



AGENDA REPORT

Meeting Date: October 2, 2007

Item Number: F-12

To: Honorable Mayor & City Council

From: Shana Epstein, Environmental Utilities Manager
Arnetta Eason, Management Analyst

Subject: AN AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND RAFTELIS FINANCIAL CONSULTANTS, INC. FOR CONSULTANT SERVICES RELATED TO PREPARATION OF A WASTEWATER RATE ANALYSIS; AND

APPROVING THE ISSUANCE OF A PURCHASE ORDER IN THE AMOUNT NOT TO EXCEED \$74,980

Attachments: 1. Agreement

RECOMMENDATION

Staff recommends that the City Council approve the agreement with Raftelis Financial Consultants, Inc. for wastewater rate analysis services.

INTRODUCTION

In 2004, the City retained Raftelis Financial Consulting, PA (now Raftelis Financial Consultants, Inc.), to perform a water rate analysis. Raftelis Financial Consultants, Inc. provided a thorough analysis for the water rate study. Wastewater rates typically involve understanding water-consumption. Raftelis is familiar with the City's water enterprise fund and is considered an expert in wastewater rates as well. The City of Santa Monica is utilizing Raftelis for their wastewater rate study that is currently underway.

The wastewater rate structure has not been evaluated for a number of years; it is customary to review the rate structure to evaluate that the rates not only collect the necessary revenues based on usage, but coincide with the values of the community. Staff presented in this year's budget and work plan to complete a cost of service and rate restructuring study for the wastewater enterprise fund. Last year the City increased wastewater rates by 20%. As new regulations come into effect and the City's infrastructure ages, more investment is expected.

DISCUSSION

In accordance with the Department of Public Works and Transportation's work plan, it is time to revisit the wastewater rate structure. The objectives of the study is to update wastewater rates and rate structure consistent with pricing objectives to ensure fair and equitable rates for all customers, and that it meets Environmental Protection Agency (EPA) guidelines that are enforced in the State by the California State Water Resources Control Board (SWRCB) as it relates to Federal and State Funding regarding the Los Angeles Hyperion system.

The Consultant has divided their scope of work into seven tasks to develop the rate structure:

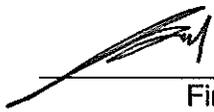
- Project initiation and management
- Rate structure and price objectives
- Conceptual design
- Development of rate model to project expenditures and revenues
- Develop revenue requirements
- Cost of service analysis and rate calculation
- Presentation of results and implementation

Staff will work with the Public Works Commission to include community input when evaluating what the pricing objectives are. Pricing objectives are the standards or values that the community feels are important when establishing a rate. For example during the water rate study, the priorities to establish a rate structure included financial stability and encourage conservation.

The work is expected to be complete within six months

FISCAL IMPACT

The monies are available for this agreement in the Wastewater Enterprise Fund. The cost of the rate study is in the not to exceed amount of \$ 74,980.



Scott Miller
Finance Approval



David Gustavson
Approved By

AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND
RAFTELIS FINANCIAL CONSULTANTS, INC. FOR CONSULTANT
SERVICES RELATED TO PREPARATION OF A WASTEWATER
RATE ANALYSIS

THIS AGREEMENT is entered into by and between the City of Beverly Hills, a municipal corporation, ("City") and Raftelis Financial Consultants, Inc. ("Consultant").

RECITALS

A. The City desires assistance for the Public Works and Finance department staff in order to assist in the preparation of a Wastewater Rate Analysis to create a rate model and cost of service analysis ("Project").

B. The City desires to engage the Consultant to prepare a Wastewater Rate Analysis to assist the City in the development of a rate structure that maintains financial sustainability for the wastewater system.

C. City desires to hire a qualified consultant to provide such technical advice. Consultant represents that it has the professional qualifications to provide such professional services and City desires to retain Consultant to perform such services.

NOW, THEREFORE, City and Consultant hereto agree as follows:

Section 1. SCOPE OF SERVICES. Consultant shall do, perform, and carry out, in a manner satisfactory to the City, the services described in Exhibit A, attached hereto and incorporated herein by this reference. Consultant shall obtain the prior written approval of the Director of Public Works to hire a subconsultant in the event Consultant determines that a subconsultant must be retained to perform any of the services required by this Agreement.

Section 2. CONFIDENTIALITY AND NONDISCLOSURE OF DATABASE. In connection with this Agreement, Consultant shall be given access to the City's

customer database ("Database"). Consultant agrees that it shall maintain the confidentiality of the Database and shall not disclose the contents of the Database.

Section 3. CITY'S RESPONSIBILITY. City shall provide Consultant with all pertinent data, documents and other requested information as is available for the proper performance of Consultant's services. Consultant shall have no liability for defects in the services attributable to Consultant's reliance upon or use of data or other information furnished by City or third parties retained by City ("data"), provided that Consultant does not know or should not have known of any deficiencies of such data. Consultant shall notify City immediately of such deficiencies.

