

**AGREEMENT
CITY OF FRESNO, CALIFORNIA
CONSULTANT SERVICES**

THIS AGREEMENT is made and entered into effective the _____ day of June, 2016, by and between the CITY OF FRESNO, a California municipal corporation ("CITY"), and Municipal Financial Services, a sole proprietorship ("CONSULTANT").

RECITALS

WHEREAS, CITY desires to obtain professional utility rate plan consulting services for Five-Year Rate Plan-Water and Wastewater, hereinafter referred to as the "Project;" and

WHEREAS, CONSULTANT is engaged in the business of furnishing services as a utility rate plan consultant and hereby represents that it desires to and is professionally and legally capable of performing the services called for by this Agreement; and

WHEREAS, CONSULTANT acknowledges that this Agreement is subject to the requirements of Fresno Municipal Code Section 4-107 and Administrative Order No. 6-19; and

WHEREAS, this Agreement will be administered for CITY by its Director of Public Utilities ("Administrator") or designee.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the covenants, conditions, and premises hereinafter contained to be kept and performed by the respective parties, it is mutually agreed as follows:

1. Scope of Services. CONSULTANT shall perform to the satisfaction of CITY the services described in **Exhibit A**, including all work incidental to, or necessary to perform, such services even though not specifically described in **Exhibit A**. CITY may hire additional consultants to perform the Project, if, in the opinion of the CITY, CONSULTANT cannot provide adequate resources to complete the Project.

2. Term of Agreement and Time for Performance. This Agreement shall be effective from the date first set forth above ("Effective Date") and shall continue in full force and effect through December 31, 2019, subject to any earlier termination in accordance with this Agreement. The services of CONSULTANT as described in **Exhibit A** are to commence upon the Effective Date and shall be completed in a sequence assuring expeditious completion, but in any event, all such services shall be completed prior to expiration of this Agreement and in accordance with any performance schedule set forth in **Exhibit A**.

3. Compensation.

(a) CONSULTANT'S sole compensation for satisfactory performance of all services required or rendered pursuant to this Agreement shall be a total fee not to exceed \$156,600, paid on the basis of the rates set forth in the schedule of fees and expenses contained in **Exhibit A**.

(b) Detailed statements shall be rendered monthly for services performed in the preceding month and will be payable in the normal course of CITY business. CITY shall not be obligated to reimburse any expense for which it has not received a detailed invoice with

applicable copies of representative and identifiable receipts or records substantiating such expense.

(c) The parties may modify this Agreement to increase or decrease the scope of services or provide for the rendition of services not required by this Agreement, which modification shall include an adjustment to CONSULTANT'S compensation. Any change in the scope of services must be made by written amendment to the Agreement signed by an authorized representative for each party. CONSULTANT shall not be entitled to any additional compensation if services are performed prior to a signed written amendment.

4. Termination, Remedies and Force Majeure.

(a) This Agreement shall terminate without any liability of CITY to CONSULTANT upon the earlier of: (i) CONSULTANT'S filing for protection under the federal bankruptcy laws, or any bankruptcy petition or petition for receiver commenced by a third party against CONSULTANT; (ii) seven calendar days prior written notice with or without cause by CITY to CONSULTANT; (iii) CITY'S non-appropriation of funds sufficient to meet its obligations hereunder during any CITY fiscal year of this Agreement, or insufficient funding for the Project; or (iv) expiration of this Agreement.

(b) Immediately upon any termination or expiration of this Agreement, CONSULTANT shall (i) immediately stop all work hereunder; (ii) immediately cause any and all of its subcontractors to cease work; and (iii) return to CITY any and all unearned payments and all properties and materials in the possession of CONSULTANT that are owned by CITY. Subject to the terms of this Agreement, CONSULTANT shall be paid compensation for services satisfactorily performed prior to the effective date of termination. CONSULTANT shall not be paid for any work or services performed or costs incurred which reasonably could have been avoided.

(c) In the event of termination due to failure of CONSULTANT to satisfactorily perform in accordance with the terms of this Agreement, CITY may withhold an amount that would otherwise be payable as an offset to, but not in excess of, CITY'S damages caused by such failure. In no event shall any payment by CITY pursuant to this Agreement constitute a waiver by CITY of any breach of this Agreement which may then exist on the part of CONSULTANT, nor shall such payment impair or prejudice any remedy available to CITY with respect to the breach.

