

AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS FOR CONSULTING SERVICES

This agreement for consulting services ("Agreement") is made and entered into this 15th day of January, 2008 ("Effective Date"), by and between the City of Redlands, a municipal corporation ("City") and Raftelis Financial Consultants, Inc. ("Consultant"). City and Consultant are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

In consideration of the mutual promises contained herein, City and Consultant agree as follows:

ARTICLE 1 - ENGAGEMENT OF CONSULTANT

- 1.1 City hereby engages Consultant to perform consulting services to determine potable and wastewater rates and impact fees. The specific Services which Consultant shall perform are more particularly described in Exhibit "A," entitled "Scope of Services," which is attached hereto and incorporated herein by this reference.
- 1.2 The Services shall be performed by Consultant in a professional manner, and Consultant represents that it has the skill and the professional expertise necessary to provide the Services to City at a level of competency presently maintained by other practicing professional consultants in the industry providing like and similar types of services.
- 1.3 Consultant shall comply with all applicable Federal, State and local laws and regulations in the performance of this Agreement including, but not limited to, the Americans with Disabilities Act and the Fair Employment and Housing Act.

ARTICLE 2 - RESPONSIBILITIES OF CITY

- 2.1 City shall make available to Consultant information in its possession that may assist Consultant in performing the Services.
- 2.2 City will make provision for Consultant to enter upon City-owned property, as reasonably required by Consultant, to perform the Services.
- 2.3 City designates Chris Diggs, the City's Interim Municipal Utilities Director, as City's representative with respect to Consultant's performance of the Services. The Interim Municipal Utilities Director shall have the authority to transmit instructions, receive information, interpret and define City's policies and decisions with respect to performance of the Services.

ARTICLE 3 - PERIOD OF SERVICE

- 3.1 Consultant shall perform the Services in a prompt and diligent manner and shall complete the Services by March 31, 2008.

ARTICLE 4 - PAYMENT AND NOTICE

- 4.1 The total compensation for Consultant's performance of the Services shall not exceed the amount of Eighty-Three Thousand Six Hundred Eighty-Five Dollars (\$83,685.00). City shall pay Consultant on a task basis in accordance with Exhibit "B," entitled "Consulting Fee," which is attached hereto and incorporated herein by this reference.
- 4.2 Payments by City to Consultant shall be made within thirty (30) days after receipt and approval by City of Consultant's invoice, by warrant payable to Consultant. Invoices shall be sent to City on a monthly basis.
- 4.3 All notices shall be given in writing by personal delivery or by United States mail. Notices, sent by mail should be addressed as follows:

City: Chris Diggs
Interim Municipal Utilities Director
City of Redlands
PO Box 3005
Redlands, CA 92373

Consultant: Sudhir Pardiwala
Raftelis Financial Consultants
201 S. Lake, Ste. 803
Pasadena, CA 91101

When so addressed, such notices shall be deemed given upon deposit in the United States Mail. Changes may be made in the names and addresses of the person to who notices and payments are to be given by giving notice pursuant to this section.

ARTICLE 5 - INSURANCE AND INDEMNIFICATION

- 5.1 All insurance required by this Agreement shall be maintained by Consultant for the duration of its performance of the Services. Consultant shall not perform any Services pursuant to this Agreement unless and until all required insurance listed below is obtained by Consultant. Consultant shall provide City with certificates of insurance and endorsements evidencing such insurance prior to commencement of the Services. All insurance policies shall include a provision prohibiting cancellation of the policy except upon thirty (30) days prior written notice to City.
- 5.2 A. Consultant shall secure and maintain Workers' Compensation and Employer's Liability insurance throughout the duration of this Agreement in an amount which meets the statutory requirement with an insurance carrier acceptable to City.
- B. Consultant expressly waives all rights to subrogation against City, and its elected officials, officers and employees for losses arising from work performed by Consultant for City by expressly waiving Consultant's immunity for injuries to Consultant's employees and agrees that the obligation to indemnify, defend and hold harmless provided for in this Agreement extends to any claim brought by or on behalf of any employee of Consultant. This waiver is mutually negotiated by the Parties. This waiver shall not apply to any damage resulting from the sole negligence of City, its agents and employees. To the extent any of the damages referenced herein were caused by or resulted from the concurrent negligence of City, its agents or employees, the obligations provided herein to indemnify, defend and hold harmless are valid and enforceable only to the extent of the negligence of Consultant, its officers, agents and employees.
- 5.3 Hold Harmless and Indemnification. Consultant shall indemnify, hold harmless and defend City and its elected officials, employees and agents from and against any and all claims, losses or liability, including attorneys' fees, arising from injury or death to persons or damage to property occasioned by any act, omission or failure to act by Consultant, its officers, employees and agents in performing the Services.
- 5.4 Assignment. Consultant is expressly prohibited from assigning any of the Services without the express written consent of City. In the event of mutual agreement between Parties to assign a portion of the Services, Consultant shall add the assignee as an additional insured and provide City with the insurance endorsements prior to the performance of any services by the assignee. Assignment does not include printing or other customary reimbursable expenses that may be provided in this Agreement.

