



**REQUEST FOR PROPOSALS
FOR PROFESSIONAL SERVICES**

FOR

**COMPREHENSIVE UTILITY
CAPITAL PLANNING
AND RATE STUDY**

January 11, 2022

Project Overview

The City of Inver Grove Heights is soliciting interest from qualified consulting firms with expertise in providing professional services in analyzing and projecting utility rates for Water, Sewer, and Stormwater utilities to ensure adequate funding to cover costs of operation, system expansion, current and future bonding, and building/maintaining adequate reserves to continually update and maintain the capital infrastructure.

As part of this effort the consultant team will be expected to look at and quantify upcoming future repair and replacement needs for all three utility systems. Understanding of potential needs over the next 20 years is key to planning a rehabilitation funding program, as aging systems can require major capital investments to ensure continued operation. These infrastructure systems age and fail with different and variable life cycles and varying levels of rehabilitation requirements. Using the age and type of infrastructure, as well as experience, the consultant team will need to provide a rationale based high-level estimate of the upcoming infrastructure rehabilitation needs for the City's three utility systems. This information will inform the longer-term utility rate structure goals and needs.

This analysis will also examine the various rates, fees, and charges that are used to raise revenue from different users of the different utilities and recommend changes to simplify and streamline the utility billing processes, as appropriate.

Questions that this analysis should help answer include:

- Is the current rate structure fair to different residents of IGH (rural vs. urban, new vs. older, single-family vs. other property types)?
- Is the current rate structure reasonable to administer?
- Can the current rate structure be easily articulated to residents and policy makers?
- Is the City bringing in enough money to meet current and future needs?
- Is there a simplified system of connection fees and charges that would still raise sufficient revenue to support trunk system expansion costs related to new development?
- How do the City's rates compare to other similar cities in the metropolitan area?
- In cases where the above questions identify a problem or shortcomings, what strategies might be employed to best correct or improve them?

As a final product, the City is looking for a big picture analysis of the needs for all the City utilities well into the future, and a proposed rate and fee structure that is fair, understandable, reasonable to administer and sufficient to fund the City's infrastructure needs. The final product should provide a set of recommendations for each utility including revenue goals, reserves goals, structure and amount for 2023 rates, guidance for future rate adjustments and an approach for implementing the changes.

The City envisions a multi-step process to ultimately deliver a final report to the City Council. The steps in the process are likely to look similar to this:

1. Estimate of financial needs. While considering the age, type, and general condition of each type of utility and its relation to the Pavement Management Program (PMP) for streets, the consultant should identify an approximate amount of capital repair/replacement expense the City will likely encounter over the next 5, 10 and 20 years for each utility. Based on a review of available data, input from City staff and comparison to other similar cities, an estimate of changes in operational costs in coming years should also be prepared.
2. Review all current utility financing systems then prepare a "SWOT" analysis (Strengths, Weaknesses, Opportunities and Threats) of the current system. This should then be presented to City Council for initial feedback.
3. Perform a funding analysis for each utility that considers operational and capital cost recovery needs, and strategies for improving fairness, transparency and efficiency. After developing several options for modifying each utility funding package, present a draft report to the City Council with multiple options for consideration.
4. Take feedback from the City Council and further develop a final report/recommendation package that includes strategies for communication, roll-out, phase-in, and conversion of changes for each utility. Then present the final report to the City Council.

Each element of this study is further discussed below.

City and System Descriptions

The City of Inver Grove Heights has an estimated 2021 population of 36,092 and about 7,581 residential water connections and 6,669 residential sewer connections. Rapid growth is expected in the next 9 (nine) years, with an estimated population of 42,000 by 2030.

The City of Inver Grove Heights operates a water system including a treatment plant, five (5) water storage facilities, seven (7) wells, and 130 miles of pipe, all built between 1957 and today. The sewer system is similar in age, with 130 miles of pipe and ten (10) liftstations. Treatment is all provided by the MCES. The City has a GIS database that stores the age, size, and type of each element of these two extensive utility systems. This information can be shared with the consultant team.

The City does have a Stormwater Utility, but its rates are much lower rate than surrounding cities – roughly a third the rate of the area average. The City has identified significant needs in the stormwater area, with retrofits for flood protection as well as environmental protection needed. This utility also has significant complexity in the billing system, and a simplification may be warranted.