Section 4. DOCUMENTS AND DRAWINGS. All data, information and drawings prepared for the City and required to be furnished to City in connection with this Agreement shall become the property of the City, and the City may use all or any portion of the work submitted by Consultant for this Project, as the City deems appropriate.

Section 5. TIME OF COMMENCEMENT AND PERFORMANCE. Time is of the essence. Consultant shall commence its services under this Agreement upon receipt of a notice to proceed from City. Consultant shall complete the performance of services as directed by the Director of Public Works. Any adjustment to this performance deadline shall be made only by proper written agreement between the parties.

Section 6. TERM. This Agreement shall commence with receipt of the Notice to Proceed and shall remain in effect and all services shall be completed prior to June 30, 2008.

Section 7. CONSULTANT'S FEE. City agrees to pay Consultant for and in consideration of the faithful performance of the consulting services and duties set forth in this

Agreement, and Consultant agrees to accept from City, as and for compensation for the faithful performance of said services and duties, a sum not to exceed Seventy-Four Thousand Nine Hundred Eighty Dollars (\$74,980) based on the rates set forth in Exhibit B, attached hereto and incorporated herein. Consultant shall not perform additional work beyond the scope of services set forth in Exhibit A of this Agreement without the prior written authorization of City.

Section 8. PAYMENT. Consultant shall submit an itemized monthly statement and a monthly written status report to the City for its services performed for the prior month, which shall include documentation setting forth in detail a description of services rendered and the hours of service for each task, and the expenses incurred. City shall pay Consultant the amount of such billing within thirty (30) days of receipt of same.

Section 9. CHANGES IN SCOPE OF WORK. City shall have the right to order, in writing, changes in the scope of work or the services to be performed. Any changes in the scope of work requested by Consultant must be made in writing and approved by both parties. The cost of any change in the scope of work must be agreed to by both parties in writing.

Section 10. INDEMNIFICATION. Consultant agrees to indemnify, hold harmless and defend City, City Council and each member thereof, and every officer, employee and agent of City, from any claim, liability or financial loss (including, without limitation, attorneys fees and costs) arising from any intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of Consultant or any person employed by Consultant in the performance of this Agreement.

Section 11. INSURANCE.

(a) Consultant shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, a policy or policies of Comprehensive General Liability Insurance, with minimum limits of Two Million Dollars (\$2,000,000) for each occurrence and in the aggregate, combined single limit, against any personal injury, death, loss or damage resulting from the wrongful or negligent acts by the Consultant, its Officers, Employees, Agents, and Independent Contractors.

(b) Consultant shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, a policy or policies of Comprehensive Vehicle Liability Insurance covering personal injury and property damage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence combined single limit, covering any vehicle utilized by Contractor in performing the services required by this Agreement.

(c) Consultant shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, a policy or policies of Professional Liability Insurance, with minimum limits of Two Million (\$2,000,000) Dollars.

(d) Consultant agrees to maintain in force at all times during the performance of work under this Agreement worker's compensation insurance as required by law.

(e) The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least a B+;VII in the latest edition of Best's Insurance Guide.

(f) Consultant agrees that if it does not keep the aforesaid insurance in full force and effect City may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, City may take out the necessary insurance and pay, at Consultant's expense, the premium thereon.

(g) At all times during the term of this Agreement, Consultant shall maintain on file with the City Clerk a certificate or certificates of insurance on the form set forth in Exhibit C, attached hereto and incorporated herein, showing that the aforesaid policies are in effect in the

required amounts. Consultant shall, prior to commencement of work under this Agreement, file with the City Clerk such certificate or certificates. The policies of insurance required by this Agreement shall contain an endorsement naming the City as an additional insured, except for the Professional Liability and Workers' Compensation policies. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty (30) days prior written notice to City, and specifically stating that the coverage contained in the policies affords insurance pursuant to the terms and conditions as set forth in this Agreement, except for the Professional Liability policy.

(h) The insurance provided by Consultant shall be primary to any coverage available to City. The policies of insurance required by this Agreement shall include provisions for waiver of subrogation.

(i) Any deductibles or self-insured retentions must be declared to and shall be subject to the approval of the City. At the option of City, Consultant shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Consultant shall procure a bond guaranteeing payment of losses and expenses.

(j) Consultant shall require its subconsultants that perform work under this Agreement to comply with the insurance requirements contained in this Agreement.

Section 12. INDEPENDENT CONTRACTOR. Consultant is and shall at all times remain, as to City, a wholly independent contractor. Neither City nor any of its agents shall have control over the conduct of Consultant or any of the Consultant's employees, except as herein set forth. Consultant shall not, at any time, or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of City.

Section 13. FAIR EMPLOYMENT PRACTICES/EQUAL OPPORTUNITY ACTS. In the performance of this Agreement, Consultant shall comply with all applicable provisions of the California Fair Employment Practices Act (California Government Code

Sections 12940-48) and the applicable equal employment provisions of the Civil Rights Act of 1964 (42 U.S.C. § § 200e-217), whichever is more restrictive.

