

Meeting Date: January 13, 2015

Agenda Item 27

REQUESTED COMMISSION ACTION:

 Consent X Ordinance Resolution Consideration Workshop

SHORT TITLE OR MOTION: AN ORDINANCE APPROVING AND AUTHORIZING EXECUTION OF A CONSULTANT AGREEMENT BETWEEN THE CITY OF POMPANO BEACH AND RAFTELIS FINANCIAL CONSULTANTS INC. FOR UTILITY RATE CONSULTING SERVICES (FIVE YEAR TOTAL COMPENSATION \$152,500)

Summary of Purpose and Why:

City Code of Ordinance 50.03 (B) mandates an annual review by an independent qualified consultant of the adequacy of rates and changes. At the Commission meeting, July 8, 2014 Raftelis Financial Consultants, Inc. was approved as the highest ranking firm for RFP E-55-14 "Utility Rate Consultant Water, Wastewater, Reuse and Stormwater". Raftelis has been our rate consultant since 2005. The five year agreement will assure the annual review of the rate sufficiency for our Water, Wastewater, Reuse and Stormwater programs.

This item supports Strategic Plan "Quality and Affordable Service Strategy"



QUESTIONS TO BE ANSWERED BY ORIGINATING DEPARTMENT:

- (1) Origin of request for this action: Utilities Department
- (2) Primary staff contact: A. Randolph Brown, Utilities Director Ext. 7044
- (3) Expiration of contract, if applicable: N/A
- (4) Fiscal impact and source of funding: \$152,500
Payments will be made from 412 3305 533 3140 Management Consulting

DEPARTMENTAL COORDINATION	DATE	DEPARTMENTAL RECOMMENDATION	DEPARTMENTAL HEAD SIGNATURE OR ATTACHED MEMO NUMBER
Utilities	11/17/2014	Approve	<i>[Signature]</i>
Budget	11-19-14	Approve	<i>[Signature]</i>
Finance	11/18/14	Approval	<i>[Signature]</i>
City Attorney	11/18/14		#2015-127 <i>[Signature]</i>

 City Manager *[Signature]* *[Signature]*

ACTION TAKEN BY COMMISSION:

Ordinance	Resolution	Consideration	Workshop
1st Reading <u>12/9/14</u> <u>APPROVED</u>	1st Reading _____	Results: _____	Results: _____
2nd Reading <u>1/13/15</u>	_____	_____	_____
_____	_____	_____	_____



City Attorney's Communication #2015-127

October 22, 2014

TO: A. Randolph Brown, Utilities Director

FROM: Gordon B. Linn, City Attorney

RE: Ordinance – Consulting Agreement / Raftelis Financial Consultants, Inc.

As requested in your memorandum of October 15, 2014, Utilities Administration Memorandum No. 15-02, the above-referenced Agreement has been prepared and is attached at this time along with the appropriate Ordinance captioned as follows:

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA, APPROVING AND AUTHORIZING THE PROPER CITY OFFICIALS TO EXECUTE A CONSULTING AGREEMENT BETWEEN THE CITY OF POMPANO BEACH AND RAFTELIS FINANCIAL CONSULTANTS, INC.; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE.

Please carefully review the agreement to ensure that it meets your requirements.

GORDON B. LINN

GBL/jrm
L:cor/util/2015-127

Attachments

CITY OF POMPANO BEACH
Broward County, Florida

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA, APPROVING AND AUTHORIZING THE PROPER CITY OFFICIALS TO EXECUTE A CONSULTING AGREEMENT BETWEEN THE CITY OF POMPANO BEACH AND RAFTELIS FINANCIAL CONSULTANTS, INC.; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to law, ten (10) days' notice has been given by publication in a paper of general circulation in the City, notifying the public of this proposed ordinance and of a public hearing in the City Commission Chambers of the City of Pompano Beach; and

WHEREAS, a public hearing before the City Commission was held pursuant to the published notice described above, at which hearing the parties in interest and all other citizens so desiring had an opportunity to be and were, in fact, heard; now, therefore,

BE IT ENACTED BY THE CITY OF POMPANO BEACH, FLORIDA:

SECTION 1. That a Consulting Agreement between the City of Pompano Beach and Raftelis Financial Consultants, Inc., a copy of which Agreement is attached hereto and incorporated herein by reference as if set forth in full, is hereby approved.

SECTION 2. That the proper City officials are hereby authorized to execute said Agreement.

SECTION 3. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance that can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are declared to be severable.

SECTION 4. This Ordinance shall become effective upon passage.

PASSED FIRST READING this _____ day of _____, 2014.

PASSED SECOND READING this _____ day of _____, 2014.