Water Utility Issues and Rate Structure

The City currently uses a base rate and tiered usage rate for residential water and a base rate and flat usage rate for commercial water. The City has a range of fees for new meters depending on size and location in the City. Connection fees are also variable for water depending on user type and location within the City. The City has significant debt related to installation of trunk facilities needed to serve the developing Northwest Area (NWA), and connection fees are one of the methodologies used to capture revenue to cover debt costs. The current water rates are illustrated in the table ([Attachment 1](#)).

The study should identify approximate future costs to successfully operate and maintain the water system, cover debt costs related to the NWA, and renew the water system as it ages over the next 20 years. In order to understand the future rehabilitation costs for the water system, the consultant should consider future water system renewal projects already identified as well as use an abstract projection computation of future needs based on potential life cycle variabilities of water infrastructure.

The entire water revenue system should be examined including all the user fees, hook-up fees, and meter fees. The rate structure should also encourage conservation, in an effort to prevent the need to make major upgrades as the City's population continues to grow.

The City seeks to ensure a sustainable water infrastructure and groundwater resources indefinitely. Therefore, the analysis should include consideration of pricing strategies that further reduce per capita demand, as well as analysis of the likely impact on demand of various pricing schemes. The Consultant shall provide a range of alternative rate structures along with an analysis and rationale for each.

To the extent possible water rates and other revenue generators should be simplified to eliminate differences that do little to achieve the overall goals. Also, options should be presented for altering the rate structures to eliminate rates that cause inequities among similar user classes. The existing NWA rate differentials should be examined and strategies for adapting the new rate structures to successfully address NWA debt without the need for a separate rate structure for water consumption among the new residents should be explored and presented for consideration.

Sewer Utility Issues and Rate Structure

The sewer utility has a simpler rate structure and operational cost situation than the water system. All treatment is performed by Metropolitan Council, so roughly half the annual budget is pass-thru. The NWA again presents challenges, though, as a recent financial report identified shortfalls in debt repayment for several years for the trunk facilities built to serve new development. The report is attached ([Attachment 2](#)). Currently a \$2.00 per 1000-gallon surcharge is in effect for the NWA. Council has shown some concern that this presents long term equity questions with different user groups paying different amounts for the same City service. The goal for the NWA has been for new development to "pay its own way" at the time of connection, but the ongoing surcharge was added to address shortfalls

and has moved the City away from this goal. Strategies for addressing the equity issue and re-establishing this goal should be explored.

Stormwater Utility Issues and Rate Structure

The SWU was established over 10 years ago. When first established it was known that the revenues would not be sufficient to address all stormwater management issues. The initial rates were meant to be slowly adjusted upwards to ultimately achieve the goals, but adjustments were much slower than the growing need. A new rate system should look to ultimately address:

1. All the new MS4 permit requirements related to water quality management and retrofits, including possible additional staff.
2. Challenges related to more intense storms as per Atlas 14 and the City's "Landlocked Basin" policy that is currently being updated (estimated to be finalized first quarter of 2022).
3. Retrofit costs identified in the City's storm system deferred project list (roughly \$17M).
4. Storm system rehabilitation related to the City's aggressive PMP.

The SWU has a classification system of residential property that attempts to address the numerous rural and large residential properties present within the city. This class system has been difficult to administer, with calculations required for every non-urban property, and difficult to communicate to residents. Strategies that simplify the program should be considered as part of any rate adjustment strategy. Other city's SWU programs that have successfully addressed different residential lot sizes and rural style lots should be examined and considered.

Related Issues

The City of Inver Grove Heights is embarking on an aggressive PMP program that looks to rehabilitate roughly 50% of the City's streets over the next 15 years. As streets are rehabilitated, utilities are also examined and rehabilitated to the extent needed to last through the life of the street project. Ideally the City will use utility revenues to pay for most of the utility rehabilitation that occurs with these PMP projects. This study should look at the needs to address utility issues associated with this major effort, while also building a reserve for future system renewal.

Underground utilities traditionally have a lifespan more than 60 years, and it is not uncommon for these systems to last twice that long or more, with some moderate rehabilitation work. Predicting a precise date for failure of such systems becomes difficult. And wholesale replacement is usually tied to some other major infrastructure project, such as a total street reconstruction. Given the uncertainties, the consultant is not expected to develop a list of utility reconstruction projects beyond what City staff can provide. Instead,

the consultant is asked to create a probability curve of expected life and expected level of rehabilitation necessary then apply this to the overall system based on age. This will give a more realistic expectation of anticipated costs, vs. using traditional hard and fast APWA life expectancies.