Section 14. CONFLICTS OF INTEREST. Consultant agrees not to accept any employment or representation during the term of this Agreement which is or may likely make Consultant "financially interested" (as provided in California Government Code Sections 1090 and 87100) in any decision made by City on any matter in connection with which Consultant has been retained pursuant to this Agreement.

Section 15. SUCCESSORS AND ASSIGNS This Agreement covers professional services of a specific and unique nature. Consultant shall not assign or attempt to assign any portion of this Agreement without the written approval of City.

Section 16. CONFLICT WITH PROPOSAL In the event of a conflict between Exhibit A, Consultant's Proposal and this Agreement, the terms of this Agreement shall prevail.

Section 17. CANCELLATION OF AGREEMENT.

(a) City may cancel this Agreement at any time upon five (5) days written notice to Consultant. Consultant agrees to cease all work under this Agreement on or before the effective date of such notice.

(b) In the event of termination or cancellation of this Agreement by City, due to no fault or failure of performance by Consultant, Consultant shall be paid full compensation for all services performed by Consultant, in an amount to be determined as follows: For work done in accordance with all of the terms and provisions of this Agreement, Consultant shall be paid an amount equal to the amount of services performed prior to the effective date of termination or cancellation; provided, in no event shall the amount of money paid under the foregoing provisions

Section 21. GOVERNING LAW. The domestic law of the State of California shall govern the interpretation and implementation of this Agreement.

Section 22. SEVERABILITY. Invalidation of any provision contained herein or the application thereof to any person or entity by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, or the application thereof to any other person or entity, and the same shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement the _____ day of _____, 200____, at Beverly Hills, California.

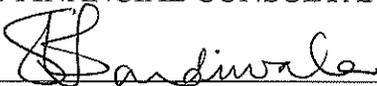
CITY OF BEVERLY HILLS
A Municipal Corporation

JIMMY DELSHAD
Mayor of the City of
Beverly Hills, California

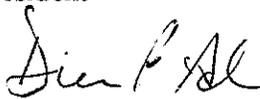
ATTEST:

_____(SEAL)
BYRON POPE
City Clerk

CONSULTANT:
RAFTELIS FINANCIAL CONSULTANTS, INC.



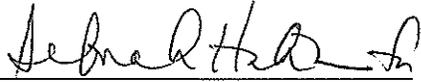
SUDHIR PARDIWALA
Vice President



DIANE ADAMS
Chief Financial Officer

[Signatures continue]

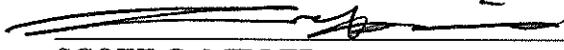
APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

RODERICK J. WOOD
City Manager



SCOTT G. MILLER
Director of Administrative Services/
Chief Financial Officer



DAVID D. GUSTAVSON
Director of Public Works & Transportation



KARL KIRKMAN
Risk Manager

EXHIBIT A

SCOPE OF SERVICES

UNDERSTANDING

The City of Beverly Hills (City) wants to update its wastewater rates and rate structure consistent with pricing objectives to ensure fair and equitable rates for all customers. In addition, since the Los Angeles Hyperion system is funded by federal grants and low interest State Revolving Funds (SRF), the City is required to ensure that its wastewater revenue program meets EPA guidelines that are enforced in the State by the California State Water Resources Control Board (SWRCB).

The City's current rate structure consists of a flat bimonthly charge for residential customers. Non-residential customers pay a charge based on meter size and a flow based charge based on actual water use. In addition, there is a strength surcharge for non-residential customers if their strength is higher than the domestic strength.

Since RFC has been assisting the City with its water rates, we have a good understanding of the City's systems and therefore we will be able to provide services efficiently and economically.

SCOPE OF WORK

The scope of work described below is based upon our understanding of the City of Beverly Hills's (City) wastewater system and our extensive experience in completing wastewater cost of service and rate studies for numerous other utilities. Our proposed scope of work includes many elements of a standard cost of service and rate study and our approach to determining cost of service and allocating costs to various cost categories will rely heavily on standard industry practices.

Our proposed scope of work and work plan, which is provided below, incorporates elements that are common to agencies discharging wastewater into the Los Angeles Hyperion Wastewater Treatment Plant.

TASK 1: Project Initiation and Management

We believe that the execution of a productive kick-off meeting with the City is the most effective way to begin a project of this nature. The goals for this meeting include:

- Providing a forum to finalize the work plan and schedule with the City;
- Ensuring that we have an understanding of the overall goals of the study; and
- Reviewing the data needs for the project.

A successful meeting ensures that project participants are in mutual agreement on project goals, expectations, and assignment of responsibilities. Accomplishing these objectives will help to ensure that the project progresses as smoothly as possible. Prior to the kick-off meeting, we will prepare a detailed data request list that will identify the information needed to complete the scope of work. For this study, it is likely that the data requested will include:

- Financial data such as operating budgets, revenue sources (including connection fees and other non-operating revenues), capital improvement plans, reserve funds, and LA system costs;
- Previously conducted studies such as cost of service studies and master plans;
- Current utility policies, procedures and regulatory requirements;
- Detailed description of the assets utilized by the City;
- Historical data on flows and loadings of the City's wastewater entering the Los Angeles treatment plant;
- Historical data regarding rate structures; and
- Historical water use and discharge factors to determine wastewater flow for customers.

