



**Water & Waste Water
Cost of Service, Rate Review and Financial Plan Study**

SEALED PROPOSALS marked clearly as to their contents, will be received by the undersigned until:
12:00 Noon, Friday, May 14th, 2010

The Municipality of North Grenville wishes to undertake a Cost of Service, Water Rates Review and Financial Plan Study for its water and waste water system. The study is to examine operating and capital costs over the next 10 years and to determine how costs should be recovered to ensure sustainable service delivery over time.

The study is to result in a ten-year Financial Plan to be approved by council and submitted to the Ministry of the Environment in compliance with Ontario Regulation 453/07 under the Safe Drinking Water Act, 2002.

A duly authorized official of the proposing company must sign the Proposal document. Full name, address and contact telephone numbers must be included with the submission for the proposal to be considered valid. The completed and signed proposal (together with all required attachments as outlined in this invitation) must be returned to the Public Works Department on or before the time and date of the receipt of proposals shown above.

Six (6) copies of the submission are required for distribution to the Selection Committee and shall be no longer than ten (10) pages in length, excluding appendices and Curriculum Vitae. Submissions that exceed the length restriction will not be considered.

For further information regarding this request for proposal, please contact Karen Dunlop, Director of Public Works at 613-258-7612 ext. 132 or kdunlop@northgrenville.on.ca. For questions on submitting your proposal, contact Christa Stewart at 613-258-7612 ext. 133

Proposals will be accepted at the North Grenville Municipal Centre, 285 County Road #44, Kemptville, Ontario no later than 2:00 pm, May 14th, 2010.

LOWEST OR ANY PROPOSAL NOT NECESSARILY ACCEPTED



1. INTRODUCTION

The Municipality of North Grenville is seeking the services of a consulting firm or consortium of firms to undertake a Cost of Service, Water Rates Review and Financial Plan Study.

The purpose of the study is to develop a 'Financial Plan' that will enable the Municipality to establish long term sustainable funding based upon life-cycle principles of its Water & Waste Water Systems and to satisfy the licensing requirements under the Safe Drinking Water Act, O. R. 453/07, Financial Plans.

Ownership of Work Product:

All plans, drawings, submittals, electronic spreadsheets and other documents submitted to the Municipality by the proponent become and are the property of the Municipality, and the Municipality may, without restriction, make use of such documents and underlying concepts as it sees fit. The proponent shall not be liable for any damage that may result from any use of said documents for purposes other than those described in this proposal.

2. BACKGROUND

The water and waste water systems in the Municipality of North Grenville are operated under a single tier system wherein the Municipality of North Grenville operates and maintains the water treatment /distribution systems and the waste water treatment/ collection systems.

The Municipality of North Grenville maintains and operates 38 kilometers of water distribution mains within the Municipal boundaries. There are 240 public hydrants providing fire protection and 300 valves of various sizes (plus 1500 curb stops) for controlling water flow. Within the network, there are nearly 1500 service connections supplying water to approximately 4000 residents and various business and industrial locations. The distribution system is one pressure zone. Water is supplied to the urban core through a network of three wells, pumping stations, control valves and reservoirs. Treated water from this supply network is monitored on-line 24 hours per day by operators through the SCADA (System Control and Data Acquisition) system.

The Municipality of North Grenville operates and maintains the sanitary sewer collection system comprised of 38 kilometers of main pipe, 261 manholes, 1500 services and 3 pumping stations. The sanitary collection system is divided into three (3) drainage basins which deliver raw sewage to the Treatment Plant operated by the Municipality of North Grenville. The pumping stations are monitored by SCADA System.

A review conducted in 2007 (Infrastructure Life-Cycle Analysis) identified an annual shortfall of sustainable revenue for the water and waste water systems. This looked at operational, capital and asset management processes.

In 2008, a preliminary multi-year business plan was developed as a strategy for increasing water and waste water rates to attain sustainable revenue streams.

The water and waste water systems are operated and maintained by the Municipality and are 100% funded through user fees (i.e. water and waste water rates) and do not rely on municipal taxes.

All water and waste water meter reading and billing services are provided by the Municipality. All water meter maintenance, repairs, stores, inventory, procurement, training, etc. are performed by the Municipality.

