

AGREEMENT TO PERFORM PROFESSIONAL SERVICES

This agreement for professional financial consulting services ("Agreement") is made and entered in this 19th day of August, 2014 ("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 "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 for professional financial services for the preparation of a report for water, nonpotable water, and wastewater rates and water, nonpotable water, wastewater, and storm drain impact fees (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, Deputy 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 One Hundred Seven Thousand Eight Hundred and Fifteen Dollars (\$107,815.00). 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 All notices shall be given in writing by personal delivery or by mail. Notices sent by mail should be addressed as follows:

City of Redlands:

Chris Diggs, Deputy 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 # 301
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 whom notices and payments are to be given by giving notice pursuant to this section 5.3.

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 and 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 a designated employee within the meaning of the Political Reform Act because Consultant's Services to City involve participation in the making of City governmental decisions regarding approval of a rate.
- 7.3 City has determined that Consultant must disclose its financial interests, and that 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 ten (10) days prior written notice to Consultant (delivered by certified mail, return receipt requested) 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, an 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: 
Pete Aguilar, Mayor

By: 
Sudhir Pardiwala, Executive Vice President

ATTEST:

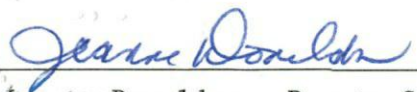

Jeanne Donaldson, Deputy City Clerk

EXHIBIT “A”

SCOPE OF WORK

PROJECT INITIATION AND DATA REVIEW

The study will begin with a kick-off meeting so it progresses in an efficient manner. Consultant will meet with City Staff, clarify objectives, collect data, and review all relevant documents and policies. There will also be an ongoing project management and quality control process to ensure quality work.

TASK 1 – PROJECT MANAGEMENT AND QUALITY ASSURANCE/QUALITY CONTROL (QA/QC) PROCESS

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

TASK 1.1 - Coordinating project activities among Consultant and City staff. Providing direction to staff as required to meet project objectives and deadlines, as well as to ensure adequate levels of staff and resources throughout the course of the project.

TASK 1.2 - Performing general administrative duties, including correspondence, invoicing, and project documentation.

TASK 1.3 - Performing QA/QC process to ensure all work performed by Consultant will be accurate and of the highest quality. Sanjay Gaur will serve as the primary QA/QC reviewer. Mr. Gaur will participate in internal project meetings and will work closely with both the Project Manager and Consultant’s team during the course of the project.

TASK 2 – PROJECT INITIATION MEETING AND DATA COLLECTION

This task will provide an opportunity to establish lines of communication, review project missions and project schedule, collect pertinent data for the study, and discuss any relevant background information. Specific subtasks are:

TASK 2.1 - One kick-off meeting with City Staff to discuss the project objectives and review all relevant information. In this subtask, Consultant will prepare an initial request for billing, financial, and operational data and other pertinent information needed prior to the meeting. A list of typical data required for the study will be provided.

TASK 2.2 - Review the City’s current practices, policy objectives, and identify major interests and concerns.

Deliverables: Data Request List; Kick-off Meeting Package.

CAPITAL IMPROVEMENT PROGRAM 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, wastewater, and recycled/non-potable systems. A review of the City's facilities will be conducted and, with City staff input, asset replacement and refurbishment (R&R) schedules will be developed for the water, wastewater, and recycled/non-potable systems. Consultant will also evaluate alternative methods of financing the improvements to provide maximum value at the lowest cost. Financing plans to meet the projected capital improvements throughout the study period will be developed.

TASK 3 - CAPITAL FACILITY PLAN ASSESSMENT

The specific subtasks of this task include:

TASK 3.1 - Review master planning reports, capital facility plans, valuation studies, and other available information regarding replacements, improvements, and expansions of the water, wastewater, and recycled/non-potable systems. Prioritize projects to be constructed within the study planning period. Consultant will work with City Staff to update the City's existing 10-year capital improvement program.

TASK 3.2 - 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 is important for the City to accumulate adequate funds to make those replacements.