A detailed list of documents requested is included in Appendix A.

Data Collection and Review

As part of this task, we will conduct interviews with representatives of the City to obtain a thorough understanding of the financial, operational, regulatory, and political environment and understand their concerns regarding the current rates and billing process. Having conducted the water rate study, we expect this process to be simpler and less time consuming.

Historical information will be reviewed related to costs, flows, waste stream characteristics and strength, discharge patterns, capital spending, and revenues generated, to provide a better understanding of operating characteristics and to develop appropriate trends and growth factors for developing financial forecasts.

During the data collection and review process, we will begin to identify assumptions used to allocate and project costs that will be integrated into our model. As these assumptions are identified, City representatives will have an opportunity to review our findings to ensure that the assumptions make sense with regard to the City's pricing objectives.

The objective of this task is two-fold. The first is for the City, with RFC's assistance, to identify and prioritize their rate setting objectives and to identify any potential opportunities to adjust the existing rate structure such that it more effectively addresses the City's pricing objectives. The second objective of this task is to develop an understanding of the City's operational and financial data.

Project Management

Consistent and competent project management is required to ensure project success and adherence to timelines and budgets. This task involves multiple interrelated work efforts that will require effective coordination between the City staff; the consultant team; the Public Commission and the City Council. Our management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives. Management responsibilities extend to general administrative duties such as client correspondence, billing, project documentation, and administration of the study control plan. Project management components are as follows.

A. Assignment of key project team members including:

- A nationally recognized Project Reviewer, Bill Stannard, who has over 30 years of experience and is very active in industry professional organizations. Ultimately, he will be responsible for ensuring client satisfaction and quality.
- A strong Project Manager, Sudhir Pardiwala, who is familiar with the City's water and wastewater systems as well as regional utility trends and issues. He will be responsible for facilitating a close working relationship between the City and RFC staff and will be accountable for meeting the project schedule, budget, and technical requirements of the project.
- Highly qualified staff.
- Sufficient support resources to ensure timely completion.
- Local resources to quickly and effectively respond to City's requirements.

B. Client control and project guidance will be ensured through:

- Adoption of procedures for regular and open communication between the project team members and the City staff.
- Regular progress reports and the project manager's use of RFC's internal project accounting and management system. These reports will also identify potential problems, challenges, and solutions.
- Coordination of project activities between RFC and the City staff. Review of and feedback on project deliverables.
- Assistance in developing and presenting project recommendations.

Initiation of the Quality Assurance/Quality Control Process

The quality assurance/quality control (QA/QC) process ensures that all RFC work is accurate and of the highest quality. The QA/QC process begins at the outset of the project when the Project Manager and QA/QC reviewer review the work plan and scope. The QA/QC reviewer is present at all internal project meetings and works closely with both the Project Manager and the lead consultant. This person examines project deliverables for consistency and accuracy and verifies that the financial model functions correctly and is developed using sound rate making principles and standard industry practice. The reviewer also verifies that the project report is thorough, accurate, and consistent with the high quality standards of RFC.

We have found that a formal QA/QC process helps RFC provide clients with solutions that meet or exceed the high standards that our clients have come to expect. The QA/QC process will help the project deliverables stand up to the expected level of scrutiny.

TASK 2: Rate Structure and Pricing Objectives

Pricing Objectives

As mentioned, the City's existing rate structure includes both a fixed and variable component for non-residential customers. The City is interested in the conservation of water and equity among customer classes, the City's rate structure will be structured to meet the pricing objectives developed for the water rates. Pricing objectives include:

- *Revenue Sufficiency* - Rates should generate revenues sufficient to meet revenue requirements despite fluctuations in flows, variability in treatment costs from the City of Los Angeles, loadings, and also meet EPA guidelines;
- *Conservation* - Rates should be designed to send a signal for conservation;
- *Defensibility* - Rates should be designed according to standard industry practice and in accordance with applicable law such that rate disputes are avoided; and
- *Simplicity and Ease of Implementation* - Rates should be readily understandable by customers and be able to be implemented using existing staff and the existing billing and collection infrastructure with only minor modifications.

Pricing Objectives Workshop

Our experience with other agencies indicates that it is beneficial to work with City staff to identify all relevant pricing objectives so that the final recommended rate structure reflects those objectives. RFC will conduct a pricing objectives workshop with City staff, members of the Public Commission, homeowners' group leaders, and Chamber of Commerce leaders. During this workshop, participants will be able to contribute pricing objectives to a prepared list of common pricing objectives, discuss the relevance of each objective, and prioritize and select the objectives that they believe are most important. As a result of conducting this type of

workshop with numerous other clients, RFC has developed a process that allows workshop participants to see the results of the prioritization process prior to the end of the workshop such that the results can be discussed and revised, if so desired. Once the pricing objectives have been prioritized, RFC will assist the City staff and all other parties of interest in evaluating each top pricing objective as it relates to the current wastewater rate structure. In addition, RFC will explain how some pricing objectives can conflict with each other. For example, revenue sufficiency and conservation can compete when revenue shortfalls occur as a result of conservation pricing which reduces water consumption. Through this process, RFC will identify alternative rates structures or modifications to the current rate structure that best address the City’s pricing objectives.