LAMAR FISHER, MAYOR

ATTEST:

MARY L. CHAMBERS, CITY CLERK

/jrm
10/22/14
L:ord/2015-57

CONSULTING AGREEMENT BETWEEN THE
CITY OF POMPANO BEACH
AND
RAFTELIS FINANCIAL CONSULTANTS, INC.

This Agreement ("Agreement") is entered into this ___ day of _____, 2014, (hereinafter referred to as the effective date of the agreement) by and between the City of Pompano Beach, a municipal corporation of the State of Florida, 100 W. Atlantic Boulevard, Pompano Beach, FL 33060, ("City") and Raftelis Financial Consultants, Inc., a North Carolina corporation authorized to do business in the State of Florida, 1031 South Caldwell Street, Suite 100, Charlotte, NC 28203 ("RFC").

WITNESSETH:

WHEREAS, RFC has substantial skill and experience in water, wastewater and stormwater finance, management, and pricing, and service delivery, and

WHEREAS, the City desires to hire RFC and RFC desires to provide services to the City,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the terms and conditions set forth herein.

Article 1. Statement of Work

RFC shall provide professional consulting services over the next five years to the City of Pompano Beach. RFC will perform these services as set forth in the proposal submitted in response to the RFP August 7, 2014, and included herein as Attachment B, hereinafter "Scope of Services."

Article 2. Time for Completion

This agreement will commence upon execution of this Agreement by both parties and remain in effect for a period of five years. Further renewals of this Agreement are at the option of the parties and shall be in writing.

Article 3. Compensation

City shall pay to RFC the sum not to exceed \$152,500 over five years for professional fees, direct expenses, and technology expenses incurred in performing the Scope of Services, outlined in Attachment A. The parties understand that this sum is based upon the scope of work contained herein at RFC's current standard hourly rate schedule included in Attachment A and escalated at 3% per year starting in year 2015. Any expansion of the scope of work by the City shall involve the discussion of additional fees by both parties.

RFC shall submit invoices to the City on a monthly basis for services rendered to the date thereof. Such invoices shall be supported by appropriate documentation; at a minimum, the task

performed, the individuals working on such task, the level of each such individual, and expenses incurred. Each invoice will contain all hours and expenses from the RFC for the month. Upon receipt of monthly invoice, the City will remit payment of same amount to the RFC within 30 days.

Article 4. Additional Services

At the City's request, RFC may submit proposals for additional professional services. Each proposal submitted shall detail: (1) scope of work for the additional services, (2) period of services to be performed, and (3) method and amount of compensation. The City shall provide written acceptance and authorization to RFC prior to the commencement of work on any proposed additional services. Each proposal for additional services accepted and approved by the City shall become part of this Agreement and shall be governed by the terms and conditions contained herein. All additional services shall be billed at rates not to exceed those billing rates set forth in Attachment A.

Article 5. Place of Performance

RFC shall be responsible for maintaining its own office facilities and will not be provided with either office facilities or support by the City.

Article 6. Indemnification

RFC hereby agrees to indemnify the City and to hold the City harmless against any and all claims, action, or demands against the City and against any and all damages including injury or death of any person and for loss of or damage to any and all property arising out of the negligent acts, errors or omissions of RFC under this Agreement. RFC shall not be held responsible for any claims caused solely by the negligence of the City.

Article 7. Insurance

RFC shall maintain the types and levels of insurance during the life of this Agreement as specified below. The City will be named as additional insured on RFC's Certificates of Insurance and the RFC will provide the City with these Certificates of Insurance.

Commercial general liability insurance - \$1,000,000 for each occurrence and \$2,000,000 in the aggregate

Comprehensive automobile liability insurance - \$1,000,000 combined single limit each occurrence

Workers Compensation insurance – Statutory limits

Professional liability insurance - \$2,000,000 in the aggregate

Excess or Umbrella Liability - \$3,000,000 in the aggregate

Article 8. Independent Contractor Status

It is understood and agreed that RFC will provide the services under this Agreement on a professional basis as an independent contractor and that during the performance of the services under this Agreement, RFC's employees will not be considered employees of the City within the meaning or the applications of any federal, state, or local laws or regulations including, but not limited to, laws or regulations covering unemployment insurance, old age benefits, worker's compensation, industrial accident, labor, or taxes of any kind. RFC's employees shall not be entitled to benefits that may be afforded from time to time to City employees, including without limitation, vacation, holidays, sick leave, worker's compensation, and unemployment insurance. Further, the City shall not be responsible for withholding or paying any taxes or social security on behalf of RFC's employees. RFC shall be fully responsible for any such withholding or paying of taxes or social security.