3. PROJECT DESCRIPTION

Study Goals

The goals of this assignment are to:

- Carryout a "Cost of Service" study to determine the monies required to sustain the Municipality's water and waste water infrastructure over the next 10 years.
- Carryout a "Cost Recovery" study to determine the options and best means for recovering the above monies, including review and update of the existing Rate Study.
- Develop a "Financial Plan" that will enable the Municipality to implement a cost recovery plan to satisfy the licensing requirements under the Safe Drinking Water Act. The Plan will address both systems (water and waste water).

Study Objectives

Specific objectives of this study are as follows:

- Develop a "**Financial Plan**" that will enable the Municipality to implement a cost recovery plan and to satisfy the licensing requirements under the **Safe Drinking Water Act**. The Plan will address both systems (water and waste water). **Must meet or exceed the requirements of Ontario Regulation 453/07**
- To determine the full cost to plan, operate and maintain the existing water and waste water systems at current levels of service over 10 years commencing in 2010, analyzed according to: capital and operating budgets, direct and indirect costs, and by customer billing class.
- To determine the portion of the above costs that are attributable to Corporate activities and support services (i.e. indirect costs for services such as asset management, engineering services, corporate communications, billing/ finance, legal, etc.) and therefore, costs that should be provided as a transfer to general accounts.
- To confirm the levels of service required by the above corporate and support services.
- To determine and confirm the average annual capital requirement over the 10 year horizon and identify a minimum Reserve Fund balance for each system in 2010 dollars, distinguishing between maintenance versus betterments/capital (per PSAB 1350) and using industry standards as appropriate.

- To document the capital and operating budget requirements for the 10 year period commencing for the year 2010.
- To identify and assess alternative revenue sources for each system, and to determine the most appropriate mix of funding sources that allows for full cost recovery, in consultation with internal and external stakeholders.
- To identify and assess alternative rate structures and to determine the most appropriate rate structure for implementation commencing fiscal year 2011, in consultation with internal and external stakeholders. The proposed water & waste water rates will:
 - Be fair and objective and ensure that water service is provided on a self-sustaining basis
 - Fund capital and operating/maintenance programs on a life-cycle basis
 - Provide a stable revenue stream with minimal volatility
 - Be supportive of water conservation principals
 - Provide affordable water for the basic, essential water needs of residential water consumers
 - Address the interdependence of waste water revenues on water consumption, yet provide the different revenue requirements for water and waste water revenue requirements
- To review present water and sewer usage billing practices and make recommendations for possible changes or improvements.
- To provide Council with timely updates and one or more opportunities to make decisions at key milestones in the project. Note: Reports to Committee have a two week lead time.
- To develop and populate a ten year capital and operating Excel spreadsheet model; and to develop and populate a rate calculation Excel spreadsheet model, use it to assess accordance with the approved approach. These models are to be supported by the detailed business processes needed to maintain the model.
- To complete the work in accordance with Ontario Regulation 453/07 Financial Plans under the Safe Drinking Water Act, 2002.
- To complete the above work no later than **August 30, 2010**.

Study Area

Urban Service Area of the Municipality of North Grenville

Rate Study Requirements

The study is to be performed in conformance to the following directions:

1. The recommended rate structure will be based on the cost of service and is to be sufficient to meet the short and long-term (i.e. life-cycle, sustainable) revenue requirements of the Municipality's water and waste water systems.
2. The recommended rate structure will consider the type and amount of reserves appropriate to the Municipality's water and waste water operations taking into consideration reserves for cash flow, catastrophes, infrastructure replacement and other appropriate purposes.
3. The recommended rate structure will be easy to administer and understand.
4. The proposed rate structure must take into consideration and be compatible with the Municipality's billing system capabilities (to be assessed as part of the study).
5. Any revenue deficiencies identified in the study will be addressed through recommended future rate increases beginning in 2011 in a manner that will minimize or avoid 'rate shock' to the consumers.

6. The proposed rate structure will be subjected to a rigorous 'rate sensitivity' analysis to ensure that the new rate structure will initially maintain 'revenue neutrality' with the existing rate structure.
7. The proposed rate structure will provide affordable potable water for the base/essential water needs of residential consumers.
8. The proposed rate structure will be designed to minimize volatility of revenue streams.
9. Justifications for any classes of customers under the recommended rate structure will be demonstrated.