- 5.5 Comprehensive General Liability Insurance. Consultant shall secure and maintain in force throughout the duration of the Agreement comprehensive general liability insurance with carriers acceptable to City. Minimum coverage of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate for public liability, property damage and personal injury is required. City shall be named as an additional insured the insurance policy shall include a provision prohibiting cancellation of said policy except upon thirty (30) days prior written notice to City. Such insurance shall be primary and non-contributing to any insurance or self-insurance maintained by City, and a certificate of insurance and endorsement shall be delivered to City prior to commencement of the Services.
- 5.6 Professional Liability Insurance. Consultant shall secure and maintain professional liability insurance throughout the duration of this Agreement in the amount of One Million Dollars (\$1,000,000) per claim made, and a certificate of liability insurance and endorsement shall be delivered to City prior to commencement of the Services.
- 5.7 Business Auto Liability Insurance. Consultant shall have business auto liability coverage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence, combined single limit for bodily injury liability and property damage liability. This coverage shall include all Consultant owned vehicles used on the project, hired and non-owned vehicles, and employee non-ownership vehicles. Such insurance shall be primary and non-contributing to any insurance or self insurance maintained by City. City shall be named as an additional insured and a certificate of liability insurance and endorsement shall be delivered to City prior to commencement of the Services.

ARTICLE 6 - CONFLICTS OF INTEREST

- 6.1 Consultant covenants and represents that it does not have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the geographical area covered by this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's Services. Consultant further covenants and represents that in the performance of its duties hereunder, no person having any such interest shall perform any Services under this Agreement.
- 6.2 Consultant agrees it is not a designated employee within the meaning of the Political Reform Act because Consultant:
- A. Does not make or participate in:

- (i) the making or any governmental decisions regarding approval of a rate, rule or regulation, or the adoption or enforcement of laws;
- (ii) the issuance, denial, suspension or revocation of permits, licenses, applications, certifications, approvals, orders or similar authorizations or entitlements;
- (iii) authorizing City to enter into, modify or renew a contract;
- (iv) granting City approval to a contract that requires City approval and to which City is a party, or to the specifications for such a contract;
- (v) granting City approval to a plan, design, report, study or similar item;
- (vi) Adopting, or granting City approval of, policies, standards or guidelines for City or for any subdivision thereof.

B. Does not serve in a staff capacity with City and in that capacity participate in making a governmental decision or otherwise perform the same or substantially all the same duties for City that would otherwise be performed by an individual holding a position specified in City's Conflict of Interest Code under Government Code section 87302.

- 6.3 In the event City officially determines that Consultant must disclose its financial interests by completing and filing a Fair Political Practices Commission Form 700, Statement of Economic Interests, Consultant shall file the subject Form 700 with the City Clerk's office pursuant to the written instructions provided by the Office of the City Clerk.

ARTICLE 7 - GENERAL CONSIDERATIONS

- 7.1 In the event any action is commenced to enforce or interpret any of the terms or conditions of this Agreement the prevailing Party shall, in addition to any costs and other relief, be entitled to the recovery of its reasonable attorneys' fees, including fees for use of in-house counsel by a Party.
- 7.2 Consultant shall not assign any of the Services to be performed under this Agreement, except with the prior written approval of City and in strict compliance with the terms, provisions and conditions of this Agreement.
- 7.3 Consultant's key person to perform the Services is Sudhir Pardiwala, Vice President. Consultant agrees that this key person shall be made available and assigned to perform the Services and that he shall not be replaced without concurrence from City.