(d) Upon any breach of this Agreement by CONSULTANT, CITY may (i) exercise any right, remedy (in contract, law or equity), or privilege which may be available to it under applicable laws of the State of California or any other applicable law; (ii) proceed by appropriate court action to enforce the terms of the Agreement; and/or (iii) recover all direct, indirect, consequential, economic and incidental damages for the breach of the Agreement. If it is determined that CITY improperly terminated this Agreement for default, such termination shall be deemed a termination for convenience.

(e) CONSULTANT shall provide CITY with adequate written assurances of future performance, upon Administrator's request, in the event CONSULTANT fails to comply with any terms or conditions of this Agreement.

(f) CONSULTANT shall be liable for default unless nonperformance is caused by an occurrence beyond the reasonable control of CONSULTANT and without its fault

or negligence such as, acts of God or the public enemy, acts of CITY in its contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, unusually severe weather, and delays of common carriers. CONSULTANT shall notify Administrator in writing as soon as it is reasonably possible after the commencement of any excusable delay, setting forth the full particulars in connection therewith, and shall remedy such occurrence with all reasonable dispatch, and shall promptly give written notice to Administrator of the cessation of such occurrence.

5. Confidential Information and Ownership of Documents.

(a) Any reports, information, or other data prepared or assembled by CONSULTANT pursuant to this Agreement shall not be made available to any individual or organization by CONSULTANT without the prior written approval of the Administrator. During the term of this Agreement, and thereafter, CONSULTANT shall not, without the prior written consent of CITY, disclose to anyone any Confidential Information. The term Confidential Information for the purposes of this Agreement shall include all proprietary and confidential information of CITY, including but not limited to business plans, marketing plans, financial information, materials, compilations, documents, instruments, models, source or object codes and other information disclosed or submitted, orally, in writing, or by any other medium or media. All Confidential Information shall be and remain confidential and proprietary in CITY.

(b) Any and all writings and documents prepared or provided by CONSULTANT pursuant to this Agreement are the property of CITY at the time of preparation and shall be turned over to CITY upon expiration or termination of the Agreement. CONSULTANT shall not permit the reproduction or use thereof by any other person except as otherwise expressly provided herein.

(c) If CONSULTANT should subcontract all or any portion of the services to be performed under this Agreement, CONSULTANT shall cause each subcontractor to also comply with the requirements of this Section 5.

(d) This Section 5 shall survive expiration or termination of this Agreement.

6. Professional Skill. It is further mutually understood and agreed by and between the parties hereto that inasmuch as CONSULTANT represents to CITY that CONSULTANT and its subcontractors, if any, are skilled in the profession and shall perform in accordance with the standards of said profession necessary to perform the services agreed to be done by it under this Agreement, CITY relies upon the skill of CONSULTANT and any subcontractors to do and perform such services in a skillful manner and CONSULTANT agrees to thus perform the services and require the same of any subcontractors. Therefore, any acceptance of such services by CITY shall not operate as a release of CONSULTANT or any subcontractors from said professional standards.

7. Indemnification. To the furthest extent allowed by law, CONSULTANT shall indemnify, hold harmless and defend CITY and each of its officers, officials, employees, agents, and volunteers from any and all loss, liability, fines, penalties, forfeitures, costs and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time and property damage), and from any and all claims, demands and actions in law or equity (including reasonable attorney's fees and litigation expenses) that arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of CONSULTANT, its principals, officers, employees, agents, or volunteers in the performance of this Agreement.

If CONSULTANT should subcontract all or any portion of the services to be performed under this Agreement, CONSULTANT shall require each subcontractor to indemnify, hold harmless and defend CITY and each of its officers, officials, employees, agents and volunteers in accordance with the terms of the preceding paragraph.

This section shall survive termination or expiration of this Agreement.

8. Insurance.

(a) Throughout the life of this Agreement, CONSULTANT shall pay for and maintain in full force and effect all insurance as required in **Exhibit B**, which is incorporated into and part of this Agreement, with an insurance company(ies) either (i) admitted by the California Insurance Commissioner to do business in the State of California and rated no less than "A-VII" in the Best's Insurance Rating Guide, or (ii) as may be authorized in writing by CITY'S Risk Manager or designee at any time and in sole discretion. The required policies of insurance as stated in Exhibit B shall maintain limits of liability of not less than those amounts stated therein. However, the insurance limits available to CITY, its officers, officials, employees, agents, and volunteers as additional insureds, shall be the greater of the minimum limits specified therein or the full limit of any insurance proceeds to the named insured.