4. DELIVERABLES

Your proposal shall ensure provision of the following deliverables:

- A Cost of Service Study
- A Financial Plan that meets or exceeds the requirements of Ontario Regulation 453/07 for remittance to the Province for application for water system operational license
- Identification and documentation of Levels of Service associated with all **indirect** services
- A Cost of Recovery Study, including review and analysis of alternative revenue sources and strategies
- A Rate Study including evaluation of rate models employed elsewhere and a recommended rate structure for North Grenville
- Financial and Rate Making spreadsheet models
- Appropriate training for Municipal staff on the ongoing use of the financial and rate models including:
 - Classroom demonstration, in-class and hands-on user training of models
 - Full documented user manuals for financial and rate making models
- Development and implementation of a Public Consultation & Communication Plan as part of the study time lines
- Ten (10) bound copies, one (1) unbound single-sided copy and a CD copy shall be provided of the final report as well as CD copy of the Finance and Rate making models.

5. BUDGET AND PAYMENT TERMS

The total budget for this project shall cover all consultant fees and disbursements to complete the tasks listed in these terms of reference. The selection of the consultants will be **primarily** based on technical merit, with secondary importance placed on cost. A list of the evaluation criteria is included.

The consultant's fees will be subject to a payment schedule based on the project deliverables with 50% of the fee payable upon receipt of the Draft Report and 50% payable upon receipt of the Final Report.

All printed materials must be fully reproducible and available to the Municipality in digital format (Microsoft Word and PDF format)

7. REPORTING

The Consultant will report to the Director of Public Works who will chair the Municipality's Project Team.

8. PROJECT SCHEDULE

May 14th, 2010, 2 PM	Closing date
May 18th, 2010 if required	Short Listing Selection
TBD based on number and scheduling	Interviews of Short Listed Firms
May 21st, 2010, 1:30 PM	Contract Award

9. PROPOSAL REQUIREMENTS

Six (6) copies of your proposal are required and shall be limited to a maximum of ten (10) pages, excluding the hourly task breakdown chart, project schedule and appendices. In addition, curriculum vitae, company promotional literature, photographs, etc. may be included in the appendices. References to the Consultant's web page and/or any external communication material will not be considered or evaluated as part of the Proposal Submission.

The proposal shall include the following:

1. An understanding of the project.
2. Description of the philosophy, approach and method to be used in completing the project tasks.
3. Identification of all sub-consultants.
4. Information including names, titles, roles and expertise of the Consultant Team members. An estimate of hours and fees per position for each task must be prepared and provided to the Municipality in hard copy in a Gantt chart format, i.e. Microsoft Project.
5. Identification of any staff time or information requirements from the Municipality or other agencies/organizations, which have not been addressed in these Terms.
6. The total estimated cost of the study including separate cost estimates for each consultant team member for each task of the work plan. Per Diem rates for all project team members based on a 7.5 hour work day should be clearly noted. The total estimated cost including disbursements for the work proposed shall be considered in the upset limit.
7. A proposed critical path outline for the study setting out the timing and number of meetings for the Project Team and public information centers/meetings. In addition, the outline will set out the timing for the delivery of Progress Reports.
8. The structure and reporting relationships within the consulting team and between the consultant and Municipal Staff will be fully described.
9. A list of current projects and clients (municipal and private) within Ontario and a list of similar work that the Consultant Team has completed including the names and contact information of three references for recent similar projects.
10. Disclosures of any potential conflict of interest by each member of the project team.

10. CONSULTANT SELECTION PROCESS

The Municipality of North Grenville reserves the right to select a successful proponent based on the submissions received. Interviews may be conducted to assist in making a final decision. If this option is invoked then the short-listed firms will be invited for interviews, comprised of a 20-minute presentation and 20 minute question and answer period.

The Municipality of North Grenville reserves the right to request additional information, to award a reduced version of the proposed work or to not accept any proposals.

The proposals will be evaluated using a weight based evaluation matrix which shall include but not be limited to the following criteria:

- Approach to Work Plan
- Understanding of Study Issues and Context
- Demonstrated Expertise in Cost of Service and Rate Making
- Consultant Team Composition
- Ability to meet Project Schedule
- Cost