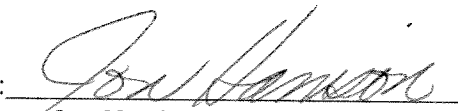
- 7.4 All documents, records, drawings, designs, cost estimates, electronic data files, databases, and other documents developed by Consultant pursuant to this Agreement, and any copyright interest in such documents, shall become the property of City and shall be delivered to City upon completion of the Services, or upon the request of City. Any reuse of such documents and any use of incomplete documents will be at City's sole risk.
- 7.5 Consultant is for all purposes an independent contractor. Consultant shall supply all tools and instrumentalities required to perform the Services. All personnel employed by Consultant are for its account only, and in no event shall Consultant or any personnel retained by it be deemed to have been employed by City or engaged by City for the account of, or on behalf of City.
- 7.6 Unless earlier terminated, as provided for below, this Agreement shall terminate upon completion and acceptance of the Services by City.
- 7.7 This Agreement may be terminated by City, in its sole discretion and without cause, by providing five (5) business days' prior written notice to Consultant (delivered by certified mail, return receipt requested) of intent to terminate.
- 7.8 If this Agreement is terminated by City, an adjustment to Consultant's compensation shall be made, but (1) no amount shall be allowed for anticipated profit or unperformed services, and (2) any payment due Consultant at the time of termination may be adjusted to the extent of any additional costs to City occasioned by any default by Consultant.
- 7.9 Upon receipt of a termination notice, Consultant shall immediately discontinue all services affected, and within five (5) days of the date of the termination notice, deliver or otherwise make available to City, copies (in both hard copy and electronic form, where applicable) of any data, design calculations, drawings, specifications, reports, estimates, summaries and such other information and materials as may have been accumulated by Consultant in performing the Services required by this Agreement. Consultant shall be compensated on a pro-rata basis for work completed up until notice of termination.
- 7.10 Consultant shall maintain books and accounts of all payroll costs and expenses related to the Services. Such books shall be available at all reasonable times for examination by City at the office of Consultant.
- 7.11 This Agreement, including the Exhibits incorporated herein by reference, represents the entire agreement and understanding between the Parties as to the matters contained herein, and any prior negotiations, written proposals or verbal agreements relating to such matters are superseded by this Agreement. Any amendment to this Agreement shall be in writing, approved by City and signed by City and Consultant.

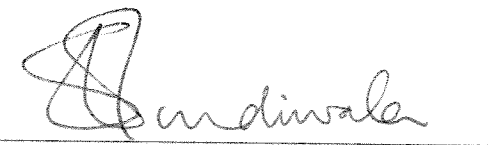
7.12 This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, duly authorized representatives of the City and Consultant have signed in confirmation of this Agreement.

CITY OF REDLANDS

RAFTELIS FINANCIAL CONSULTANTS,
INC.

By: 
Jon Harrison, Mayor

By: 
Sudhir Pardiwala, Vice President

Attest:


City Clerk

EXHIBIT "A"

SCOPE OF SERVICES

SCOPE OF WORK

Based on our understanding of the City's RFP and discussion with City staff, we propose the following tasks to address the City's needs.

GENERAL AND ADMINISTRATIVE

Task 1 – Project Management

This project component includes general project coordination, staff direction, and administrative activities throughout the course of the project. Specific subtasks include:

- 1.1 Coordinate project activities among RFC staff and City staff. Provide direction to staff as required to meet project objectives and deadlines. Ensure adequate levels of staff and resources throughout the course of the project. Review all study-related work and provide overall quality assurance.
- 1.2 Perform general administrative duties, including client correspondence, billing, and project documentation.