Article 9. Reliance on Data

In performance of the services, it is understood that the City and/or others may supply RFC with certain information and/or data, and that RFC will rely on such information. It is agreed that the accuracy of such information is not within RFC's control and RFC shall not be liable for its accuracy, nor for its verification, except to the extent that such verification is expressly a part of RFC's scope of services.

Article 10. Opinions and Estimates

RFC's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made on the basis of available information and RFC's expertise and qualifications as a professional. RFC does not warrant or guarantee that its opinions, estimates, projections or forecasts of current and future levels and events will not vary from the City's estimates or forecasts or from actual outcomes. RFC identifies costs, allocates costs to customer classes and provides rate models. It does not establish rates, which is the legislative responsibility of the City.

Article 11. No Consequential Damages

To the fullest extent permitted by law, neither party shall be liable to the other for any special, indirect, consequential, punitive or exemplary damages resulting from the performance or non-performance of this Agreement notwithstanding the fault, tort (including negligence), strict liability or other basis of legal liability of the party so released or whose liability is so limited and shall extend to the officers, directors, employees, licensors, agents, subcontractors, vendors and related entities of such party.

Article 12. Reuse of Documents

All documents including drawings, calculations, work sheets, survey notes and specifications prepared by RFC pursuant to this Agreement are the property of City and shall be delivered to City at the completion or termination of the project. Any reuse without specific written verification or adaptation by RFC will be at City's sole risk and without liability or legal exposure to

RFC, and City shall indemnify and hold harmless RFC from all claims, damages, losses and expenses including attorney's fees arising out of or resulting there from.

Article 13. Termination of Work

This Agreement may be terminated as follows:

A. *By City* (a) for its convenience on 30 days' notice to RFC, or (b) for cause, if RFC materially breaches this Agreement through no fault of City and RFC neither cures such material breach nor makes reasonable progress toward cure within 15 days after City has given written notice of the alleged breach to RFC.

B. *By RFC* (a) for cause, if City materially breaches this Agreement through no fault of RFC and City neither cures such material breach nor makes reasonable progress toward cure within 15 days after RFC has given written notice of the alleged breach to City, or (b) upon five days' notice if Work under this Agreement has been suspended by either City or RFC in the aggregate for more than 30 days.

C. *Payment Upon Termination.* In the event of termination, RFC shall be compensated for all work performed and not disputed by City prior to the effective date of termination.

Article 14. Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed deliverable when delivered in person or deposited in the United States mail, postage prepaid, addressed as follows:

If to City:	City of Pompano Beach City Manager P. O. Box 1300 Pompano Beach, Florida 33060	Copy to:	A. Randolph Brown Utilities Director 1190 NE 3 rd Avenue, Bldg. C Pompano Beach, FL 33060
--------------------	---	-----------------	---

If to RFC: _____
Raftelis Financial Consultants, Inc.
1031 South Caldwell Street, Suite 100
Charlotte, NC 28203

Article 15. Compliance with Applicable Laws

RFC agrees not to discriminate in its employment practices, and will render services under this Agreement without regard to race, color, religion, sex, national origin, veteran status, political affiliation or disabilities.

Any act of discrimination committed by RFC, or failure to comply with these statutory obligations when applicable, shall be grounds for termination of this Agreement.

Article 16. Public Records

A. The City of Pompano Beach is a public agency subject to Chapter 119, Florida Statutes. RFC shall comply with Florida's Public Records Law. Specifically, RFC shall:

(1) Keep and maintain public records that ordinarily and necessarily would be required by the city in order to perform the service; and

(2) Provide the public with access to such public records on the same terms and conditions that the City would provide the records and at a cost that does not exceed that provided in Chapter 199, Fla. Stat., or as otherwise provided by law; and

(3) Ensure that public records that are exempt or that are confidential and exempt from public record requirements are not disclosed except as authorized by law; and

(4) Meet all requirements for retaining public records and transfer to the City, at no cost, all public records in possession of RFC upon termination of the contract and destroy any duplicate public records that are exempt or confidential and exempt. All records stored electronically must be provided to the city in a format that is compatible with the information technology systems of the City.

B. The failure of RFC to comply with the provisions set forth in this section shall constitute a Default and Breach of this Agreement and the city shall enforce the Default in accordance with the provisions set forth in the Agreement or as provided by law.

Article 17. General Provisions

A. *Entire Agreement.* This Agreement represents the entire and sole agreement between the parties with respect to the subject matter hereof.

B. *Waiver.* The failure of either Party to require performance by the other of any provision hereof shall in no way affect the right to require performance at any time thereafter, nor shall the waiver of a breach of any provision hereof be taken to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy available at law or in equity.

C. *Relationship.* Nothing herein contained shall be construed to imply a joint venture, partnership, or principal-agent relationship between RFC and the City; and neither Party shall have the right, power, or authority to obligate or bind the other in any manner whatsoever, except as otherwise agreed to in writing.