(b) If at any time during the life of the Agreement or any extension, CONSULTANT or any of its subcontractors/sub-consultants fail to maintain any required insurance in full force and effect, all services and work under this Agreement shall be discontinued immediately, and all payments due or that become due to CONSULTANT shall be withheld until notice is received by CITY that the required insurance has been restored to full force and effect and that the premiums therefore have been paid for a period satisfactory to CITY. Any failure to maintain the required insurance shall be sufficient cause for CITY to terminate this Agreement. No action taken by CITY pursuant to this section shall in any way relieve CONSULTANT of its responsibilities under this Agreement. The phrase "fail to maintain any required insurance" shall include, without limitation, notification received by CITY that an insurer has commenced proceedings, or has had proceedings commenced against it, indicating that the insurer is insolvent.

(c) The fact that insurance is obtained by CONSULTANT shall not be deemed to release or diminish the liability of CONSULTANT, including, without limitation, liability under the indemnity provisions of this Agreement. The duty to indemnify CITY shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by CONSULTANT. Approval or purchase of any insurance contracts or policies shall in no way relieve from liability nor limit the liability of CONSULTANT, its principals, officers, agents, employees, persons under the supervision of CONSULTANT, vendors, suppliers, invitees, consultants, sub-consultants, subcontractors, or anyone employed directly or indirectly by any of them.

(d) If CONSULTANT should subcontract all or any portion of the services to be performed under this Agreement, CONSULTANT shall require each subcontractor/sub-consultant to provide insurance protection, as an additional insured, to the CITY and each of its officers, officials, employees, agents, and volunteers in accordance with the terms of this section, except that any required certificates and applicable endorsements shall be on file with CONSULTANT and CITY prior to the commencement of any services by the subcontractor. CONSULTANT and any subcontractor/sub-consultant shall establish additional insured status for CITY, its officers, officials, employees, agents, and volunteers by using Insurance Service Office (ISO) form CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01 or by an

executed manuscript company endorsement providing additional insured status as broad as that contained in ISO Form CG 20 10 11 85.

9. Conflict of Interest and Non-Solicitation.

(a) Prior to CITY'S execution of this Agreement, CONSULTANT shall complete a City of Fresno conflict of interest disclosure statement in the form as set forth in **Exhibit C**. During the term of this Agreement, CONSULTANT shall have the obligation and duty to immediately notify CITY in writing of any change to the information provided by CONSULTANT in such statement.

(b) CONSULTANT shall comply, and require its subcontractors to comply, with all applicable (i) professional canons and requirements governing avoidance of impermissible client conflicts; and (ii) federal, state and local conflict of interest laws and regulations including, without limitation, California Government Code Section 1090 et. seq., the California Political Reform Act (California Government Code Section 87100 et. seq.) and the regulations of the Fair Political Practices Commission concerning disclosure and disqualification (2 California Code of Regulations Section 18700 et. seq.). At any time, upon written request of CITY, CONSULTANT shall provide a written opinion of its legal counsel and that of any subcontractor that, after a due diligent inquiry, CONSULTANT and the respective subcontractor(s) are in full compliance with all laws and regulations. CONSULTANT shall take, and require its subcontractors to take, reasonable steps to avoid any appearance of a conflict of interest. Upon discovery of any facts giving rise to the appearance of a conflict of interest, CONSULTANT shall immediately notify CITY of these facts in writing.

(c) In performing the work or services to be provided hereunder, CONSULTANT shall not employ or retain the services of any person while such person either is employed by CITY or is a member of any CITY council, commission, board, committee, or similar CITY body. This requirement may be waived in writing by the City Manager, if no actual or potential conflict is involved.

(d) CONSULTANT represents and warrants that it has not paid or agreed to pay any compensation, contingent or otherwise, direct or indirect, to solicit or procure this Agreement or any rights/benefits hereunder.

(e) Neither CONSULTANT, nor any of CONSULTANT'S subcontractors performing any services on this Project, shall bid for, assist anyone in the preparation of a bid for, or perform any services pursuant to, any other contract in connection with this Project unless fully disclosed to and approved by the City Manager, in advance and in writing. CONSULTANT and any of its subcontractors shall have no interest, direct or indirect, in any other contract with a third party in connection with this Project unless such interest is in accordance with all applicable law and fully disclosed to and approved by the City Manager, in advance and in writing. Notwithstanding any approval given by the City Manager under this provision, CONSULTANT shall remain responsible for complying with Section 9(b), above.

(f) If CONSULTANT should subcontract all or any portion of the work to be performed or services to be provided under this Agreement, CONSULTANT shall include the provisions of this Section 9 in each subcontract and require its subcontractors to comply therewith.

(g) This Section 9 shall survive expiration or termination of this Agreement.