Project Deliverables

The consultant will provide a written and electronic report outlining the recommendations and rationale for rate structures and necessary adjustments for the next 10 years and commentary on how the changes should be communicated and implemented. The report should also provide recommendations on simplification of rate structures, reserve levels for each utility, and how these recommendations meet the City's goals related to fully funding utilities, providing equity and fairness, and development paying its own way. Furthermore, the consultant will provide the City with a rate modeling program in Excel format customized to the City of Inver Grove Heights for water, sewer, and stormwater. The model is to allow the City to update rate, usage, debt, operating costs, etc. to run projections on the impact of various rate scenarios. The modeling is to project revenue and expenses for no less than 10 years.

Consultant should also expect a minimum of 3 presentations to the City Council and ongoing meetings with City staff including engineering, public works, finance, and administration staff.

Evaluation Criteria and Process

Submittals will be evaluated and ranked based on the following criteria:

- 1) Qualification of the proposed project manager and key staff.
- 2) Qualification/expertise of the firm in water, sewer, and storm sewer rate setting; experience with similar projects.
- 3) Consultant's approach to the City's project as demonstrated in a description of their approach to the work.
- 4) Familiarity with City standards, relevant statutes and codes, and related information.
- 5) Demonstrated ability of the consultant to perform high quality work, control costs, meet schedules, prepare documentation, and ensure project commitments are met.
- 6) Overall value of the proposal based in relation to proposed cost.

City staff will review each proposal, contact references, and prepare a brief report on the proposals for presentation and recommendation to Council. Interviews with the lead proposers may or may not be requested. The City of Inver Grove Heights reserves the right to accept or reject any and all proposals, to amend the Request for Proposals, to withdraw or terminate the RFP process, and to select the consulting firm the City feels will provide the best overall value to the City.

Submittal Format

The proposal should describe the composition of the proposed team, the qualifications of the key individuals identified on that team, and the relevant experience of the team on similar projects. Respondents may include sub-consultants within their project team.

The consultant's proposal is to include the following information:

- a) A brief introductory letter stating the firm's interest in the project.
- b) Provide summary resumes of no more than three (3) key members of the proposed team inclusive of key sub-consultants who may work on the project.
- c) List of projects of similar complexity and magnitude undertaken and completed in the past five (5) years; with references' name, phone, and e-mail contact information.
- d) Reference projects should list the involvement of the proposed project team members for whom resumes have been submitted.
- e) Description of information needed to be provided by the City.
- f) Proposed timeline for the study.
- g) Detailed cost for completion of the study.

Proposals should be approximately ten (10) pages, including cover letter. Please provide one (1) hard copy and one (1) digital copy in .PDF format.

Submittal and Project Timeline

The proposal is to be delivered to the Inver Grove Heights City Hall by 4:30 p.m., Tuesday, February 1, 2022. RFP is to be addressed to: Kris Wilson, City Administrator, Inver Grove Heights, 8150 Barbara Ave, Inver Grove Heights MN 55077. Email: kwilson@ighmn.gov

All questions regarding this RFP should be directed to Kris Wilson at the above email or via phone at 651-450-2511. Proposals will be reviewed by City staff including the City Administrator, Finance Director and a newly hired Public Works Director, who starts with the City in late January.

The final report will inform the City Council in time for setting rates for calendar year 2023 budget. Therefore, the overall project timeline and deadlines are:

Accept Proposals.....February 1, 2022
Recommendation to CouncilFebruary 14, 2022
Finalize Contract.....February 28, 2022
Present SWOT analysisapproximately May 2, 2022
Present Draft reportapproximately July 11, 2022
Present Final report.....approximately September 12, 2022

Attachments

Attachment 1 - Rate tables for each utility: Water Rates, Sewer Rates, and Stormwater Utility Rates

Attachment 2 - Hookup charge tables, meter tables, connection fee tables.

Table of unfunded storm water improvement needs are listed at:

<https://www.ighmn.gov/DocumentCenter/View/6705/2018-4th-Generation-Water-Resources-Management-Plan?bidId=> Pages C-1 to C-7.