D. *Assignment and Delegation.* Neither party shall assign or delegate this Agreement or any rights, duties, or obligations hereunder without the express written consent of the other. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the successors, legal representatives, and assignees of the parties hereto.

E. *Severability.* If any provision of this Agreement is declared invalid or unenforceable, such provision shall be deemed modified to the extent necessary and possible to render it valid and enforceable. In any event, the unenforceability or invalidity of any provision shall not affect any other provision of this Agreement, and this Agreement shall continue in force and effect, and be construed and enforced, as if such provision had not been included, or had been modified as above provided, as the case may be.

F. *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

G. *Paragraph Headings.* The paragraph headings set forth in this Agreement are for the convenience of the Parties, and in no way define, limit, or describe the scope or intent of this Agreement and are to be given no legal effect.

H. *Third Party Rights.* Nothing in this Agreement shall be construed to create or confer any rights or interest to any third party or third party beneficiary. It is the intent of the parties that no other outside, non-party claimant shall have any legal right to enforce the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives.

"CITY":

Witnesses:

CITY OF POMPANO BEACH

By: _____
LAMAR FISHER, MAYOR

By: _____
DENNIS W. BEACH, CITY MANAGER

Attest:

MARY L. CHAMBERS, CITY CLERK

(SEAL)

Approved by:

GORDON B. LINN, CITY ATTORNEY

STATE OF FLORIDA
COUNTY OF BROWARD

The foregoing instrument was acknowledged before me this _____ day of _____, 2014, by LAMAR FISHER as Mayor, DENNIS W. BEACH as City Manager, and MARY L. CHAMBERS as City Clerk of the City of Pompano Beach, Florida, a municipal corporation, on behalf of the municipal corporation, who is personally known to me.

NOTARY'S SEAL:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Acknowledger Typed, Printed or Stamped)

Commission Number

"RFC":

Witnesses:

RAFTELIS FINANCIAL CONSULTANTS, INC.
a North Carolina corporation

Catherine Noyes

Catherine Noyes
Print Name

By: Diane R. Adams

Diane R. Adams
Typed or Printed Name

Unice Robinson

UNICE ROBINSON
Print Name

Title: CFD

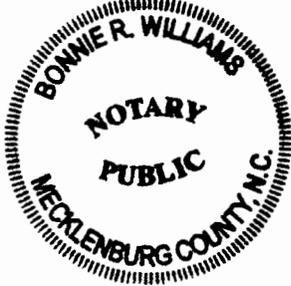
(SEAL)



STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this 28 day of October, 2014, by DIANE R. ADAMS as CFO of Raftelis Financial Consultants, Inc., a North Carolina corporation, authorized to do business in the State of Florida, on behalf of the corporation. He/she is personally known to me or who has produced _____ (type of identification) as identification.

NOTARY'S SEAL:



:jrm
10/23/14
L:agr/utility/2015-126

Bonnie R. Williams
NOTARY PUBLIC, STATE OF _____

Bonnie R. Williams
(Name of Acknowledger Typed, Printed or Stamped)

Commission Number _____

My Commission EXPIRES:
June 22, 2019

Attachment A – Summary of Fees Over 5-Year Contract and RFC’s 2014 Standard Billing Rates

Summary of Fees Over 5-Year Contract

2014 *	2015	2016	2017	2018	Total
\$29,000	\$29,700	\$30,500	\$31,300	\$32,000	\$152,500

*Fees for 2014 are based on the hourly billing rates shown below. The fees for each future year are based on the hourly billing rates shown below but escalated at 3% per year.

2014 Hourly Billing Rates

<u>Position</u>	<u>Hourly Billing Rate **</u>
Chair	\$375
Chief Executive Officer	\$350
President	\$325
Chief Operating Officer	\$290
Executive Vice President	\$290
Vice President/Principal Consultant	\$260
Senior Manager	\$235
Director of Florida Operations	\$200
Manager	\$215
Director of Data Services	\$215
Senior Consultant	\$190
Consultant	\$165
Associate	\$135
Analyst	\$100
Administration	\$70
Technology/Communications Charge*	\$10

* Technology/Communications Charge – this is an hourly fee charged monthly for each hour worked on the project to recover telephone, facsimilie, computer, postage/overnight delivery, conference calls, electronic/computer webinars, photocopies, etc.

** For services related to the preparation for and participation in deposition and trial/hearing, the standard billing rates listed above will be increased by 50%.

