

AGREEMENT TO PERFORM PROFESSIONAL SERVICES

This agreement for the provision to provide professional financial services for the preparation of a report for budget based water rate ("Agreement") is made and entered in this 1st day of September, 2015 ("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 provide professional financial services for the preparation of a report for budget based water rate study (the "Services").
- 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.

ARTICLE 2 – SERVICES OF CONSULTANT

- 2.1 The Services that Consultant shall perform are more particularly described in Exhibit "A," entitled "Scope of Services," which is attached hereto and incorporated herein by reference.
- 2.2 Consultant shall comply with applicable federal, state and local laws and regulations in the performance of this Agreement including, but not limited to State prevailing wage laws.

ARTICLE 3 – RESPONSIBILITIES OF CITY

- 3.1 City shall make available to Consultant information in its possession that may assist Consultant in performing the Services.
- 3.2 City designates Chris Diggs, Municipal Utilities and Engineering Director, as City's representative with respect to performance of the Services, and such person 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 4 – PERFORMANCE OF SERVICES

- 4.1 Consultant shall perform and complete the Services in a prompt and diligent manner.
- 4.2 If Consultant's Services include deliverable electronic visual presentation materials, such materials shall be delivered in a form, and made available to the City, consistent with

City Council adopted policy for the same. It shall be the obligation of Consultant to obtain a copy of such policy from City Staff.

ARTICLE 5 – PAYMENTS TO CONSULTANT

- 5.1 The total compensation for Consultant's performance of the Services shall not exceed the amount of Fifty Three Thousand Eight Hundred Ninety Four Dollars (\$53,894). City shall pay Consultant on a time and materials basis up to the not to exceed amount, in accordance with Exhibit "B" entitled "Rate Schedule." Exhibit "B" is attached hereto and incorporated herein by this reference.
- 5.2 Consultant shall submit monthly invoices to City describing the Services performed during the preceding month. Consultant's invoices shall include a brief description of the Services performed, the dates the Services were performed, the number of hours spent and by whom, and a description of reimbursable expenses related to the project. City shall pay Consultant no later than thirty (30) days after receipt and approval by City of Consultant's invoice.
- 5.3 Any notice or other communication required, or which may be given, pursuant to this Agreement, shall be in writing. Any such notice shall be deemed delivered (i) on the date of delivery in person; (ii) five (5) days after deposit in first class registered mail, with return receipt requested; (iii) on the actual delivery date if deposited with an overnight courier; or (iv) on the date sent by facsimile, if confirmed with a copy sent contemporaneously by first class, certified, registered or express mail; in each case properly posted and fully prepaid to the appropriate address set forth below, or such other address as a Party may provide notice in accordance with this section:

City of Redlands:

Chris Diggs, MUED Director
Municipal Utilities and Engineering Dept.
35 Cajon Street, Suite 15A
PO Box 3005 (mailing)
Redlands, CA 92373

Consultant:

Mr. Sudhir Pardiwala
Raftelis Financial Consultants, Inc.
201 S. Lake Avenue
Pasadena, CA 91101

ARTICLE 6 – INSURANCE AND INDEMNIFICATION

- 6.1 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 unless and until the 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. Insurance policies shall include a provision prohibiting cancellation or modification of the policy except upon thirty (30) days prior written notice to City.

- 6.2 Workers' Compensation and Employer's Liability insurance in the amount that meets statutory requirements with an insurance carrier acceptable to City, or certification to City that Consultant is self-insured or exempt from the workers' compensation laws of the State of California. Consultant shall provide City with Exhibit "C," entitled "Workers' Compensation Insurance Certification," which is attached hereto and incorporated herein by this reference prior to occupancy of the Premises.
- 6.3 Consultant shall secure and maintain 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 and such insurance shall be primary and non-contributing to any insurance or self-insurance maintained by City.
- 6.4 Consultant shall secure and maintain professional liability insurance throughout the term of this Agreement in the amount of One Million Dollars (\$1,000,000) per claim made.
- 6.5 Consultant shall have business auto liability coverage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence, combined single limit bodily injury liability and property damage liability. This coverage shall include all Consultant owned vehicles used in connection with Consultant's provision of the Services, hired and non-owned vehicles, and employee non-ownership vehicles. City shall be named as an additional insured and such insurance shall be primary and non-contributing to any insurance or self insurance maintained by City.
- 6.6 Consultant shall defend, indemnify and hold harmless 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 negligent act or omission by, or the willful misconduct of, Consultant, or its officers, employees and agents in performing the Services.