Attachment 1

2022 Water Rates

Single Family Dwelling

The first 6,000 gallons or less	\$24.50 per quarter
6,001 – 20,000 gallons	\$2.84 per 1,000
20,001 – 40,000 gallons	\$3.27 per 1,000
40,001 and more gallons	\$3.54 per 1,000

The minimum charge per quarter shall be \$24.50

Multi-Family/Mobile Homes

The first 2,000 gallons or less	\$8.17 per unit/month
2,001 – 7,000 gallons	\$2.84 per 1,000
7,001 – 13,000 gallons	\$3.27 per 1,000
13,001 and more gallons	\$3.54 per 1,000

The minimum charge per unit per month shall be \$8.01

Commercial/Institutional/Industrial

The first 2,000 gallons or less	\$8.17 per month
2,001 – 7,000 gallons	\$2.84 per 1,000
7,001 – 13,000 gallons	\$3.27 per 1,000
13,001 and more gallons	\$3.54 per 1,000

The minimum charge per month shall be \$8.17

Special Senior Rates

0 – 6,000 gallons per quarter	\$12.03 per quarter
6,001 and more gallons	Same as applicable rate above

2022 Sewer Rates

Single Family Dwelling

The first 6,000 gallons or less	\$39.54 per quarter
All over 6,000 gallons	\$4.99 per 1,000 gallons

The minimum charge per quarter shall be \$39.54

Multi-Family/Mobile Homes

The first 2,000 gallons or less	\$13.18 per unit/per month
All over 2,000 gallons	\$4.99 per 1,000 gallons

The minimum charge per unit per month shall be \$13.18

Commercial/Institutional/Industrial

The first 2,000 gallons or less	\$13.18 per month
All over 2,000 gallons	\$4.99 per 1,000 gallons

The minimum charge per month shall be \$13.18

Single Family Dwelling

The first 6,000 gallons or less	\$51.54 per quarter
All over 6,000 gallons	\$6.99 per 1,000 gallons

The minimum charge per quarter shall be \$51.54

Multi-Family/Mobile Homes

The first 2,000 gallons or less	\$17.18 per unit/per month
All over 2,000 gallons	\$6.99 per 1,000 gallons

The minimum charge per unit per month shall be \$17.18

Commercial/Institutional/Industrial

The first 2,000 gallons or less	\$17.18 per month
All over 2,000 gallons	\$6.99 per 1,000 gallons

The minimum charge per month shall be \$17.18

Attachment 1

Stormwater Utility Rates

Storm Water Utility Group		Per Lot (L) or Acre (A)	Rural (Base Fee)	Urban (Base + Surcharge)	NWA Developed (Base + Surcharge)
			Monthly	Monthly	Monthly
Single-Family Residential	R-1A	L	\$1.93	\$5.61	\$14.14
	R-1B	L	\$1.24	\$3.60	\$9.08
	R-1C	L	\$1.06	\$2.65	\$6.74
	Estate (5 ac cap)	A	\$1.39	\$4.01	\$10.08
Multiple Family Residential	R-2 (Duplex/Twinhomes)	A	\$3.05	\$8.81	\$22.22
	R-3 (6+ units/ac)	A	\$3.60	\$10.44	\$26.28
	R-4 (Manufactured Home)	A	\$4.15	\$12.04	\$30.32
Other	Agricultural/Open Space (10 ac cap)	A	0.84*	\$2.41	0.84*
	Business District	A	\$6.09	\$17.63	\$44.47
	General Business	A	\$8.04	\$23.25	\$58.60
	Shopping Center	A	\$6.93	\$20.04	\$50.53
	Industrial	A	\$5.81	\$16.83	\$42.45
Public/ Institutional	Schools/Churches/Other	A	\$3.60	\$10.44	\$26.28
	Golf Courses/Cemeteries/Parks	A	0.84*	\$2.41	\$6.07
	City Facilities	A	\$6.09	\$17.63	\$44.47

(*)The minimum annual fee per parcel is \$12.60.