Task 2 – Project Initiation Meeting and Data Collection

This project component will provide an opportunity to establish lines of communication; review project missions, goals, and objectives; review project schedule and major milestones; collect pertinent data for the study, and discuss any relevant background information. The session will also facilitate discussions of the overall approach and strategies that will be used by the City and RFC during the course of the project. Specific subtasks are:

- 2.1 Prepare an initial request for billing, financial and operational data and other pertinent information needed prior to the first meeting with City staff. A list of typical data required for the study will be provided before the first meeting.
- 2.2 Obtain and review the data and determine completeness and accuracy.
- 2.3 Review the City's current practices and policy objectives, and identify major interests and concerns.
- 2.4 Conduct a kick-off meeting with the City to refine goals and objectives and to identify concerns and City's expectations. The session will also facilitate a review of the overall study approach, schedule, and deliverables.

CAPITAL IMPROVEMENT PROGRAM ASSESSMENT

Task 3 - Capital Facility Plan Assessment

The first step in determining the long-term revenue requirement is to identify all capital improvements including annual replacements, additions and improvements, and expansions to the water and wastewater systems. A visual inspection of the City's facilities will be conducted and with City staff input asset replacement and refurbishment schedules will be developed for the water and wastewater systems. Alternative methods of financing the improvements, including grants, low interest loans, long-term debt, annual operating revenues, capital facility fees revenue, funds on hand, and direct contributions, would be evaluated. Financing plans to meet the projected capital improvements throughout the study period would be developed. Specific subtasks include:

- 3.1 Review master planning reports, capital facility plans and other available information regarding needed replacements, improvements, and expansions of the water and wastewater systems. Prioritize projects to be constructed within the study planning period.
- 3.2 The RFC team will conduct a tour of City facilities to evaluate the condition of existing water and wastewater facilities.
- 3.3 Based upon the visual inspection and inventory of fixed assets, expected life of the assets and the depreciated life of the assets, an asset replacement and refurbishment schedule will be developed for the water and wastewater systems in conjunction with City staff input.
- 3.4 Review, evaluate and recommend appropriate level of reserve requirements to be maintained on an annual basis for capital projects. Because replacement requirements may be several years into the future, it will be important for the City to accumulate adequate funds to make those replacements.
- 3.5 Investigate alternative financing methods for the capital improvement projects. RFC will recommend financing options that would provide the maximum value at the lowest cost to the City. The financing options may include but not be limited to:
 - local resources such as reserves and rates;
 - low-interest loans – State Revolving Fund (“SRF”);
 - long term debt such as revenue bonds, general bonds, or Certificates of Participation (“COP”);
 - California Infrastructure and Economic Development Bank Program;
 - Department of Water Resources;
 - Bureau of Reclamation;
 - Proposition 50; and
 - Water Reuse Authority Loans.
- 3.6 RFC will review the funding sources, suggest a method of reducing costs and, with City concurrence, recommend an optimal financing strategy.

CAPITAL IMPROVEMENT FEE AND WATER SOURCE ACQUISITION CHARGE REVIEW

RFC will assist the City to review the water and wastewater capital improvement fees and water source acquisition charges for equitable cost sharing and legal defensibility. Requirements of AB 1600 and other California statutes will be taken into consideration for the review.

Task 4 – Capital Improvement Fee and Water Source Acquisition Charge Review

RFC will review capital improvement fees and water source acquisition charges to ensure that the fees collected by the City pay for the facilities and additional water sources required to provide service and that users pay their fair share of costs. Specific subtasks include:

- 4.1 Review the accuracy and appropriateness of the new water and wastewater facilities to serve the new development and estimate the cost of providing the additional water and wastewater services and to secure additional water sources using appropriate cost estimation procedures factoring the inflation, interest rates, and Engineering News-Record Index.

- 4.2 Review existing water rights held by the City and any additional water capacity needed to serve new users and the associated costs.
- 4.3 Determination of water and wastewater capital improvement fees and water source acquisition charges are accomplished by calculating the portion of total costs to be allocated to each unit of development. The total cost is then allocated equitably using a specific set of parameters such as meter sizes, capacity, etc.
- 4.4 RFC will review the rationales, calculation methodologies and implementation procedures. RFC will also consult with City staff regarding compliance with the accounting requirements. We will also provide guidance as to the appropriate methodology for the assessment of fees based on several acceptable methodologies in conformance with state requirements.

