



## Legislation Text

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File #: 20-0001, Version: 1

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DISCUSSION AND POSSIBLE ACTION REGARDING THE UTILITY FUNCTION SOURCING COST ANALYSIS BY RAFTELIS.

### PROCUREMENT PROCESS TAKEN:

- *Chapter 35 of the City's Code of Ordinance is titled "PROCUREMENT PROCEDURES, PUBLIC FUNDS."*
- *Section 35.18 of the City's Code of Ordinances is titled "COMPETITIVE BIDDING OR COMPETITIVE PROPOSALS REQUIRED; EXCEPTIONS."*
- *Section 35.18(C) states that "Only the following situations are exempt from the competitive bid and competitive proposal requirements of this section:"*
- *Section 35.18(C)(2) states "Contracts for professional services involving peculiar skill, ability, experience or expertise, which are in their nature unique and not subject to competitive bidding, or competitive proposals, are exempt from this section; however, state laws, such as the Consultants' Competitive Negotiation Act of the state statutes, as may be amended from time to time to the extent applicable, shall be followed."*
- *Florida Statute (F.S.) 287.055 is known as the "Consultant's Competitive Negotiation Act" (CCNA).*
- *F.S. Section 287.055(2)(a) defines Professional services as "those services within the scope of the practice of architecture, professional engineering, landscape architecture, or registered surveying and mapping, as defined by the laws of the state, or those performed by any architect, professional engineer, landscape architect, or registered surveyor and mapper in connection with his or her professional employment or practice."*
- *F.S. Section 287.055(3)(a)(1) states "Each agency shall publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project the basic construction cost of which is estimated by the agency to exceed the threshold amount provided in s.287.017 for CATEGORY FIVE (\$325,000) or for a planning or study activity when the fee for professional services exceeds the threshold amount provided in s.287.017 for CATEGORY TWO (\$35,000), except in cases of valid public emergencies certified by the agency head. The public notice must include a general description of the project and must indicate how interested consultants may apply for consideration."*
- *Section 35.21(A)(1) of the City's Code of Ordinance states, "An initial purchase of, or*

***contract for, commodities or services, in excess of \$25,000, shall require the approval of the City Commission, regardless of whether the competitive bidding or competitive proposal procedures were followed."***

## **SUMMARY EXPLANATION AND BACKGROUND:**

1. On June 19, 2019, the City Commission directed the City Manager to hire an independent contractor to conduct a cost analysis of the existing Utilities Division Function Sourcing Contract.
2. Pursuant to Section 35.18(C)(2) "Professional Services" of the Procurement Code, contracts for professional services involving peculiar skill, ability, experience or expertise, which are in their nature are not subject to the competitive bid process.
3. The Commission Auditor completed their due diligence in selecting Raftelis as the consulting firm to be recommended for the City to utilize as the firm to conduct a cost analysis of the existing Utilities Division Function Sourcing Contract. The Commission Auditor researched all of the firms that their management team has worked with in the past, along with their Governmental Practice Group and their clients throughout the State of Florida and determined that Public Resources Management Group, Inc. (PRMG) was the best suited to perform this task based on a number of factors including their present and past experience with the public sector. Public Resources Management Group, Inc. (PRMG) was recently acquired by Raftelis and their national background in utility and municipal finance management, and recent governance, performance and contract evaluation experience resulted in the Commission Auditor's recommendation to move with Raftelis for this task.
4. The Raftelis team is highly qualified to assist the City with this analysis, having performed similar assessments of contract operations, utility privatization and ownership/governance options across the country. This includes extensive work in Florida in the previously mentioned areas, as well as in the areas of rates, cost of service, and finances with the Raftelis team and its newly-merged partner led by Robert Ori, Public Resources Management Group, Inc. (PRMG). The Raftelis/PRMG team has the nation's largest and most respected water and wastewater utility management, operations, and financial consulting practice.
5. On August 7, 2019, the City Commission approved the Professional Services Agreement between the City of Pembroke Pines and Raftelis, for a Cost Analysis of the existing Utilities Division Function Sourcing Contract for an amount not to exceed \$34,776.
6. Attached to this agenda item is the Raftelis presentation of their cost analysis of the existing Utilities Division Function Sourcing Contract. This report concludes that the City would incur a cost of \$1.5 to \$2 million per year more than outsourcing, plus an upfront 6-month transitional cost of \$10.6 million. Therefore, this would represent a Utility Rate Increase of approx. 13.8% in the first year.
7. Raftelis will be present at the January 15, 2020 Commission Meeting to make a presentation on their analysis of the City's Utility Function Sourcing Agreement.

## **FINANCIAL IMPACT DETAIL:**

- a) Initial Cost:** An Estimated 6-Month Transition Cost of \$10,595,794 and a total Year One

estimated cost of \$15,716,725.

**b) Amount budgeted for this item in Account No:** Not Applicable

**c) Source of funding for difference, if not fully budgeted:** Not Applicable

**d) 5 year projection of the operational cost of the project:** Estimated Total Annual Operating Costs for the City and OMI-Jacobs

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
City:Median	\$15,716,725	\$9,821,781	\$10,163,025	\$10,716,089	\$11,087,385
OMI-Jacobs	\$8,023,525	\$8,280,278	\$8,545,247	\$8,818,695	\$9,100,893
Difference	\$7,693,200	\$1,541,503	\$1,617,778	\$1,897,395	\$1,986,492
Approx. %	2.8% > FY2020	2.9% > FY2020	3.4% > FY2020	3.6% > FY2020	
Incr.13.8% > FY2020					

**e) Detail of additional staff requirements:** OMI-Jacobs and FCS Utilities currently have approximately 113 employees that help operate, maintain, and manage the utility system.