ARTICLE 7 – CONFLICTS OF INTEREST

- 7.1 Consultant covenants and represents that it does not have any investment or interest in any real property that may be the subject of this Agreement or any other source of income, interest in real property or investment that 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.
- 7.2 Consultant agrees it is not a designated employee within the meaning of the Political Reform Act because Consultant:

A. Does not make a governmental decision whether to:

- (i) approve a rate, rule or regulation, or adopt or enforce a City law;
 - (ii) issue, deny, suspend or revoke any City permit, license, application, certification, approval, order or similar authorization or entitlement;
 - (iii) authorize the City to enter into, modify or renew a contract;
 - (iv) grant 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) grant City approval to a plan, design, report, study or similar item;
 - (vi) adopt or grant 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 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.
- 7.3 In the event City officially determines that Consultant must disclose its financial interests, Consultant shall complete and file a Fair Political Practices Commission Form 700, Statement of Economic Interests, with the City Clerk's office pursuant to the written instructions provided by the City Clerk.

ARTICLE 8 – GENERAL CONSIDERATIONS

- 8.1 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 the use of in-house counsel by a Party.
- 8.2 Consultant shall not assign any of the Services, except with the prior written approval of City and in strict compliance with the terms and conditions of this Agreement.
- 8.3 Records, drawings, designs, cost estimates, electronic data files, databases and any other documents developed by Consultant in connection with its performance of the Services, 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, shall be at City's sole risk.
- 8.4 Consultant is for all purposes under this Agreement an independent contractor and shall perform the Services as an independent contractor. Neither City nor its agents shall have control over the conduct of Consultant or Consultant's employees, except as herein set forth. Consultant shall supply all necessary tools and instrumentalities required to perform the Services. Assigned personnel employed by Consultant are for its account only, and in no event shall Consultant or 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. Consultant shall have no authority, express or implied, to act on behalf of City in any capacity

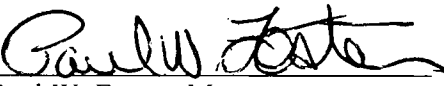
whatsoever as an agent, nor shall Consultant have any authority, express or implied, to bind City to any obligation.

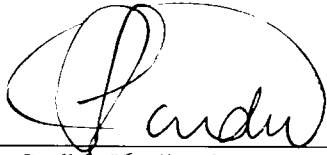
- 8.5 Unless earlier terminated as provided for below, this Agreement shall terminate upon completion and acceptance of the Services by City. This Agreement may be terminated by City, in its sole discretion, by providing not less than five (5) days prior written notice to Consultant of City's intent to terminate. 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. Upon receipt of a termination notice, Consultant shall immediately discontinue its provision of the Services 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 project related 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. Consultant shall be compensated on a pro-rata basis for Services completed up to the date of termination.
- 8.6 Consultant shall maintain books, ledgers, invoices, accounts and other records and documents evidencing costs and expenses related to the Services for a period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant pursuant to this Agreement. Such books shall be available at reasonable times for examination by City at the office of Consultant.
- 8.7 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. Except as otherwise provided for herein, any amendment to this Agreement shall be in writing, approved by City and signed by City and Consultant.
- 8.8 This Agreement shall be governed by and construed in accordance with the laws of the State of California.
- 8.9 If one or more of the sentences, clauses, paragraphs or sections contained in this Agreement is declared invalid, void or unenforceable by a court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall not affect, impair or invalidate the remaining sentences, clauses, paragraphs or sections contained herein, unless to do so would deprive a Party of a material benefit of its bargain under this Agreement.

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

CITY OF REDLANDS

RAFTELIS FINANCIAL CONSULTANTS, INC.