Task 5 – Capital Improvement Fee and Water Source Acquisition Charge Recommendation

RFC will review factors to be considered in establishing the proportionate share of capital costs to be allocated to new development including:

- the method of financing;
- the extent to which new developments have already contributed to existing improvements;
- the extent to which new development is required to construct, acquire new water sources and contribute capital facility plans as condition of development;
- the extent to which administrative and financing costs will be included in capital improvement fees and water source acquisition charges; and
- the time-price differential in comparing the amount paid at different times.

Using an appropriate methodology and utilizing the City's master plans and other studies and data, we will develop equitable and defensible water and wastewater capital improvement fees and water source acquisition charges that comply with regulatory requirements including AB 1600.

DETERMINATION OF REVENUE REQUIREMENTS

Task 6 - Revenue Requirement Projections

The objective of this task is to project the City's revenue needs for the study period. This major task requires an assessment of revenues based on the existing rates and fee schedules; an estimation of future revenue requirements; the City's ability to meet projected revenue requirements; and the determination of the level of revenue adjustments and additional financing requirements. The following subtasks will be completed:

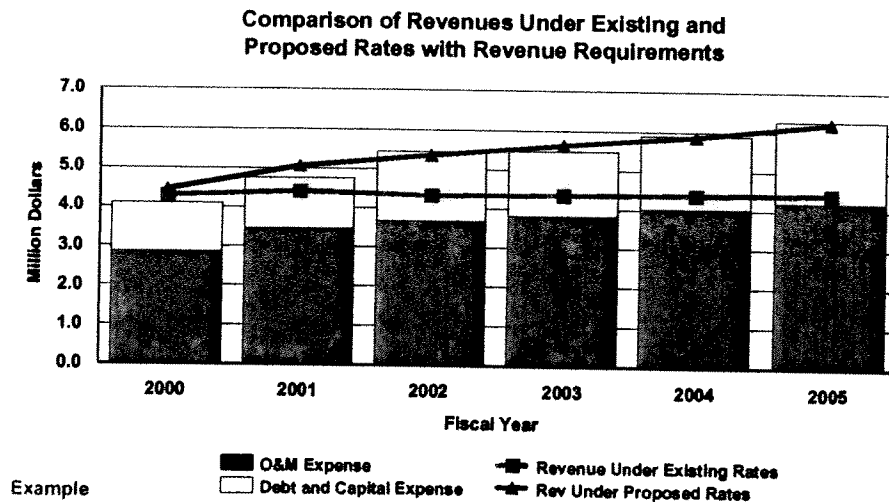
- 6.1 Estimate water, wastewater, and recycled water revenues based on current rates, source acquisition charges and capital improvement fee levels, and incorporating the projected number of customers and service requirements. Historical growth trends, quantity of service provided, and patterns in customer service characteristics will be evaluated. Recent studies of population trends and growth will be reviewed and used in making projections of customers and associated usage.
- 6.2 Review and project revenues from miscellaneous sources such as interest earnings, miscellaneous service fees, fire line revenues, or other sources.

6.3 Develop annual revenue requirements for the water and wastewater operations of the City taking into consideration the following factors:

- Historical data and current year's budgets;
- Current Operation and Maintenance expenses;
- Impact of recycled water supplies on water consumption and revenues;
- Historical water acquisition expenses;
- Routine and major capital expenditures;
- Future system service requirements and system growth;
- Expected operational changes and inflation;
- Debt service on existing and any proposed new financing methods including appropriate reserves;
- Other cash obligations; and
- Revenue from outside City customers.

6.4 Develop future cash flow analyses for the water and wastewater operations for a ten-year study period showing application of revenue under existing rate levels. On the basis of the cash flow analyses, develop revenue level adjustments needed to meet projected revenue requirements. Consider reprioritizing and rescheduling capital projects and consider application of available reserves to minimize borrowing for capital improvement projects. These results will be presented in an easy to understand graphical format. For example, the graphic below shows how the proposed rates would meet revenue requirements.

6.5 evaluate and recommend operating reserve balances that need to be maintained in the City's water and wastewater funds.



COST OF SERVICE AND RATE DESIGN

Since the City is interested in reviewing alternative rate structures, we will conduct a cost of service analysis that reevaluates the cost distribution between different customer classes, between the service charge and the usage charge for water, and between the fixed charge and water usage charge for wastewater. RFC will review and provide an alternative rate structure that takes strength parameters such as biochemical oxygen demand ("BOD") and total suspended solids ("TSS") into consideration and meet SWRCB guidelines.