This process allows early buy-in and ensures a successful implementation. The table below provides an example of a rate criteria matrix developed by RFC for three different stakeholder groups as part of a similar engagement.

Objectives	Stakeholders		
	A	B	C
Cost of Service Recovery	Essential	Essential	V. Imp
Minimizing Customer Impacts	Essential	Imp.	V. Imp
Defensibility	L. Imp.	Essential	Imp.
Conservation/Demand Management	L. Imp.	V. Imp	Essential
Rate Stability	V. Imp.	Imp.	Imp.
Revenue Stability	V. Imp	V. Imp	V. Imp.
Equitable Contributions From New Cus	Imp.	Most Imp	L. Imp.
Easy to Understand	Essential	L. Imp.	Imp.
Easy to Update	Imp.	Imp.	Imp.
Ease of Implementation	V. Imp.	V. Imp	L. Imp.
Affordability to Disadvantaged Custom	L. Imp.	Imp.	Essential
Promote Economic Development	L. Imp.	L. Imp.	L. Imp.

Notes: Most Imp. = Most Important; V. Imp. = Very Important; Imp. = Important; L. Imp. = Less Important

TASK 3: Conceptual Design

Based on the results of Tasks 1 & 2, RFC will determine the appropriate type of cost allocations and alternative rate structures that are most effective in addressing the rate objectives of the City, and develop a framework for designing alternative rate structures. Each alternative framework or conceptual design will be reviewed and discussed with City staff to ensure that the recommended rate structures are appropriate and can be implemented effectively by City. The conceptual design process provides an important opportunity to receive additional input from City staff and to identify additional features that may be desirable in identifying the most appropriate rate structure(s) for developing the Rate Model. For example, the alternative

wastewater rate structures and/or additional features designed to address wastewater pricing objectives may include, but are not limited to:

For Residential Customers

- Retain flat charges for residential customers
- Flow based charges for residential customers
- Winter flow based charges for residential customers

For Non-Residential Customers

- Retain meter charges and flow based charges
- Flow and strength based charges plus fixed charge independent of meter size
- Flow and strength based charges only

TASK 4: Development of Rate Model to Project Expenditures and Revenues

Once RFC has identified the most viable rate structure or modification to the existing rate structure, the next step is to develop rates under the various alternatives. At the heart of any successful cost of service and rate study is the computer model that is used to develop revenue requirements and perform operational and capital financial planning; perform cost distribution, classification and allocation; and calculate rates. The model must be sophisticated enough to perform the complex calculations involved in a comprehensive cost of service and rate analysis with the ability to potentially develop various rate structures. As a result of our experience in performing hundreds of cost of service and rate studies, we have determined that while standardized rate models may be inexpensive to create, they do not provide the flexibility needed to address each utility's unique needs, pricing objectives, and compatibility with existing financial systems. For that reason, RFC creates customized cost of service and rate models based on standardized approaches for each of its rate study projects which allows us to tailor the model to meet each client's specific needs.

Cost of service and rate models developed by RFC typically consist of three modules: a financial planning module, a cost of service module and a rate calculation module. The financial planning module is used to develop and project revenue requirements over the planning period and incorporates both direct and indirect operational costs, capital costs (including pay-as-you-go capital and debt service), as well as rate revenues and revenues from miscellaneous sources. The cost of service module assigns costs to functional categories, classifies them according to their nature, and allocates them to different customer groups. The rate calculation module determines rates while taking into account the utility's pricing objectives.

The model created for this engagement will be developed using Microsoft® Excel® and will be based on a model framework that incorporates industry standard rate setting methodology consistent with SWRCB guidelines. During the course of the project, City staff will be provided

with working copies of the rate model such that they will be able to provide input into the development of the model, if desired.

TASK 5: Develop Revenue Requirements

For this study, revenue requirements will be projected for a five-year forecast period based upon historical results, the current budget and the City's capital improvement plan (CIP). All costs associated with components of the wastewater system will be incorporated into the revenue requirements, including treatment charges assessed by the City of Los Angeles. It is our understanding the City of Los Angeles provides the City with five-year projections of treatment costs which are updated on an annual basis, and include both an operational and capital component. RFC will incorporate these data into the development of revenue requirements. In addition, the revenue requirements will incorporate any contributions to reserve fund balances and debt service coverage requirements. RFC will work closely with the City's Finance Department in order to develop a plan for funding the projects in the CIP such that these costs can be accurately incorporated into the total revenue requirements. Additionally, RFC is experienced in evaluating funding programs that can assist in financing the CIP, such as:

- *SRF Loan:* Administered by the State Water Resources Control Board (SWRCB) and federally funded. Loan payments are not due until one year after completion.
- *California Infrastructure and Economic Development Bank:* Infrastructure State Revolving Fund Loan Program that provides low interest rates loans for up to 30 years.