Attachment B – Proposal



PROJECT SCOPE

The project scope described in this section addresses the tasks identified in the RFP in the sections titled “Scope of Services” and “Tasks/Deliverables”. The following scope not only addresses the typical tasks we perform for a comprehensive study, but also reflects the tasks that would most benefit the City. The scope reflects RFC’s knowledge gained from working with the City over the past 10 years and the expectation of completing the development of a new rate and financial planning model (rate model) before the end of 2014 which will be used to calculate water, wastewater, reuse, and stormwater rates and revenues. As a result, rate recommendations for FY2015 would be based on the current rate model, whereas future rate adjustments and possible changes to rate structures beginning in FY2016 would be based on the new rate model.

RFC has also completed studies to determine appropriate cost bases for setting miscellaneous fees and capital recovery fees for the City, and therefore our scope reflects reviewing and updating these analyses and fees but not re-calculating them unless significant assets are added to the system or operations are altered sufficient to warrant a comprehensive analysis. The following tasks capture the City’s scope, as well as those tasks that we believe would most

benefit the City over the next five-year period.

TASK 1: PROJECT INITIATION AND MANAGEMENT

Normally, we would begin each new project with a kick-off meeting to finalize project goals, discuss data needs, and set a schedule and due dates for project deliverables. In this situation, the on-going project to rebuild the rate model, plus our history and experience working with the City, will already have addressed this task. As a result, going forward, we would expect this task to focus mainly on project management.

SUBTASK 1.1: PROJECT MANAGEMENT

This task includes ongoing project management to ensure that all deliverables are received in a timely manner and quality control is performed on all deliverables to ensure the quality of all final products. Since we have worked with the City, we have familiarity with the City’s budgeting process, rate-setting process, and internal deadlines. Nonetheless, we are prepared to be diligent to keep on schedule and within budget.

SUBTASK 1.2: DATA COLLECTION AND REVIEW

Prior to the kick-off meeting, RFC will prepare a detailed data request list. Since we have already captured significant history in the rate model, the data request list will identify the information that we need for only the most recent fiscal year such as the budget, capital improvement program, etc. Key issues, areas of concern, and pricing objectives will be reviewed and discussed to determine if any pricing objectives have changed and therefore warrant further review. City staff will be interviewed so that RFC can get a better understanding of any change in the City's financial and operational issues. We are also available to meet with City Council to understand their pricing objectives and overall rate study objectives.

TASK 2: DETERMINE REVENUE SUFFICIENCY

As previously mentioned, beginning with FY2016, RFC will be basing this analysis on the new rate model. In each year thereafter, the rate model will be updated with new current usage and customer data, budget information, capital improvement plan (CIP) and funding sources, and reserve fund balances.

SUBTASK 2.1: PROJECT EXPENSES USING BUDGET

RFC will conduct a detailed review of the City's budgets and processes for the operation of each system in order to develop an accurate projection of costs, or revenue requirements, over a five-year forecast planning period. We will incorporate the most recent information related to the budget, the City's capital improvement plan and funding sources, and the utility's debt service and other obligations. The rate model will reproduce all of the line-item detail of the City's budget such as O&M, labor, power, materials, chemicals, Broward County treatment charges, etc. that are escalated for each year. RFC and City staff will review the escalation factors and make any necessary changes to ensure future line-items are escalated appropriately given current economic

conditions and changing expectations for growth in customer and demand. In addition, reserve fund balances and debt service coverage requirements are calculated by the model and will continue to be monitored to reflect the "full cost" of providing water, wastewater, reuse, and stormwater services.

SUBTASK 2.2: ANALYZE WATER USAGE DATA

Having recently completed (fall 2013) a comprehensive customer usage analysis which will be incorporated into the new rate model and possible rate structure changes, the annual updates going forward will involve updating the model with the most recent available data. RFC will monitor any differences between projected customer and usage information and actual results to identify any shifts in usage patterns that may be occurring.

SUBTASK 2.3: INCORPORATE CIP

Revenue requirements, as mentioned in Subtask 2.1, will be projected through a five-year forecast period. One of the most important tasks when projecting revenue requirements is working extensively with the City's CIP. Many utilities are faced with significant capital needs to address growth, aging infrastructure, and regulatory requirements which can have a significant impact on revenue requirements. One year of extensive capital improvements can cause rates to rise drastically without careful planning. The revenue requirements will integrate alternative capital funding strategies including the use of rate-funded capital, cash reserves, capital recovery charges, and the issuance of new debt, among other strategies, to develop a detailed forecast of the most effective plan for funding future capital improvements while maintaining minimum rate increases.