TASK 3.3 - Recommend a financial plan and investigate alternative financing methods for the capital improvement projects. Consultant will recommend financing options that will provide maximum value at the lowest cost to the City.

Deliverables: R&R Schedules; Financing options for R&R.

CAPITAL IMPROVEMENT, WATER SOURCE ACQUISITION, AND MISCELLANEOUS CHARGES RECOMMENDATIONS

Consultant will assist City in reviewing the water and wastewater capital improvement, water source acquisition, and miscellaneous charges for equitable cost sharing and defensibility. Requirements of AB 1600 and other California statutes will be considered for the review.

TASK 4 – CAPITAL IMPROVEMENT, WATER SOURCE ACQUISITION, STORM DRAIN, AND MISCELLANEOUS CHARGES RECOMMENDATIONS

Using an appropriate methodology and the City's master plans, other studies, and current asset data, Consultant will recommend capital improvement, water source acquisition, and other miscellaneous fees and charges to ensure that the fees collected by the City pay for the facilities

and services, as well as additional water sources required in providing water and wastewater service. Specific subtasks include:

TASK 4.1 - Consultant will review and determine water, nonpotable water, wastewater, and storm drain capital improvement fees to recover costs of facilities to provide service to new customers and ensure that new users pay their fair share of costs. Consultant will review the current calculation methodologies and implementation procedures. Requirements of AB 1600 and applicable California statutes will be taken into consideration for the review and development.

TASK 4.2 - Consultant will determine water source acquisition charges by estimating the cost to secure additional water sources using appropriate cost estimation procedures.

TASK 4.3 - Consultant will determine the full cost of providing services to the general public, which will be based on a time and materials basis. As part of updating a comprehensive list of miscellaneous fees, Consultant will first calculate the fully-burdened rates (FBHRs) of employees whose duties include request for services, such as, (water and sewer service shut-offs, backflow devices, fire service fees, late fees, etc.). FBHRs include salary and benefits, overhead expenses, and common shared expenses. FBHRs are one of the primary components in determining the “true” cost of providing services to the City’s customers. Consultant will determine the true cost by using the City time estimates and multiplying them with the FBHR of each employee. The true cost will be used to update the various miscellaneous fees.

TASK 4.4- Consultant will use the existing data provided by City from its Drainage Master Plan to determine the storm drain fee.

TASK 4.5 - Consultant will determine all costs and charges based on appropriate rationales and methodologies, factoring in inflation, interest rates, and the Engineering News-Record Index.

Deliverables: Capital Improvements Fees; Water Acquisition Fees; Storm Drain Fees, Other Fees.

INDUSTRIAL WASTE FEES

Consultant will assist the City in reviewing the industrial waste fees for equitable cost sharing and defensibility. Requirements of Proposition 26 and other California statutes will be considered for the review.

TASK 5 – INDUSTRIAL WASTE FEES RECOMMENDATION

Consultant will discuss with staff the various activities such as inspection, sampling, permitting, and administrative costs associated with servicing industrial waste customers and determining the fees to ensure that the fees collected by the City pay for the services. Specific subtasks include:

TASK 5.1 - Consultant will review and determine industrial waste fees to recover costs to provide service to customers and ensure that users pay their fair share of costs. Industrial customers will be classified into classes based on EPA definitions and fees will be calculated for each class based on the costs to serve each class.

DETERMINATION OF REVENUE REQUIREMENTS

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 rate 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.

TASK 6 - REVENUE REQUIREMENT PROJECTIONS AND CASH FLOW ANALYSIS

The following subtasks will be completed:

TASK 6.1 - Estimate water, wastewater, and non-potable water revenues based on current rates and other sources, 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.

TASK 6.2 - Bill frequency and mass balance analysis will be performed to determine usage and customer impacts. Based on this historical analysis, and planning data, Consultant will develop a 10-year schedule of water demand and wastewater flows, as well as mass balance of the treatment plant influents to ensure that estimates of wastewater strength and flow for the various customers classes are reasonable.