Ultimately, RFC will project exactly how much cash needs to be collected through wastewater rates in order to meet expenses, both operations and maintenance (O&M) and capital, in each year of the forecast period.

TASK 6: Cost of Service Analysis and Rate Calculation

Although RFC tailors a utility's cost of service analysis to meet the needs of the individual utility, we always make sure to conform to industry standards and SWRCB revenue program guidelines so that the City can meet the conditions of the grants and low interest loans received by the City of Los Angeles and the participating regional agencies. Since staff from our firm were members of the WEF committee that recently developed wastewater pricing standards, we are confident that we can utilize a cost allocation approach that conforms to industry standards and generates fair and equitable rates.

Typically, a wastewater cost of service study involves the following three steps:

- Assignment of revenue requirements to cost centers such as Collection, Pumping, Treatment, Customer Service, Residuals Handling, etc.;
- Allocation to cost causative factors such as average daily flow, peak flow, biochemical oxygen demand (BOD), suspended solids (TSS), pretreatment, etc.; and
- Distribution of costs to customers based on customer or customer class service requirements.

Since some customers may have a larger impact on the maintenance and treatment of their wastewater due to their wastewater strength, RFC will allocate treatment related costs to cost causative factors such as Flow, BOD and, TSS. Costs will then be distributed directly to each customer class based on the way in which each class utilizes the system.

Rate Calculation

After the revenue requirements have been assigned, and distributed, RFC will use projected flows and projected revenue requirements to calculate rates. We will project these rates for five years so that the City can gain an understanding of the long-term impact of the proposed rates. Once proposed rates have been calculated, the model will also generate rate impact schedules that will demonstrate the impact of the proposed rates on the bills paid by various types of customers. This is especially important since the City is sensitive to affordability issues regarding disadvantaged customers.

Upon completion of this task, we will conduct a meeting with the City to review the entire cost of service and rate setting process and present preliminary proposed rates. Prior to the meeting, City representatives will be provided with the draft report, draft rate model and preliminary rates and customer impacts so that they will be able to review our methodology and suggested changes. We will discuss all suggested changes and then work with the City to develop our final rate recommendations.

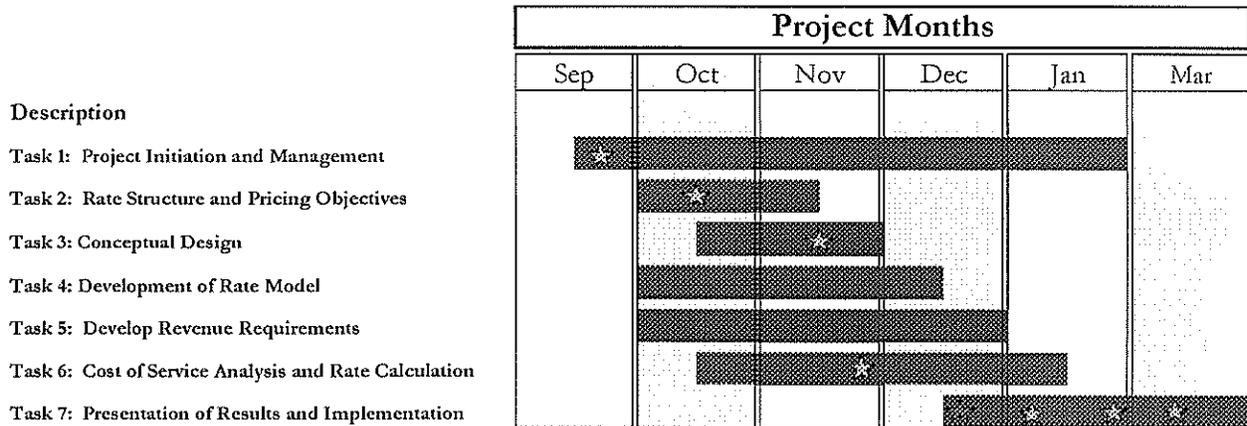
TASK 7: Presentation of Results and Implementation

The final task involves the preparation of reports and presentations to the Public Commission Hearing and the City Council. RFC will deliver a draft report to the City by the third week of December. In order to accomplish this, data requested in Task 1 will have to be delivered to RFC by the first week of October. RFC will also prepare presentation materials and conduct presentations/workshops with City Council and the Public Commission Hearing to present the findings and recommendations of the wastewater rate study. This would include two presentations to the Public Commission in January and one to the City Council in March. Overall, it is anticipated that RFC would conduct even meetings/presentations with the City. We envision a kick-off meeting to begin the study and discuss the City's goals, one workshop each for the pricing objectives with the various groups and for the conceptual design, one meeting to discuss preliminary rates, two presentations to the Public Commission and a

Council presentation to explain the recommended rates. Additional meetings can be provided on a time and materials basis.

PROJECT SCHEDULE

RFC will plan to complete the project as shown in the schedule below. RFC can expedite the schedule if necessary.