SUBTASK 2.4: PROJECTION OF REVENUE OFFSETS

Revenue requirements will be offset by non-user charge revenue as appropriate (some non-user charges may be used to build reserves, rather than offset user rates) to develop a five-year projection of net revenue requirements to be recovered from user charges and rates from each utility. Non-user charge

revenues, or offsets, include revenues from new accounts, returned check charges, tap fees, etc., and from non-operating revenues such as interest income. With growth slowing nationwide, it is important now more than ever to revisit revenues related to growth such as tap fees and new accounts fees. Furthermore, offsets such as interest earnings have also been impacted due to the low rates of return.

The offsets will be projected over the five-year forecast period and will be used to derive net revenue requirements which represent the level of revenues that must be generated by the City's water, wastewater, reuse, and stormwater systems in order to address the total cash needs of each utility.

SUBTASK 2.5: PROJECT REVENUES UNDER NEW/EXISTING RATES

Using the new rate model, the rates and rate structure will be designed and calculated to address the net revenue requirements developed for FY2016. For future years in the forecast period, RFC will compare the forecast revenue requirements to the revenues generated under the new rate structure. RFC will calculate the revenues under the proposed new rate structure at projected consumption levels, determined in Subtask 2.2, to forecast the expected revenues. We will then compare these revenues to the revenues requirements forecast in Subtasks 2.1 to 2.4 to understand the magnitude of the potential shortfall under the revised rates and the implied overall rate adjustments necessary to meet revenue requirements in those future years. This subtask will provide RFC with the opportunity to thoroughly review the existing rates for each utility service and to assess the capability of the existing rates to provide revenues sufficient to meet the utilities' cost of service.

TASK 3: REVIEW COST OF SERVICE ALLOCATIONS

SUBTASK 3.1: ALLOCATION OF COSTS BETWEEN UTILITIES

The new rate model will be designed to allocate

the revenue requirements, developed in Task 2, at an appropriate level between water, wastewater, reuse, and stormwater to ensure that each utility is operating self-sufficiently and that rates are based on industry standard rate-setting methodologies consistent with the American Water Works Association *M1 Manual*. While the City budgets separately for the stormwater system, some of the costs for the water, wastewater, and reuse system are combined. The new rate model will allocate these costs between each utility. It is important to note that for reuse water the analysis will focus on an appropriate identification of total revenue requirements and the City's policy on the level of revenue requirements to be recovered from reuse water rates. It is not uncommon for utilities to allow reuse water rates to be subsidized by water and wastewater utilities since reuse water benefits both of these utilities. We will work with City staff to identify the appropriate portion of revenue requirements to be recovered from reuse water rates and then allocate these costs between those to be recovered from the fixed monthly charges and those that need to be recovered from the volumetric component.

SUBTASK 3.2: ALLOCATION OF REVENUE REQUIREMENTS TO THE BASE CHARGE AND VOLUMETRIC RATES

The new rate model will address this task in great detail. Once the new model is in place this task will mostly involve reviewing and updating the methodology to reflect current budget information and updated data on customers and usage.

TASK 4: CALCULATE RATES OVER FIVE-YEAR FORECAST

SUBTASK 4.1: CALCULATION OF WATER, WASTEWATER, REUSE, AND STORMWATER RATES

Based on the results and final rate structure incorporated into the new rate model, the base charges will be calculated by dividing the revenue requirements to be recovered by base charges by the respective

number of projected customers for each meter size. The revenue requirements to be recovered from the volumetric components will be allocated to each customer class and to each tier based on the bill frequency and peaking factor analysis. For wastewater, this calculation is simplified since the City uses a uniform volumetric rate. In this case, the volumetric portion of revenue requirements for wastewater is divided by the projected flow to calculate the rate. For stormwater, the net revenue requirements will be divided by the total projected ERUs to determine the resulting monthly charge per ERU. The rates calculated will ensure that the allocated net revenue requirements of each utility are met in each year of the forecast period.

SUBTASK 4.2: CUSTOMER IMPACTS

In addition to demonstrating that the new rates will meet the annual revenue requirements, RFC will consider the potentially significant financial impacts on certain customer classes that may result due to any changes in the rate structure. The updated rate model will include a series of schedules that show projected cost impacts on different types of customers and different levels of usage.

SUBTASK 4.3: COMPARISON OF CITY'S RATES TO REGIONAL UTILITIES' RATES

As part of our annual rate updates, RFC will compare the recommended rates for the City with rates of other regional utilities of comparable in size and operating characteristics. The comparison survey will consider a variety of parameters such as cost of providing service, seasonal rates, tier consumption rates, fixed charges versus volumetric consumption charges, and customer classes. This benchmarking analysis will provide the City with evidence of their position in terms of affordability in the region, as well as helping to build acceptance of the need for rate adjustments by City Council and other stakeholders. RFC has extensive experience conducting this type of analysis, and we found in past projects that this, along with the customer impact analysis, tends to be the most important analysis for both the municipality and stakeholders.