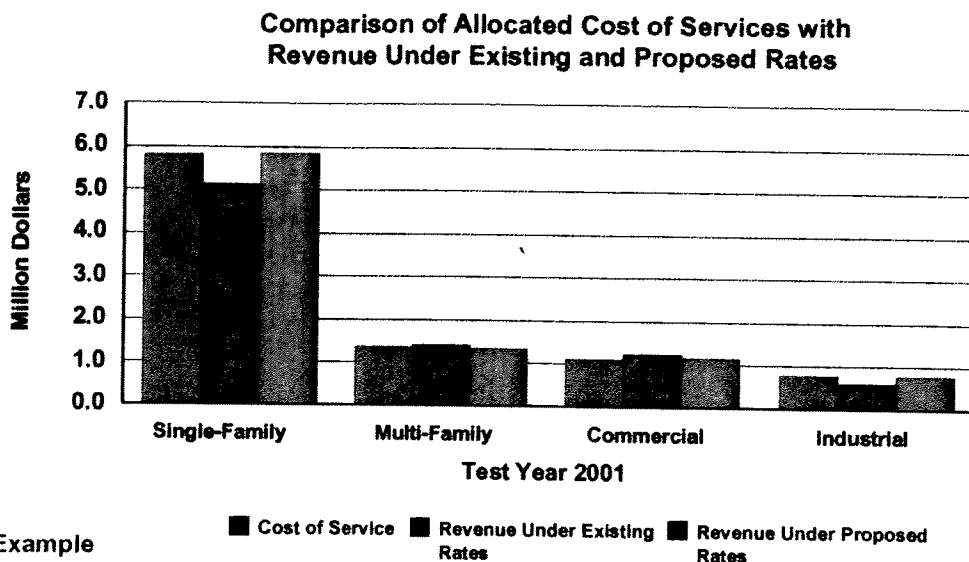
For each year of the study period, projected revenue requirements will be allocated to customer classifications. Distribution of expenses will reflect cost-causative concepts in accordance with generally accepted utility practices.

Task 7 – Cost of Service Analysis

RFC will allocate cost of service to current customer classifications. Specific subtasks include:

- 7.1 Review customer classes for water and wastewater service for both inside and outside City customers. Customers will be grouped based on characteristics. Customers would be grouped by residential, commercial, recycled and industrial for water and by strength for wastewater.
- 7.2 Based on current rates, we will estimate the relative responsibility of each customer class for each of the functional cost elements. Elements will be based on billing summary data, other locally available data which may be applicable, and RFC's experience with other utilities exhibiting similar usage characteristics and patterns.
- 7.3 Allocate the cost of service to the various cost components which constitute a functional classification of the different types of service the City provides. Functional cost components for water will include base or volume related costs, extra capacity costs, fire protection costs, and customer costs. Functional cost components for wastewater will include volume, strength (BOD and TSS), infiltration and inflow ("I&I"), and customer costs. These will represent the revenue requirements to be met from water and wastewater charges and fees over the study period.
- 7.4 Distribute the costs by functional components to the various customer classifications, identified above, on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of unit of service for each customer classification and the application of unit costs of service to the respective units.
- 7.5 Compare existing revenue under existing rates by each customer class with the allocated cost of service to determine:
 - the adequacy of present revenue levels for each class; and
 - the indicated adjustment in rates required to equitably distribute costs to the respective classes of customers.

A graphical example of these results is shown on the following page, similar to materials that would be used for the presentation to the City Council.



- 7.6 Throughout the cost allocation process, RFC will comply with City policy considerations, procedures, and all currently known federal, state, and local rules, regulations, and guidelines applicable to charges for water and wastewater services.