10. Recycling Program. In the event CONSULTANT maintains an office or operates a facility(ies), or is required herein to maintain or operate same, within the incorporated limits of the City of Fresno, CONSULTANT at its sole cost and expense shall:

- (i) Immediately establish and maintain a viable and ongoing recycling program, approved by CITY'S Solid Waste Management Division, for each office and facility. Literature describing CITY recycling programs is available from CITY'S Solid Waste Management Division and by calling City of Fresno Recycling Hotline at (559) 621-1111.
- (ii) Immediately contact CITY'S Solid Waste Management Division at (559) 621-1452 and schedule a free waste audit, and cooperate with such Division in their conduct of the audit for each office and facility.
- (iii) Cooperate with and demonstrate to the satisfaction of CITY'S Solid Waste Management Division the establishment of the recycling program in paragraph (i) above and the ongoing maintenance thereof.

11. General Terms.

(a) Except as otherwise provided by law, all notices expressly required of CITY within the body of this Agreement, and not otherwise specifically provided for, shall be effective only if signed by the Administrator or designee.

(b) Records of CONSULTANT'S expenses pertaining to the Project shall be kept on a generally recognized accounting basis and shall be available to CITY or its authorized representatives upon request during regular business hours throughout the life of this Agreement and for a period of three years after final payment or, if longer, for any period required by law. In addition, all books, documents, papers, and records of CONSULTANT pertaining to the Project shall be available for the purpose of making audits, examinations, excerpts, and transcriptions for the same period of time. If any litigation, claim, negotiations, audit or other action is commenced before the expiration of said time period, all records shall be retained and made available to CITY until such action is resolved, or until the end of said time period whichever shall later occur. If CONSULTANT should subcontract all or any portion of the services to be performed under this Agreement, CONSULTANT shall cause each subcontractor to also comply with the requirements of this paragraph. This Section 11(b) shall survive expiration or termination of this Agreement.

(c) Prior to execution of this Agreement by CITY, CONSULTANT shall have provided evidence to CITY that CONSULTANT is licensed to perform the services called for by this Agreement (or that no license is required). If CONSULTANT should subcontract all or any portion of the work or services to be performed under this Agreement, CONSULTANT shall require each subcontractor to provide evidence to CITY that subcontractor is licensed to perform the services called for by this Agreement (or that no license is required) before beginning work.

12. Nondiscrimination. To the extent required by controlling federal, state and local law, CONSULTANT shall not employ discriminatory practices in the provision of services, employment of personnel, or in any other respect on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status,

sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era. Subject to the foregoing and during the performance of this Agreement, CONSULTANT agrees as follows:

(a) CONSULTANT will comply with all applicable laws and regulations providing that no person shall, on the grounds of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity made possible by or resulting from this Agreement.

(b) CONSULTANT will not discriminate against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era. CONSULTANT shall ensure that applicants are employed, and the employees are treated during employment, without regard to their race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era. Such requirement shall apply to CONSULTANT'S employment practices including, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. CONSULTANT agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provision of this nondiscrimination clause.

(c) CONSULTANT will, in all solicitations or advertisements for employees placed by or on behalf of CONSULTANT in pursuit hereof, state that all qualified applicants will receive consideration for employment without regard to race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era.

(d) CONSULTANT will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice advising such labor union or workers' representatives of CONSULTANT'S commitment under this section and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(e) If CONSULTANT should subcontract all or any portion of the services to be performed under this Agreement, CONSULTANT shall cause each subcontractor to also comply with the requirements of this Section 12.

13. Independent Contractor.

(a) In the furnishing of the services provided for herein, CONSULTANT is acting solely as an independent contractor. Neither CONSULTANT, nor any of its officers, agents, or employees shall be deemed an officer, agent, employee, joint venturer, partner or associate of CITY for any purpose. CITY shall have no right to control or supervise or direct the manner or method by which CONSULTANT shall perform its work and functions. However, CITY shall retain the right to administer this Agreement so as to verify that CONSULTANT is performing its obligations in accordance with the terms and conditions thereof.

(b) This Agreement does not evidence a partnership or joint venture between CONSULTANT and CITY. CONSULTANT shall have no authority to bind CITY absent CITY'S express written consent. Except to the extent otherwise provided in this Agreement, CONSULTANT shall bear its own costs and expenses in pursuit thereof.