- ★ Represents meeting with the City
 - ★ Represents delivery of draft report to City staff.
 - ★ Represents presentation to Public Commission Hearing and City Council.
- * Assumes an award date in late September

City of Beverly Hills, California
Wastewater Rate Study

	Trips	Hours Requirements					\$/Task
		WS	SP	SV/HP	EV	Admin	
1. Project Initiation and Management - Prepare Data Request List - Review and Compile Data -Project Management -Kick-Off Meeting	1	4	15	20	2	8	\$7,948
2. Rate Structure and Pricing Objectives -Identify Pricing Objectives -Evaluate Existing Rate Structure -Identify Potential Modifications to Rate Structure -Select Preferred Rate Structure Options	1	1	6	14			\$3,638
3. Conceptual Design -Develop Alternative Rate Structure -Review and Discuss with City Staff	1		12	24			\$6,150
4. Development of Rate Model -Design Financial Planning Module -Design Cost of Service Module -Design Rate Calculation Module -QA/QC Rate Model	0	1	4	32	4		\$6,638
5. Development of Revenue Requirements -Identify and Project O&M Costs -Incorporate Capital Improvement Plan and Funding Sources -QA/QC Revenue Requirements	0	1	12	40	8		\$10,188
6. Cost of Service Analysis and Rate Calculation -Assign Revenue Requirements to Cost Centers -Distribute Costs to Customers -Determine Preliminary Rates -Develop Rate Impact and Rate Comparison Schedules -Refine Assumptions and Model Inputs -Finalize Rate Model and Discuss with Staff	1	2	16	48			\$11,155
7. Presentation of Results and Implementation -Prepare Preliminary Draft Report -Revise Draft Report Based on City Feedback -Deliver Final Report -Presentations at Public Commission Hearing -Prepare Final Rate Presentation for City Council -Present Study Results to City Council at public meeting	3	8	52	80	6	12	\$26,685
	7	250	200	145	160	45	
Total estimated hours		17	117	258	20	20	
		\$4,250	\$23,400	\$37,410	\$3,200	\$900	\$72,400

Key:

WS William Stannard - Technical Advisor
 SP Sudhir Pardiwala - Project Manager
 SV Steve Vuoso - Lead Consultant
 HP Hannah Phan - Staff Consultant
 EV Elaine Vastis - Staff Consultant

Project Fees	\$69,160
Expenses	\$5,820
Total	\$74,980

PROJECT TEAM

To effectively meet the City's project objectives, RFC has organized a Project Team with extensive experience in providing similar assistance to other public utilities and local governments. As Project Reviewer, Mr. Bill Stannard will provide technical expertise as well as quality control/quality assurance for the project. Mr. Sudhir Pardiwala, PE, will serve as Project Manager and will coordinate our professional assistance with the City to ensure client satisfaction. Mr. Pardiwala has participated in a variety of projects to assist water and wastewater utilities in the western United States focusing on financial, management, and public policy requirements. These projects include utility financial planning and rate studies, utility impact fee studies, economic feasibility studies, and management studies. Mr. Vuoso will serve as Lead Consultant under the direction of Mr. Pardiwala, and has served in this capacity on several similar studies. Mr. Vuoso will be assisted by Ms. Elaine Vastis and Ms. Hannah Phan, who will serve as Staff Consultants. Brief resumes of our key personnel are included below with full resumes included in Appendix B.

Mr. William Stannard – Project Reviewer

Mr. William Stannard joined RFC in 2002 and is a nationally recognized expert in water and wastewater finance, management and pricing. For more than 30 years, his career has focused on advising municipal water and wastewater utilities throughout the United States. His broad experience includes development of comprehensive financial plans, cost of service and pricing analyses, and strategic planning, as well as engineering consulting. Mr. Stannard has served as the Chair of the WEF task force, which developed a Manual of Practice, *Financing and Charges for Wastewater Systems* on wastewater utility pricing, and is a Vice Chair of AWWA Finance, Accounting and Management Controls Committee. For this project, Mr. Stannard will be responsible for all aspects of our QA/QC process to help ensure the accuracy of our work and that the project meets the City's expectations.

Mr. Sudhir Pardiwala, PE – Project Manager

Mr. Pardiwala is a Vice President with RFC and is a nationally recognized expert in water and wastewater finance, management, and pricing. Mr. Pardiwala has over 29 years of experience in financial studies and engineering. He has extensive expertise in water and wastewater utility cost accounting, budgeting and valuation, financial and revenue planning, and assessment engineering. He has conducted nearly 200 water, wastewater, reclaimed water, and storm water rate studies as well as system development fee studies and bond feasibility studies. He is thoroughly familiar with the Los Angeles Regional Wastewater System having managed the development of their charge systems and assisted other agencies that are part of that wastewater system. He has assisted numerous agencies in California with wastewater rate studies including the cities of San Diego, San Francisco, San Jose, Sacramento, Burbank, San Fernando, Culver City, etc. Mr. Pardiwala is a member of American Water Works

Association's (AWWA) Financial Accounting and Management Controls Committee and authored the chapter on reclaimed water rates in the Manual of Practice *Financing and Charges for Wastewater Systems* recently published by the Water Environment Federation (WEF).