Task 8 – Review and Development of Rate Structures

The water and wastewater revenue requirements from each customer class will be recovered through a rate structure designed to stand alone as a separate revenue source. RFC will evaluate the City's existing water and wastewater rate structures for both inside and outside City customers and identify the rate structures most appropriate for the City. We will also review and establish non-potable rates. Evaluation criteria will include items such as the City's existing billing system capability, customer impacts, future capital facilities plans, and revenue stability. We will design rate structures that are equitable, and easy to implement. The following subtasks will be performed:

- 8.1 Evaluate the City's existing inside and outside City water and wastewater rate structures in terms of reasonableness of criteria used and equitability among users.
- 8.2 We will develop alternative water rate structures as appropriate for the City and determine the best alternative for the City. Possible structures may include, but not necessarily be limited to, the following:
- Inverted-block rate structure by class;
 - Block thresholds;
 - Effects of water conservation as it relates to water alternatives;
 - Pricing policies for commercial users;
 - Lifeline rates; and
 - Non-potable/recycled water rates.

and the following for the wastewater rate structure:

- Residential flat rates;
- Uniform volume rate; and
- Strength of pollutant discharged-based rate for non-residential customers.

- 8.3 RFC will compare the proposed water and wastewater rates developed for the City with neighboring agencies of comparable service characteristics.
- 8.4 Rates for outside City customers will be reviewed based on recommendations made in previous studies.

Task 9 – Rate Design

Based on the water and wastewater rate structures developed in Task 8 above, water, non-potable water and wastewater rates for inside and outside City customers will be developed so as to take effect on the date selected by the City. The rates will be determined taking into consideration total annual revenue requirements, allocated cost of service, water conservation, City policy considerations and compliance with state requirements. The specific subtasks include:

- 9.1 Design schedule of water, non-potable water and wastewater rates to equitably recover total revenue requirements from classes of customers. The rates will be designed in accordance with the results of the cost of service analysis and will be developed for inside and outside City customers.
- 9.2 Prepare comparisons of typical water and wastewater bi-monthly bills for each customer class under existing and proposed rates for typical levels of usage/contribution.
- 9.3 Review existing City ordinances pertaining to water and wastewater rates and recommend modifications to assist in the implementation of the new rate structures.

Task 10 – Miscellaneous Fees Review

The City is interested in reviewing the various miscellaneous charges levied by the City. RFC will review the City's miscellaneous fees and suggest changes and additions, if necessary, to bad check charges, industrial waste fees, fire service fees, late fees, service deposits, backflow service charges, etc.

- 10.1 Discuss with City staff to evaluate the level of effort and materials required to provide miscellaneous services.
- 10.2 Recommend changes to the City's miscellaneous fees to recover costs of providing services.

Task 11 – Meetings and Deliverables

Throughout the course of the studies, RFC will participate in meetings, presentations and prepare project reports as follows:

- 11.1 RFC will attend up to five (5) additional meetings with staff (besides the field trip and the kick-off meeting) to review issues and discuss findings and recommendations. These meetings will be covered

under the previous tasks. In addition, RFC will attend one public meeting to review comments and another public meeting to review modified rates.

- 11.2 Prepare five (5) draft copies of the water and wastewater report which will include findings and recommendations along with various graphics and tables for the City's review.
- 11.3 Deliver to the City a Microsoft EXCEL[®] based rate model used to develop the proposed rates and rate schedules. The model will be provided in an electronic format on a disk or CD.

Task 12 – Public Hearing and Final Report

RFC, with assistance of City Staff, will prepare a final report encompassing all study findings, input, and recommendations at the conclusion of the project and present findings to City staff and at public meetings. Specific subtasks include:

- 12.1 Incorporate the City's comments of the draft report into the final report and submit 20 copies of the final report to the City.
- 12.2 Present the final report and recommendations to the City Council and members of the public at a public hearing.

PROJECT SCHEDULE

RFC has a strong track record of meeting client schedules and believe our experience and ample resources will enable us to meet the City's short time schedule. It is expected that the City will be able to provide the data needed for the study with the notice to proceed. A timeline showing the key target dates and milestones is presented in the table below.