By: 
Paul W. Foster, Mayor

By: 
Sudhir Pardiwala, Executive Vice President

ATTEST:

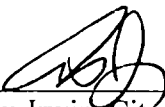

Sam Irwin, City Clerk

EXHIBIT “A”

Scope of Services

TASK 1 – ANALYZE PARCEL AND USAGE DATA

Consultant will evaluate fiscal year (FY) 2014 and FY 2015 usage data by account. Consumption data for calendar year 2013 for comparing usage levels per capita and establishing efficiency targets. To accurately construct outdoor water budgets, Consultant will receive irrigable, or landscape area, for each account that will be subject to the allocation rate structure. Data will be provided by City via Santa Ana Watershed Project Authority. In place of GIS data, Consultant will estimate using a percentage of lot size, a fixed limit, or a formula basis using a percentage of lot size less building footprint area.

City will provide Consultant parcel data and matching account data with usage by bi-monthly billing period for the last two fiscal years. City will provide Consultant parcel area or landscape area based data. Consultant will analyze data to identify the amount of water that would be used in different tiers for each customer based on the policy decisions and input variables used to define the water budget tiers.

TASK 2 – REVIEW POLICIES AND DEVELOP WATER BUDGET MODEL

Consultant will review the various policy issues associated with development of water budgets. These include the following:

- Household density for single and multi-family
- Usage per capita per day – based on SB x7-7
- Landscape area definition and cap for irrigated area
- Historical or live evapotranspiration (ET) data
- ET adjustment factors – plant factors and irrigation efficiency
- Tier definitions – indoor, outdoor, inefficient, wasteful
- Variances for special needs – medical, large animals, pools, etc.
- Billing system updates
- Implementation including shadow billing, customer service, etc.

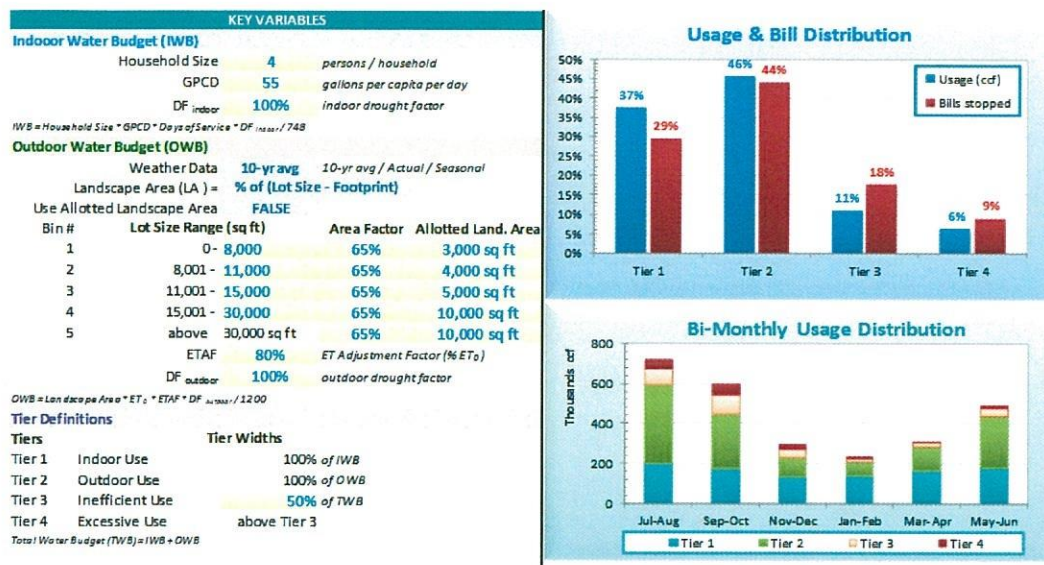
Consultant will develop a Water Budget Model that will calculate rates for the existing Cost of Service and Financial Plan Model. The Model will be developed with the flexibility to change tier widths based on water budget allocation factors that vary according to parameters such as lot size or landscape area, evapo-transpiration (ET) rates, household densities, and other factors.