TASK 6.3 - Review and analyze the impact of recycled/non-potable water supplies from wells and the City's wastewater treatment plant on water consumption and revenues.

TASK 6.4 - Review and project annual revenue requirements for the utilities based on operating budgets, R&R expenses, debt service, change in water and recycled/non-potable water consumption, wastewater flow, as well as other cash obligations.

TASK 6.5 - Develop long-term cash flow analyses for the utility enterprises for a 10-year study period showing application of revenue under existing rates.

TASK 6.6 - Evaluate and recommend operating reserve balances that need to be maintained in the City's utility enterprises funds.

TASK 6.7 - The results of the financial planning will be presented in an easy to understand graphical format. Consultant will develop a custom-fit model with a variety of user-friendly features including report generation, scenario analysis, and Dashboard functionality.

Deliverables: Cash Flow Analysis; Financial Planning Models.

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 for both inside-City and outside-City customers. Based on the cost of service, Consultant will review and provide appropriate rate structures for water, wastewater, and non-potable water.

TASK 7 – COST OF SERVICE ANALYSIS

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

TASK 7.1 - Review customer classes and group customers based on similar land use characteristics. Customers would be grouped by residential, commercial, recycled/non-potable, and industrial for water and by strength for wastewater.

TASK 7.2 - Consultant 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 Consultant's experience with other utilities exhibiting similar usage characteristics and patterns.

TASK 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. 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.

TASK 7.4 - Throughout the cost allocation process, Consultant will comply with City policy considerations, procedures, and current regulations.

TASK 8 – REVIEW AND DEVELOPMENT OF RATE STRUCTURES

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

TASK 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.

TASK 8.2 - Consultant will develop alternative water rate structures as appropriate for the City and determine the best alternative for the City.

TASK 8.3 - Consultant will compare the proposed water and wastewater rates developed for the City with neighboring agencies of comparable service characteristics.

TASK 8.4 - Rates for outside-City customers will be reviewed based on recommendations made in previous studies.

TASK 8.5 - Rates for recycled/non-potable water will be reviewed to encourage usage.

TASK 9 – RATE DEVELOPMENT

Based on the rate structures developed in Task 7, water, recycled/non-potable water, and wastewater rates for inside- and outside-City customers will be developed 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 regulatory requirements. The specific subtasks include:

TASK 9.1 - Design schedule of water, recycled/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.

TASK 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 and compare it to neighboring agencies that are of comparable size, type of treatment, and level of service.

TASK 9.3 - Review existing City ordinances pertaining to water and wastewater rates and recommend modifications to assist in the implementation of the new rate structure.

TASK 10 – MEETINGS AND DELIVERABLES

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

TASK 10.1 - Consultant will attend eight meetings with the Utility Advisory Committee (UAC) to review issues and discuss findings and recommendations. These meetings will be held throughout the course of the study. In addition, Consultant will attend one public meeting to review comments and another public meeting to review modified rates.

TASK 10.2 - Prepare five draft copies of the water, non-potable, wastewater, and storm drain report, which will include findings and recommendations along with various graphics and tables for the City's review.

TASK 10.3 - Deliver to the City a Microsoft Excel-based rate model used to develop the proposed rates and rate schedules.

TASK 11 – PUBLIC HEARING AND FINAL REPORT

After City has provided comments to the draft report, Consultant will prepare a final report encompassing all study findings and recommendations at the conclusion of the study and present the results to the City Council. Specific subtasks include:

TASK 11.1 - Incorporate the City's comments of the draft report into the final report as appropriate and submit 15 copies of the final report to the City.

TASK 11.2 - Present the final report and recommendations to the City Council and members of the public at a public hearing.

Deliverables: Cost of Service; Proposed Rates; Draft Reports; Final Reports; Meetings and Public Hearing.

EXHIBIT "B"
RATE SCHEDULE

<u>Classification</u>	<u>Billing Rate</u>
Executive Vice President	\$275
Senior Manager	\$235
Manager	\$215
Financial Consultant	\$180
Administration	\$70

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

☒ 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

7-8-14

Date: