

**WATER AND ENVIRONMENTAL SERVICES
MEMORANDUM # 07-07**

DATE: August 23, 2007

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: A.J. Krieger, City Manager
David Allen, Director of Water and Environmental Services

SUBJECT: CR-80 – Water and Wastewater Fund Financial Analysis
Addendum #1 – Additional Services

RECOMMENDATION:

Attached to this memorandum is a Resolution which, if approved, would authorize the Mayor to execute Addendum #1 to the Professional Services Agreement between the City of Northglenn and Red Oak Consulting (Red Oak) to provide additional services in the amount of \$29,500. Staff recommends approval of the proposed addendum.

BACKGROUND:

On October 27, 2005, the City Council approved Staff Report 05-27 to execute a Professional Services Agreement (PSA) between the City and Red Oak Consulting (Red Oak) to complete a financial evaluation of the revenues and expenses of the City's Water and Wastewater Fund. The scope of the PSA included the development of a 10-year financial plan, evaluation of several cash flow alternatives, and recommendations for future rates and connection charges.

Red Oak completed the initial phases of the work in June 2006. However, at that time, the City was still working on several long term planning studies such as the Integrated Water Resource Plan, Television Inspections of the Wastewater Collection Systems, and Water and Sewer System Master Plans. Since the findings of these ongoing planning studies could directly affect the City's priorities for investing in future water and wastewater capital improvements, the City directed Red Oaks to postpone the completion of the financial analysis.

The Integrated Water Resource Plan was finalized in May 2007, and the remaining planning studies will be completed this year. Addendum #1 would allow Red Oak to:

- Update the financial model to include the most current budgetary information;
- Conduct a cash flow analysis of a capital program that incorporates the findings and recommendations of the outstanding planning studies; and
- Provide recommendations for future rates and connection charges based on the most current information available.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed Addendum #1.

BUDGET/TIME IMPLICATIONS:

There is no impact to the General Fund. The cost to provide the additional services is \$29,500.00. There are sufficient funds in the 2007 Water and Sewer Fund Capital Improvement Budget (account number 510.69272.000.3999.828) to pay for the additional services provided by Addendum #1.

STAFF REFERENCE:

If Council Members have any comments or questions, they may contact David Allen at (303) 450-8783 or dallen@northglenn.org.

SPONSORED BY: COUNCIL MEMBER MARTIN

COUNCILMAN'S RESOLUTION

RESOLUTION NO.

No. CR-80
Series of 2007

Series of 2007

A RESOLUTION APPROVING A FIRST ADDENDUM TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN THE CITY OF NORTHGLENN AND RED OAK CONSULTING

WHEREAS, the City of Northglenn entered into a Professional Services Agreement dated October 27, 2005 with Red Oak Consulting for services relating to a water and wastewater rate and connection charge study; and

WHEREAS, the parties desire to supplement the Agreement with the attached Addendum #1 to allow for an additional scope of services for the completion of the financial analysis.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

The First Addendum to the Professional Services Agreement between the City of Northglenn and Red Oak Consulting is hereby approved and the Mayor is authorized to execute same on behalf of the City of Northglenn.

DATED, at Northglenn, Colorado, this _____ day of _____, 2007.

KATHLEEN M. NOVAK
Mayor

ATTEST:

DIANA L. LENTZ, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney

ADDENDUM #1 TO AGREEMENT FOR PROFESSIONAL SERVICES

THIS FIRST ADDENDUM TO AGREEMENT FOR PROFESSIONAL SERVICES is made and entered into this ____ day of _____, 2007, by and between the CITY OF NORTHGLENN, State of Colorado (hereinafter referred to as the "City") and Red Oak Consulting (hereinafter referred to as "Consultant").

RECITALS:

A. On October 27, 2005, the City and Consultant entered into an Agreement for Professional Services for civil engineering services (the "Agreement").

B. The parties desire to supplement the Agreement with this Addendum #1 to allow for additional services that were not included in the original scope of services.

AGREEMENT

NOW, THEREFORE, it is hereby agreed that for the consideration hereinafter set forth, that Consultant shall provide to the City, professional engineering services as needed in the manner provided in the Agreement.

1. The Scope of Services in the Agreement is hereby supplemented to include the additional scope of services for the design services attached hereto as **Exhibit A-1**, and incorporated herein by this reference (the "Additional Scope of Services"). Consultant shall commence work on the Additional Scope of Services immediately following execution of this Agreement by the City and Consultant.

2. Subparagraph A. of Article IV entitled "Compensation" is hereby amended to reflect the following:

A. In consideration for the completion of the services specified in this Addendum by Consultant, the City shall pay Consultant an amount not to exceed twenty-nine thousand five hundred dollars (\$29,500) for the Additional Scope of Services.

3. The original Agreement is in full force and effect and is hereby ratified by the City and the Consultant. The original Agreement and this Addendum constitute all of the agreements between the City and the Consultant.

IN WITNESS WHEREOF, the parties hereto each herewith subscribe to the same in duplicate.

CITY OF NORTHGLENN, COLORADO

By: _____
Kathleen M. Novak, Mayor

ATTEST:

Diana L. Lentz, City Clerk

APPROVED AS TO FORM:

Corey Y. Hoffmann, City Attorney

CONSULTANT

By: Jim A. Sullivan
Principal Consultant 8/13/07
Title Date

ATTEST:

[Signature]
Vice President 8/13/07
Title Date



August 8, 2007

Mr. David Allen, P.E.
Water and Environmental Service Manager
City of Northglenn
11701 Community Center Drive
Northglenn, CO 80233

Dear Mr. Allen:

In October 2005, the City of Northglenn (City) authorized Red Oak Consulting (Red Oak) to conduct a water and wastewater rate and connection charge study. The initial part of the study was completed with the financial plan workshop held on June 29, 2006. Following the workshop, City representatives decided to put the rate study on hold to allow completion of the water resources and water and wastewater system master plans and other operational changes.

In our meeting on June 11, 2007, you indicated that Red Oak should begin its preparation for re-starting the rate study. Our preparation includes submitting this change order request for supplemental services not included in the original basic scope of services and providing the attached updated data request list.

Red Oak has identified the following tasks which are supplemental to the basic scope of services included in the original rate study agreement.

1. **Analysis of 2006 Billing Data.** Red Oak will acquire, organize, verify and analyze utility billing data for 2006. To date only 2004 and 2005 data has been analyzed.
2. **Analysis of 2006 Actual and 2007 Budget Financial Data.** Red Oak will expand the financial plan model to include additional data. This will require organizing the financial data into the 2007 Budget object codes and detailed line items.
3. **Update of Capital Improvement Program.** Red Oak will update its financial plan forecast to include the most recent capital improvement program.
4. **Update Cash Flow Scenarios.** Red Oak will update the 10-year study period to include the years 2007 through 2016. Red Oak will modify the operating and capital financial plans to reflect 2007 budgeted data.
5. **Cost of Service Analysis.** Red Oak will update the cost of service model framework to include changes in customer classes, system demands, and class service characteristics indicated by the 2006 billing data.
6. **Rate Design.** Red Oak will update the rate design model framework to include changes necessitated by the 2006 billing data.
7. **Connection Charges.** Red Oak will update wastewater connection charges developed in January 2006 to reflect changes in the financial and operational information as well as changes in the charges structure.

In our telephone discussion today, you requested Task 700 of our Basic Scope of Services in the October 27, 2005 Agreement be modified to exclude City Council briefings, one of the two City Council work sessions, and the City Council regular session. We have provided a fee credit for this modification.

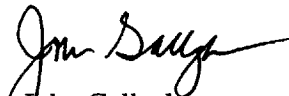
We are requesting that the Professional Services Agreement fee amount be increased by \$29,500 to include funds for the Supplemental Services net of the revision in the Basic Scope of Services. The following chart shows the cost breakdown for each task.

Task No.	Description	Hours	Fee
Supplemental Services			
1	2006 Billing Data Analysis	44	\$ 6,200
2	2007 Budget Data Inclusion	44	6,200
3	CIP Update	24	3,600
4	Cash Flow Scenarios	52	7,240
5	Cost of Service Analysis	10	1,540
6	Rate Design	20	3,080
7	Connection Charges	44	6,200
	<i>Subtotal</i>	238	\$34,060
Basic Services Revision			
700	Eliminate Council Briefings, One Council Work Session, and One Council Regular Session	(24)	(4,560)
Total		214	\$29,500

I appreciate your consideration of this change order request. Please call me to discuss any questions you may have regarding this request.

Very truly yours,

RED OAK CONSULTING
 A Division of Malcolm Pirnie, Inc.


 John Gallagher
 Principal Consultant

