



## AGENDA MEMORANDUM

Action Item for the City Council Meeting of February 20, 2024

**DATE:** January 30, 2024

**TO:** Peter Zaroni, City Manager

**FROM:** Drew Molly, Chief Operating Officer, Corpus Christi Water

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**Amendment to Service Agreement with NewGen Strategies and Solutions for Utility Rate Model and Consulting Services for the Corpus Christ Water Department**

**CAPTION:**

Motion authorizing Amendment #3 to the service agreement with NewGen Strategies and Solutions, LLC, for utility rate model development and consulting services for Corpus Christi Water in an additional amount of \$204,040.00, and a potential total amount up to \$712,310.00, with FY 2024 funding of \$126,505.00 from the Water Fund and \$77,535.00 from the Wastewater Fund.

**SUMMARY:**

This motion authorizes an amendment to the current agreement with NewGen Strategies and Solutions, LLC. The original scope of services with the contract amount of \$233,770 covered 16 months, July 2022 through October 2023, and included the development of a new rate model and a financial planning tool, as well as a cost-of-service study to guide rate-setting for 2024 rates. The five one-year option periods facilitated the annual rate model update to review rates for wholesale (annually as per contract) and retail customers (every two years as per policy).

**BACKGROUND AND FINDINGS:**

NewGen Solutions and Strategies, LLC. was selected through a competitive Request for Qualifications process in 2022. Beginning in July 2022, NewGen has worked with the Corpus Christi Water (CCW) Department through this agreement in order to optimize data analysis and to identify the best strategic approach for developing a rate model as well as financial strategies that address stakeholder demands.

Year one of five option periods was executed in November 2023 to provide annual updates of the

water/wastewater utility rate model. Annual updates on the rate model are required to ensure contract compliance and help to provide updates to City Council on water and wastewater revenue requirements and rate adjustments.

The original amount of the agreement was \$233,770. During the first 16 months of the agreement, CCW required additional analysis which led to an amendment in July 2023 for \$49,500. In November 2023, year one of five option periods was exercised for \$45,000. The current agreement total is \$328,270. As of December 31, 2023, the total amount paid on this agreement was \$326,183.

<b>Description</b>	<b>Date</b>	<b>Amount</b>
Original Agreement	Jul-22	\$ 233,770
Amendment #1	Jul-23	\$ 49,500
	<i>Subtotal</i>	<i>\$ 283,270</i>
Option Year 1	Nov-23	\$ 45,000
	<i>Subtotal</i>	<i>\$ 328,270</i>
Option Year 2	Nov-24	\$ 45,000
Option Year 3	Nov-25	\$ 45,000
Option Year 4	Nov-26	\$ 45,000
Option Year 5	Nov-27	\$ 45,000
	<i>Original Total</i>	<i>\$ 508,270</i>
<b>Amendment Option Year 1</b>	<b>Jan-24</b>	<b>\$ 204,040</b>
	<i>Revised Total</i>	<i>\$ 712,310</i>

During the FY 2024 budget process, the City Council voted to review retail water and wastewater rates on an annual basis instead of a two-year basis. With this change in policy, more work by NewGen will be required in order to create a full rate model update on an annual basis (during the annual budget process). Additionally, moving forward NewGen will be assisting the City with analyzing potential alternative water sources through this agreement. Such work was not built into the original agreement, which is another reason for the proposed amendment and pricing. NewGen will not only assist the City with analyzing potential alternative water sources, but will also provide rate analysis for alternative water sources if they are brought into the City’s water sources portfolio. Finally, after using the FY 2024 budget process as guide for future work rate model work, the proposed amendment also includes additional service hours for NewGen Project Leads for conference calls, staff meetings, Executive Leadership Team meetings, and City Council meetings. The purposes of these meetings will include rates and revenue requirements, alternative water supply impacts, and capital funding strategies.

The proposed amendment will expand the scope of services for year one of five option periods. The expanded scope of services will include a full rate model update for retail and wholesale customers and include:

- In-depth analysis of consumption and revenue
- Evaluation of proposed major projects and how they will impact rates
- Multi-year financial plan updates (including operating and capital budgets)
- Evaluation of the adequacy of reserves
- Water and wastewater cost of service updates
- Evaluation of current rate design
- Determination of alternative rate structures as well as public involvement and presentations to the City Council and other stakeholder groups

**PROCUREMENT DETAIL:**

Finance & Procurement originally conducted a competitive Request for Qualifications process to obtain qualification statements for Rate Model Services. NewGen Strategies and Solutions, LLC. was the highest ranked firm based on three factors: 1) firm’s experience 2) team experience and identification, and 3) understanding of project scope. The first term of the agreement was 16 months beginning in July 2022; an Amendment for \$49,500 was executed in July 2023 for additional services during the first term of the agreement. Year one of five option periods was exercised in November 2023 for \$45,000.

**ALTERNATIVES:**

The City can choose not to expand the scope of services for NewGen to assist in financial strategic planning and rate model updates. However, without this amendment, CCW staff would not be able to provide adequate financial and rate model support for decision makers.

**FISCAL IMPACT:**

The fiscal impact in FY 2024 for CCW is an amount not to exceed \$204,040, of which \$126,505 will be from the Water Fund and \$77,535 from the Wastewater Fund. An amount of \$45,000 has already been encumbered for Fiscal Year 2024, Year one of five option periods. If option years are exercised, funding will be budgeted during the annual budget process.

**FUNDING DETAIL:**

Fund: Water Fund  
Organization/Activity: 30000  
Mission Element: 041  
Project # (CIP Only): N/A  
Account: 530000  
Cost: \$126,505.00

Fund: Wastewater Fund  
Organization/Activity: 33000  
Mission Element: 042  
Project # (CIP Only): N/A  
Account: 530000  
Cost: \$77,535.00

**RECOMMENDATION:**

Staff recommends approval of this motion authorizing an amendment to Year one of five option periods, with NewGen Strategies and Solutions, LLC., as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Amendment to Service Agreement – Revised Scope of Work  
Original Agreement 2022