TASK 5: LAUDERDALE BY THE SEA

The Town of Lauderdale-by-the-Sea (LBS) and the City have a contract in place whereby the City provides wastewater transmission and treatment services to LBS. The contract specifies the methodology to be used in calculating the rate charged by the City. The methodology includes both a fixed monthly charge along with the availability charge that varies based on flow. This contractual methodology will be incorporated into the new rate model. RFC will use the new rate model to calculate the LBS rate for each year of the five-year forecast period. The rate will follow the methodology previously established and specified by the contract with LBS.

TASK 6: REPORTS AND ORDINANCES

Since the nature of this project is an ongoing multi-year engagement, results will be provided in several ways. At the conclusion of the on-going project to develop a new rate model, RFC will provide a comprehensive report of the changes that were made to the rate model and utility rate structures. As a result, it is anticipated that the future annual updates will include preparation of a summary letter report, similar to what has been provided in prior years, that will address specific rate recommendations for the next fiscal year and contain an appropriate level of data to convey results on such topics as revenue sufficiency, debt service coverage ratios, and reserve fund balances. The final version of the computer rate model showing the rate recommendations for each year will be provided for City staff.

RFC will continue to review City ordinances to ensure all rate modifications for water, wastewater, reuse, and stormwater services adhere to local policies. RFC will suggest recommendations of modifications of ordinances rate adjustments could potentially conflict. Additionally, RFC remains up-to-date with current national trends in these industries and will apply any improvements that may be beneficial to the City.

RFC will also prepare presentation materials and present the Study results to the City Council and the public. The results and recommendations will be presented to the Council and local stakeholders in a comprehensive, yet understandable format. RFC's proven ability to build consensus among project stakeholders has been vital to the success of many of our projects. These presentations will be designed to educate the audience regarding the rate-setting process and provide them with the information necessary to understand the basis and justification of the proposed domestic and fire protection rates and charges. RFC will work closely with City staff to identify any additional communication or meetings with governing officials and relevant stakeholder groups that may be beneficial to the rate study process, as we understand that effective implementation and widespread acceptance of the recommendations of this Study is contingent upon conveying the relevant information to the appropriate individual(s) at the correct time.

OPTIONAL TASKS

Similar to prior years, RFC is available to provide additional analyses or studies to update miscellaneous fees, capital recovery fees, or other types of assistance, at the City's request. In many cases we already have modeling templates and significant background data in our files to facilitate these analyses. We will work with the City and utility staff to identify any changes in scope or additional tasks to address these analyses.

FEES & COSTS

Based on the project approach described in this proposal, we have prepared a generalized work plan that shows the expected level of effort to provide the annual rate model updates, to develop and present the specific rate adjustments that may be required for each year, and to prepare a summary report documenting this information. This work plan and estimated fees is based on our current standard billing rates for each staff position and includes budgeted expenses for two trips to Pompano Beach for meetings or presentations. It is provided to demonstrate the level of effort anticipated for a typical year and the allocation of that effort among different staff positions. For the FY2016 rate update, this cost estimate may be too high, since the new rate model would have recently been completed and very little effort may be needed to update this model. However, if there are significant rate structure changes that result from the on-going project, additional trips may be required to review and present these changed to different stakeholders and the City Commission. Until we have completed the current assignment to develop a new rate model for the City, it is not possible to prepare a firm price estimate for the annual update for FY2016. However, as in the past, we will work with the City to take full advantage of our previous work and experience with the City, and keep the level of effort as reasonable as possible. In gen-

eral, we would expect the costs for annual updates to range between \$28,000 and \$32,000 each year. This is consistent with our fee levels in past years after taking into account the adjustments in our standard billing rates that have occurred.

As with our prior contracts with the City, we anticipate that our hourly billing rates will be fixed initially at our current standard billing rates, which would be outlined for all staff levels in the contract. Then each year these rates would be subject to an index-based adjustment, as has been done in the past. These billing rates would then be used to price any additional assignments the City may request or changes in scope that may be necessary.

Expenses relate to telephone charges, computers, postage, travel, etc. Cost for these expenses is recovered through a Technology/Communications charge of \$10 per professional hour. It is our practice to bill monthly for fees and expenses as they are incurred during a project. We reserve the right to shift hours among personnel and tasks as circumstances may change during the project. Total fees and expenses will be limited to the not-to-exceed amount unless specific approval for an adjustment in scope is received from the City. If actual hours incurred are less than the estimated hours in the work plan, then these savings will be passed on to the City.