Steve Vuoso – Lead Consultant

Mr. Vuoso has served as a Lead or Staff consultant on several California rate studies including Beaumont-Cherry Valley Water District, Santa Fe Irrigation District and the cities of San Diego, Ontario, and a wheeling charges study for the Los Angeles Department of Water and Power. He is currently assisting the City of Henderson, Nevada, and Portland, Oregon, with wholesale and retail rates. Mr. Vuoso has extensive experience in financial modeling, financial accounting and application development. Mr. Vuoso will serve as the primary modeler, identifying revenue requirements, allocating costs and calculating rates.

Ms. Elaine Vastis – Staff Consultant

Ms. Vastis has served as Lead or Staff Consultant on a variety of engagements related to cost of service rate studies, economic feasibility studies, bond feasibility studies, valuation analyses, and regionalization studies. She is currently serving as the lead consultant for the rate and financial planning study for the City of Pompano Beach, Florida. She has also served as the lead consultant for numerous other projects such as City of Beverly Hills, California; the City of Redlands, California; City of Brea, California; City of Redlands, California; Nashville-Davidson County, Tennessee; the Spartanburg Water System, South Carolina; the City of Wilson, North Carolina; the Town of Cary, North Carolina; and the San Antonio Water System, Texas.

Ms. Hannah Phan

Ms. Phan has served as a staff consultant on a variety of engagements including wastewater rate studies for the cities of Banning, Ontario, North Las Vegas, and Goleta West Sanitary District. She has assisted with State Revolving Fund applications for Beaumont Cherry Valley Water District and the City of Banning. In addition she has developed water rate studies for the cities on Ontario and North Las Vegas and assisted with the recycled water rates for the City of San Diego. She has developed rate and financial planning models and is versatile with scenario analysis for quickly analyzing impacts of various options.

PROJECT COST

We propose to complete the scope of work outlined above and detailed on the next page for \$74,980 on a lump sum basis. RFC will bill monthly based on percentage of task completion.

The work plan is based on our initial understanding of the project and objectives, and can be adjusted to better fit the requirements and expectations of the City. Throughout the project, we will endeavor to keep the City updated as to the status of the budget and any significant variances between the budgeted level of effort and the actual effort required to complete each task.

EXHIBIT B
CONSIDERATION/PAYMENT

City shall pay Consultant for the satisfactory performance of its services the amount of Seventy Four Thousand Nine Hundred Eighty Dollars (\$74,980). Consultant shall submit an itemized statement to City for the services performed for the prior month which shall include documentation setting forth in detail a description of the services rendered and the percentage of each task completed. CITY shall pay CONSULTANT the amount of such billing within thirty (30) days of receipt of same.



CERTIFICATE OF INSURANCE

This is to certify that the following endorsement is part of the policy(ies) described below:

NAMED INSURED

COMPANIES AFFORDING COVERAGE

- A.
- B.
- C.

ADDRESS

COMPANY (A. B. C.)	COVERAGE	POLICY NUMBER	EXPIRATION DATE	LIMITS		
				B.I.	P.D.	AGGREGATE
	<input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> GENERAL LIABILITY <input type="checkbox"/> PRODUCTS/COMPLETED OPERATIONS <input type="checkbox"/> BLANKET CONTRACTUAL <input type="checkbox"/> CONTRACTOR'S PROTECTIVE <input type="checkbox"/> PERSONAL INJURY <input type="checkbox"/> EXCESS LIABILITY <input type="checkbox"/> WORKERS' COMPENSATION <input type="checkbox"/>					

It is hereby understood and agreed that the **City of Beverly Hills**, its City Council and each member thereof and every officer and employee of the City shall be named as joint and several assureds with respect to claims arising out of the following project or agreement:

It is further agreed that the following indemnity agreement between the **City of Beverly Hills** and the named insured is covered under the policy: Contractor agrees to indemnify, hold harmless and defend City, its City Council and each member thereof and every officer and employee of City from any and all liability or financial loss resulting from any suits, claims, losses or actions brought against and from all costs and expenses of litigation brought against City, its City Council and each member thereof and any officer or employee of City which results directly or indirectly from the wrongful or negligent actions of contractor's officers, employees, agents or others employed by Contractor while engaged by Contractor in the (performance of this agreement) construction of this project.

It is further agreed that the inclusion of more than one assured shall not operate to increase the limit of the company's liability and that insurer waives any right of contribution with insurance which may be available to the **City of Beverly Hills**.

In the event of cancellation or material change in the above coverage, the company will give **30 days** written notice of cancellation or material change to the certificate holder.

Except to certify that the policy(ies) described above have the above endorsement attached, this certificate or verification of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policies listed herein. Notwithstanding any requirement, term, or condition of any contract or other document with respect to which this certificate or verification of insurance 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.

DATE: _____

BY: _____
Authorized Insurance Representative

AGENCY: _____

TITLE: _____
 ADDRESS: _____

RM02.DOC REVISED 10/14/96.

EXHIBIT C