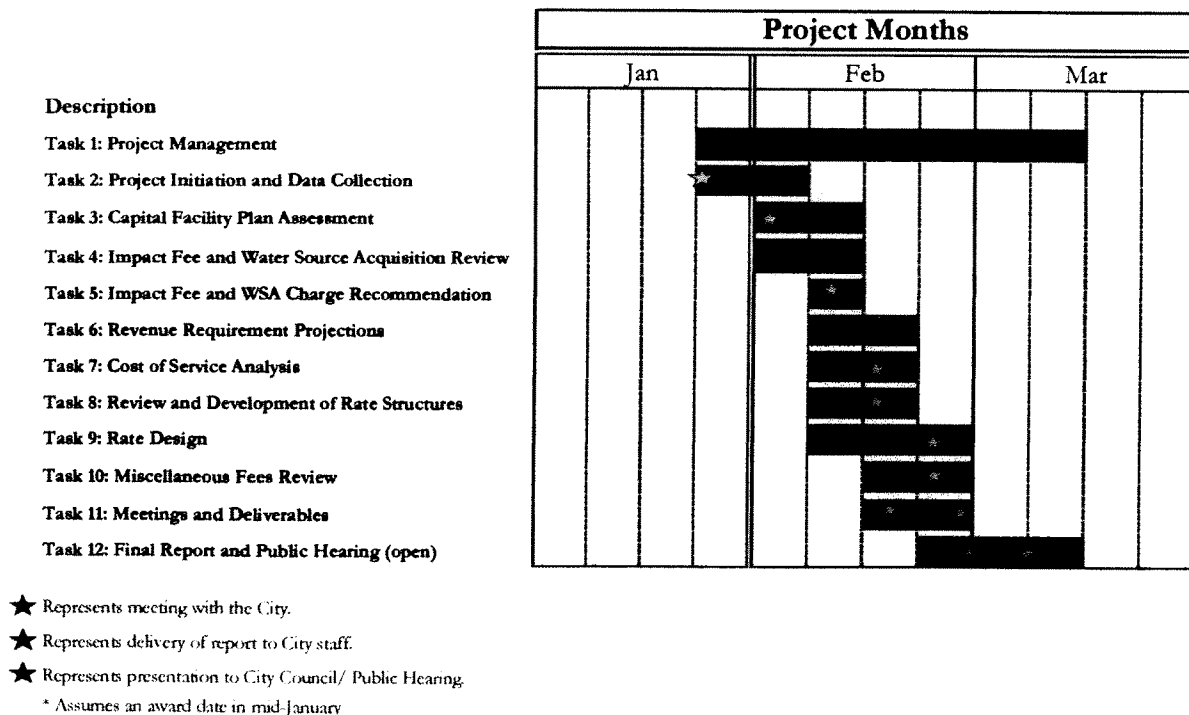


EXHIBIT "B"

CONSULTING FEE

ESTIMATE OF CONSULTING FEE

RFC estimates that the level of effort presented in this proposal can be successfully accomplished for a not-to-exceed cost of \$83,685. The table below shows the detailed hourly work effort for each team member, hourly rates and total estimated costs, including information technology and travel expenses.

**City of Redlands, California
Water and Wastewater Rate Study**

	Trips	Hours Requirements					\$/Task
		GR	SP	EV/SV	HP/JC	Admin	
1. Project Management		1	8			6	\$2,428
2. Project Initiation and Data Collection	1		8	4	16		\$4,850
3. Capital Facility Plan Assessment	1		10	4	16		\$5,285
4. Impact Fee and Water Source Acquisition Review			8	40			\$8,440
5. Impact Fee and WSA Charge Recommendation	1		10	4			\$2,845
6. Revenue Requirement Projections			8	8	48		\$10,400
7. Cost of Service Analysis	1	1	12		16		\$5,333
8. Review and Development of Rate Structures	1		12	8	32		\$8,830
9. Rate Design	1	1	12	2	32		\$8,108
10. Miscellaneous Fees Review	1		4		16		\$3,310
11. Meetings and Deliverables	2	1	32	8	54		\$16,818
12. Public Hearing and Final Report	1		12		16	8	\$5,590
Total estimated hours		4	136	78	246	14	
		\$1,100	\$28,560	\$12,480	\$35,670	\$840	\$59,828

Key:

GR George Raftelis - Technical Advisor
 SP Sudhir Pardiwala - Project Manager
 EV Elaine Vastis - Lead Consultant
 SV Steve Vuoso - Lead Consultant
 HP Hannah Phan - Staff Consultant
 JC Joe Crea - Staff Consultant

Project Fees \$78,650
 Expenses \$5,035
 Total **\$83,685**