Summary of Fees Over 5-Year Contract

2014 *	2015	2016	2017	2018	Total
\$29,000	\$29,700	\$30,500	\$31,300	\$32,000	\$152,500

2014

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	4	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	10	
- Project Expenses Using Budget				
- Analyze 2010 Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	14	16	
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	8	
- Calculate annual LBS rate				
5. Reports and Ordinances	12	16	24	4
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				

Total estimated hours	24	50	60	8
Hourly rates	\$260	\$215	\$135	\$60
Professional Fees	\$6,240	\$10,750	\$8,100	\$480
Total fees				\$25,600
Estimated expenses				\$3,400
Total Fees and Expenses				\$29,000

Key:

- PD Lex Warmath - Project Director
- PM Elaine Vastis - Project Manager
- LC Will Kerr - Lead Consultant

2015

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	4	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	10	
- Project Expenses Using Budget				
- Analyze 2010 Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	14	16	
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	8	
- Calculate annual LBS rate				
5. Reports and Ordinances	12	16	24	4
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				

Total estimated hours	24	50	60	8
Hourly rates	\$ 267.80	\$ 221.45	\$ 139.05	\$ 61.80
Professional Fees	\$6,427	\$11,073	\$8,343	\$494

Key:

PD Lex Warmath - Project Director
 PM Elaine Vastis - Project Manager
 LC Will Kerr - Lead Consultant

Total fees	\$26,300
Estimated expenses	\$3,400
Total Fees and Expenses	\$29,700

2016

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	4	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	10	
- Project Expenses Using Budget				
- Analyze 2010 Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	14	16	
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	8	
- Calculate annual LBS rate				
5. Reports and Ordinances	12	16	24	4
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				

Total estimated hours	24	50	60	8
Hourly rates	\$ 275.83	\$ 228.09	\$ 143.22	\$ 63.65
Professional Fees	\$6,620	\$11,405	\$8,593	\$509

Key:

- PD Lex Warmath - Project Director
- PM Elaine Vastis - Project Manager
- LC Will Kerr - Lead Consultant

Total fees	\$27,100
Estimated expenses	\$3,400
Total Fees and Expenses	\$30,500

2017

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	4	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	10	
- Project Expenses Using Budget				
- Analyze 2010 Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	14	16	
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	8	
- Calculate annual LBS rate				
5. Reports and Ordinances	12	16	24	4
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				

Total estimated hours	24	50	60	8
Hourly rates	\$ 284.11	\$ 234.94	\$ 147.52	\$ 65.56
Professional Fees	\$6,819	\$11,747	\$8,851	\$525

Key:

- PD Lex Warmath - Project Director
- PM Elaine Vastis - Project Manager
- LC Will Kerr - Lead Consultant

Total fees	\$27,900
Estimated expenses	\$3,400
Total Fees and Expenses	\$31,300

2018

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	4	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	10	
- Project Expenses Using Budget				
- Analyze 2010 Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	14	16	
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	8	
- Calculate annual LBS rate				
5. Reports and Ordinances	12	16	24	4
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				

Total estimated hours	24	50	60	8
Hourly rates	\$ 290.00	\$ 240.00	\$ 152.00	\$ 70.00
Professional Fees	\$6,960	\$12,000	\$9,120	\$560

Key:

- PD Lex Warmath - Project Director
- PM Elaine Vastis - Project Manager
- LC Will Kerr - Lead Consultant

Total fees	\$28,600
Estimated expenses	\$3,400
Total Fees and Expenses	\$32,000



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

1/2/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER: Bear Insurance Service 173 North Second Street Albemarle NC 28001		CONTACT NAME: Pamela Morton PHONE: (704) 982-1156 FAX: (704) 982-7012 E-MAIL ADDRESS: pmorton@bearinsurance.com	
INSURED: Raftelis Financial Consultants, Inc. 1031 S Caldwell St Suite 100 Charlotte NC 28203		INSURER(S) AFFORDING COVERAGE INSURER A: Cincinnati Insurance Companies INSURER B: Philadelphia Indemnity Ins. Co. INSURER C: INSURER D: INSURER E: INSURER F:	

COVERAGES **CERTIFICATE NUMBER:** 2014 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC		EBP 0060360	1/21/2014	1/21/2015	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COM/PROP AGG \$ 2,000,000
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS		EBP 0060360	1/21/2014	1/21/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$		CAP5124411	1/21/2014	1/21/2015	EACH OCCURRENCE \$ 3,000,000 AGGREGATE \$ 3,000,000
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A	WC1921777-01	1/21/2014	1/21/2015	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
B	Professional Liability Claims Made Policy		PHSD793804	1/21/2014	1/21/2015	\$2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER graftelis@raftelis.com Raftelis Financial Consultants 1031 S. Caldwell St. Suite 100 Charlotte, NC 28203	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Pamela Morton/APRIL <i>Pamela J. Morton</i>
---	---