES TO
PROVIDE FINANCIAL CONSULTANT SERVICES FOR DPU WATER
DIVISION AND WASTEWATER MANAGEMENT DIVISION

The purpose of this memorandum is to request the City Manager establish Municipal Financial Services as a uniquely qualified professional consulting services provider to develop five-year rate plans for the Water Division and Wastewater Management Division. City Manager approval is necessary pursuant to Administrative Order 06-19, which would thereby allow the Department of Public Utilities (DPU) to dispense with the City's standard Request for Qualifications Process and enter into an agreement with the provider for consulting services.

On June 16, 2016, City Council awarded an agreement to Municipal Financial Services for water and wastewater rate consulting services to develop five-year rate plans for the Water Division and Wastewater Management Division, following a competitive bidding process.

Five-year rate plans were completed for the Water Division and Wastewater Management Division in September 2018. DPU asked Council for authorization to proceed with a Proposition 218 rate-setting process on October 11, 2018, but authorization was not granted. On January 31, 2019, DPU presented a workshop to City Council outlining the need for rate adjustments for each division, however there was no direction to move forward with the rate setting process at that time.

On December 5, 2019, DPU executed a First Amendment to Agreement with the consultant to extend the term of the agreement to December 31, 2021, to complete the project. Due to other priority issues that have arisen in the City over the last couple years, including responses to the COVID-19 pandemic, the rate-setting process has not moved forward.

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Too much time has passed for the original rate studies that were completed in 2018 to retain their validity. New regulations and other factors have continued to impact Water Division and Wastewater Management Division finances, so the rate studies will need to be re-assessed and updated to incorporate these factors. These updates could not be completed prior to the expiration of the previous agreement on December 31, 2021.

Municipal Financial Services is a qualified financial consulting service provider with expertise in rate setting for water and wastewater utilities and an extensive knowledge of DPU's water and wastewater operations and finances. The consultant has spent the last five years developing a comprehensive understanding of the nuances related to Fresno's complex water and wastewater operations while analyzing and advising on all aspects of rate structures. Municipal Financial Services is knowledgeable in industry best practices and is able to provide input and guidance on the financial impacts of new regulatory requirements impacting water and wastewater services. All work performed by Municipal Financial Services to date has been completed to DPU's satisfaction in a timely and professional manner.

DPU has obtained updated proposals from the consultant to perform the necessary tasks to update the rate studies. Municipal Financial Services' qualifications, combined with the consultant's understanding of the nuances of Fresno's water and wastewater operations, and the work already completed to analyze Water Division and Wastewater Management Division finances, make Municipal Financial Services uniquely qualified to reassess and update the rate studies for the Water and Wastewater Management Divisions.

Approved Denied



Thomas Esqueda, City Manager



Date