The Model will construct and calculate water budgets using distinct factors for different customer classes. For example, Indoor Water Budgets (IWB or Tier 1 budget) for multi-family residential (MFR) customers will be multiplied by the number of dwelling units on the account. Similarly, irrigation customers do not have indoor water use and therefore will not have an indoor water allocation.

TASK 3 – RATE CALCULATIONS

The model will determine revenues recovered in each tier and the associated price for each tier. In addition, the model will be able to easily update tiered rates, based on the future revenue requirements. In the dashboard example below, 73% of all customers (44% + 29%) are within tiers 1 and 2, and are within their total water budget allotment (shown in the “Usage & Bill Distribution Chart”). The model dashboard also shows bi-monthly usage to illustrate the quantity of water being used in the different tiers. The left

side of the dashboard includes key variables, inputs and assumptions for indoor and outdoor budgets, as well as, the tier definitions.

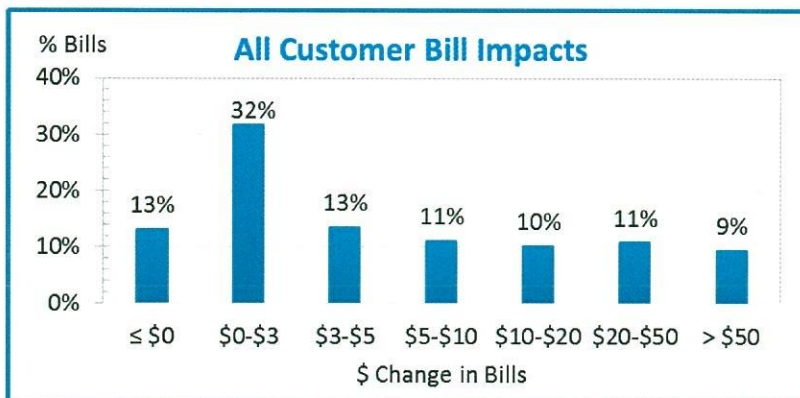


TASK 4 – EVALUATE CUSTOMER IMPACTS

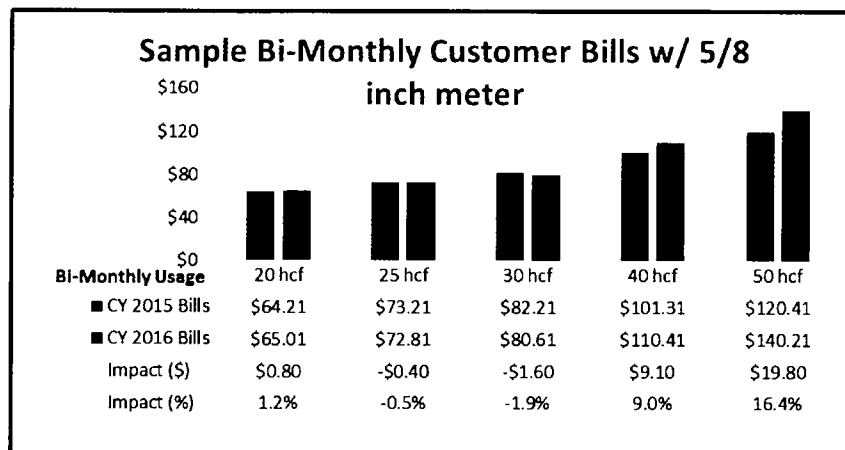
Consultant will evaluate the potential financial impacts on customers from the water budget rate structure. The Model will include a series of tables and figures that show projected rate impacts on different types of customers at various levels of usage.

Impact analysis charts are a great tool to measure a rate structure's effect on customer bills and has proven particularly useful during the community outreach stage of proposed change in rate structure. Consultant analysis charts can display impacts at the account, customer class, and district level.

Below is a sample customer bill impact chart of what will be provided. This chart shows that 13% of customers will experience either a reduction or no change in their bills, 32% will see an increase of \$0 to \$3, etc.



The chart below shows bill impacts for new rates at the individual level. This chart shows bill impacts at the individual level at differing levels of consumption with two different rate structures.