WATER METER PRICING AND SIZING INFORMATION 2022

GPM	METERS	USE	PRICE	GPM	METERS	USE	PRICE
2-30 maximum continuous 15	3/4" Mag/ Iperl	lawn irrigation residential sm commercial	\$192.50	4-120	1-1/2" turbine/omni	irrigation sys & production lines	\$1,251.25
			TAX \$13.71				TAX \$89.15
			\$206.21				\$1,340.40
3-50 maximum continuous 25	1" Mag/ Iperl	very lg res bldg to 24 units sm commercial & irrigation systems	\$302.50	4-160	2" turbine/omni	irrigation syst & production lines	\$1,457.50
			TAX \$21.55				TAX \$103.85
			\$324.05				\$1,561.35
5-100 maximum continuous 50	1-1/2" Compound/omni	bldgs 25-55 units & most comm bldgs	\$1,794.38	1/4 to 160	2" Compound/omni	bldgs over 55 units & lg comm bldgs	\$2,076.25
			TAX \$127.85				TAX \$147.93
			\$1,922.23				\$2,224.18

METERS REQUIRING 30-DAY ADVANCE NOTICE PRIOR TO DELIVERY

GPM	METERS	USE	PRICE	GPM	METERS	USE	PRICE
5-350	3" turbine/omni	very lg irrigation systems & production lines	\$1,828.75	6-500	4" compound/omni	300 plus unit bldgs & very lg comm buildings	\$4,544.38
			TAX \$130.30				TAX \$323.79
			\$1,959.05				\$4,868.17
1/2-320	3" compound/omni	200 plus unit bldgs very lg comm buildings	\$2,626.25		Single port Radio Read		\$203.50
			TAX \$187.12				TAX \$14.50
			\$2,813.37				\$218.00
15-1000	4" turbine/omni	very lg irrigation systems & production lines	\$3,581.88		Dual Port Radio Read		\$233.75
			TAX \$255.21				TAX \$16.65
			\$3,837.09				\$250.40

*** Note: Purchase of a meter for commercial or multi/family use requires the purchase of radio readers corresponding to the number of meters purchased.**

Comments:

- To arrange for water turn-on and meter delivery please call 651-450-4309 48 hours in advance.
- To schedule inspections please call 651-450-2550

UTILITY CONNECTION FEES 2022

Utilities - NW AREA - 1" Water Core Connection	\$1,880.00
Utilities - NW AREA - 1.5" Water Core Connection Fee	\$4,230.00
Utilities - NW AREA - 10" Sewer Core Connection Fee	\$2,870.00
Utilities - NW AREA - 12" Sewer Core Connection Fee	\$4,110.00
Utilities - NW AREA - 2" Water Core Connection Fee	\$7,520.00
Utilities - NW AREA - 3" Water Core Connection Fee	\$16,900.00
Utilities - NW AREA - 4" Sewer Core Connection Fee	\$610.00
Utilities - NW AREA - 4" Water Core Connection Fee	\$30,080.00
Utilities - NW AREA - 6" or more Water Core Connection Fee	\$70,500.00
Utilities - NW AREA - 6" Sewer Core Connection Fee	\$1,020.00
Utilities - NW AREA - 8" Sewer Core Connection Fee	\$1,830.00
Utilities - NW AREA - Sewer Connection Fee	\$6,120.00
Utilities - NW AREA - Water Connection Unit Fee	\$3,570.00
Utilities - NW AREA - Water Treatment Plant Fee	\$760.00
Utilities - Outside - 1" Water Core Connection Fee	\$1,940.00
Utilities - Outside - 1.5" Water Core Connection Fee	\$4,350.00
Utilities - Outside - 10" Sewer Core Connection Fee	\$2,900.00
Utilities - Outside - 12" Sewer Core Connection Fee	\$4,200.00
Utilities - Outside - 2" Water Core Connection Fee	\$7,710.00
Utilities - Outside - 4" Sewer Core Connection Fee	\$620.00
Utilities - Outside - 4" Water Core Connection Fee	\$30,850.00
Utilities - Outside - 6" or more Water Core Connection Fee	\$72,320.00
Utilities - Outside - 6" Sewer Core Connection Fee	\$1,050.00
Utilities - Outside - 8" Sewer Core Connection Fee	\$1,860.00
Utilities - Outside - Sewer Connection Fee	\$510.00
Utilities - Outside - Water Connection Unit Fee	\$930.00
Utilities - Outside - Water Treatment Plant Fee	\$820.00
Utilities - Eagan Utility Fees	\$2,704.60
Utilities - B-Line Connection Charge	\$1,300.00