TASK 5 – UTILITY ADVISORY COMMITTEE MEETINGS

Consultant will conduct three meetings with the Utility Advisory Committee (UAC) to discuss the policy issues, assumptions, results and impacts to the City and City customers in implementing budget based rates. Major policy decisions when implementing budget based rates include the use of current versus historical weather data, default household densities, landscape area factors, and variances for uses such as pools, large animals, and persons with disabilities. Up to four meetings with the UAC will be provided.

Consultant will hold one water budget rate workshop with the UAC/Council to review previously determined assumptions and inputs and discuss the results and impacts of the new water budget rate structure.

TASK 6 – PRESENTATION TO CITY COUNCIL

Consultant will present the water budget rate structure, proposed rates, and customer impacts to City Council.

TASK 7 – WATER RATE REPORT DEVELOPMENT

Recent court case decisions have emphasized the importance of a thorough administrative record and defensible methodology of the final rates for service. As a means to ensure that the study includes a thorough administrative record, the Final Report will include an exhibit listing all rate design assumptions and methodologies used to develop the rates. The discussion on rate structure selection will be presented as a comprehensive section on the rate design assumptions and methodologies used to develop the rate calculations. The Final Report, with City comments incorporated, will be submitted to the City and will include appropriate supporting data from the Model to address the requirements of Proposition 218.

TASK 8 – BILL CALCULATOR (OPTIONAL)

If requested, Consultant will develop a rate calculator that can be accessed on the web by customers to view their monthly water budget allocations and the associated impacts on their water and wastewater charges. These calculators have proven to be useful tools in communicating with customers and providing data to allow for informed decisions on water use and conveying impacts in an easily understood manner.

EXHIBIT “B”
RATE SCHEDULE

Task	Task Descriptions	Web Meetings	No of Meetings	Hours					Total Fees & Expenses
				SP	TR	FC	Admin	Total	
	HOURLY RATES			\$300	\$190	\$170	\$70		
1	USAGE AND PARCEL DATA ANALYSIS	1		2	3	24	4	33	\$5,860
2	WATER BUDGET MODEL DEVELOPMENT	2		8	4	36		48	\$9,760
3	RATE DESIGN AND CALCULATIONS	1		6	2	24		32	\$6,580
4	CUSTOMER IMPACTS			2	1	16		19	\$3,700
5	UAC MEETINGS/WORKSHOP		4	36		40		76	\$18,979
6	COUNCIL PRESENTATION		1	6		2		8	\$2,375
7	REPORT DEVELOPMENT			4		30		34	\$6,640
TOTAL ESTIMATED MEETINGS / HOURS		4	5	64	10	172	4	250	
	PROFESSIONAL FEES			\$19,200	\$1,900	\$29,240	\$280	\$50,620	
Total Fees									\$50,620
Total Expenses									\$3,274
TOTAL FEES & EXPENSES									\$53,894

EXHIBIT "C"

WORKERS' COMPENSATION INSURANCE CERTIFICATION

Every employer, except the State, shall secure the payment of compensation in one or more of the following ways:

- (a) By being insured against liability to pay compensation by one or more insurers duly authorized to write compensation insurance in this State.
- (b) By securing from the Director of Industrial Relations, a certificate of consent to self-insure, either as an individual employer, or as one employer in a group of employers, which may be given upon furnishing proof satisfactory to the Director of Industrial Relations of ability to self-insure and to pay any compensation that may become due to his or her employees.

CHECK ONE

X I am aware of the provisions of Section 3700 of the Labor Code which requires every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and I will comply with such provisions before commencing the performance of the work and activities required or permitted under this Agreement. (Labor Code §1861).

_____ I affirm that at all times, in performing the work and activities required or permitted under this Agreement, I shall not employ any person in any manner such that I become subject to the workers' compensation laws of California. However, at any time, if I employ any person such that I become subject to the workers' compensation laws of California, immediately I shall provide the City with a certificate of consent to self-insure, or a certification of workers' compensation insurance.

I certify under penalty of perjury under the laws of the State of California that the information and representations made in this certificate are true and correct.

RAFTELIS FINANCIAL CONSULTANTS, INC.

By: _____

Mr. Sudhir Pardiwala, Executive Vice President

8-17-15

Date: _____