(c) Because of its status as an independent contractor, CONSULTANT and its officers, agents, and employees shall have absolutely no right to employment rights and benefits available to CITY employees. CONSULTANT shall be solely liable and responsible for all payroll and tax withholding and for providing to, or on behalf of, its employees all employee benefits including, without limitation, health, welfare and retirement benefits. In addition, together with its other obligations under this Agreement, CONSULTANT shall be solely responsible, indemnify, defend and save CITY harmless from all matters relating to employment and tax withholding for and payment of CONSULTANT'S employees, including, without limitation, (i) compliance with Social Security and unemployment insurance withholding, payment of workers' compensation benefits, and all other laws and regulations governing matters of employee withholding, taxes and payment; and (ii) any claim of right or interest in CITY employment benefits, entitlements, programs and/or funds offered employees of CITY whether arising by reason of any common law, de facto, leased, or co-employee rights or other theory. It is acknowledged that during the term of this Agreement, CONSULTANT may be providing services to others unrelated to CITY or to this Agreement.

14. Notices. Any notice required or intended to be given to either party under the terms of this Agreement shall be in writing and shall be deemed to be duly given if delivered personally, transmitted by facsimile followed by telephone confirmation of receipt, or sent by United States registered or certified mail, with postage prepaid, return receipt requested, addressed to the party to which notice is to be given at the party's address set forth on the signature page of this Agreement or at such other address as the parties may from time to time designate by written notice. Notices served by United States mail in the manner above described shall be deemed sufficiently served or given at the time of the mailing thereof.

15. Binding. Subject to Section 16, below, once this Agreement is signed by all parties, it shall be binding upon, and shall inure to the benefit of, all parties, and each parties' respective heirs, successors, assigns, transferees, agents, servants, employees and representatives.

16. Assignment.

(a) This Agreement is personal to CONSULTANT and there shall be no assignment by CONSULTANT of its rights or obligations under this Agreement without the prior written approval of the City Manager or designee. Any attempted assignment by CONSULTANT, its successors or assigns, shall be null and void unless approved in writing by the City Manager or designee.

(b) CONSULTANT hereby agrees not to assign the payment of any monies due CONSULTANT from CITY under the terms of this Agreement to any other individual(s), corporation(s) or entity(ies). CITY retains the right to pay any and all monies due CONSULTANT directly to CONSULTANT.

17. Compliance With Law. In providing the services required under this Agreement, CONSULTANT shall at all times comply with all applicable laws of the United States, the State of California and CITY, and with all applicable regulations promulgated by federal, state,

regional, or local administrative and regulatory agencies, now in force and as they may be enacted, issued, or amended during the term of this Agreement.

18. Waiver. The waiver by either party of a breach by the other of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this Agreement. No provisions of this Agreement may be waived unless in writing and signed by all parties to this Agreement. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein.

19. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. Venue for purposes of the filing of any action regarding the enforcement or interpretation of this Agreement and any rights and duties hereunder shall be Fresno County, California.

20. Headings. The section headings in this Agreement are for convenience and reference only and shall not be construed or held in any way to explain, modify or add to the interpretation or meaning of the provisions of this Agreement.

21. Severability. The provisions of this Agreement are severable. The invalidity, or unenforceability of any one provision in this Agreement shall not affect the other provisions.

22. Interpretation. The parties acknowledge that this Agreement in its final form is the result of the combined efforts of the parties and that, should any provision of this Agreement be found to be ambiguous in any way, such ambiguity shall not be resolved by construing this Agreement in favor of or against either party, but rather by construing the terms in accordance with their generally accepted meaning.

23. Attorney's Fees. If either party is required to commence any proceeding or legal action to enforce or interpret any term, covenant or condition of this Agreement, the prevailing party in such proceeding or action shall be entitled to recover from the other party its reasonable attorney's fees and legal expenses.

24. Exhibits. Each exhibit and attachment referenced in this Agreement is, by the reference, incorporated into and made a part of this Agreement.

25. Precedence of Documents. In the event of any conflict between the body of this Agreement and any Exhibit or Attachment hereto, the terms and conditions of the body of this Agreement shall control and take precedence over the terms and conditions expressed within the Exhibit or Attachment. Furthermore, any terms or conditions contained within any Exhibit or Attachment hereto which purport to modify the allocation of risk between the parties, provided for within the body of this Agreement, shall be null and void.

26. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

27. No Third Party Beneficiaries. The rights, interests, duties and obligations defined within this Agreement are intended for the specific parties hereto as identified in the preamble of this Agreement. Notwithstanding anything stated to the contrary in this Agreement, it is not intended that any rights or interests in this Agreement benefit or flow to the interest of any third parties.

28. Extent of Agreement. Each party acknowledges that they have read and fully understand the contents of this Agreement. This Agreement represents the entire and integrated agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be modified only by written instrument duly authorized and executed by both CITY and CONSULTANT.

IN WITNESS WHEREOF, the parties have executed this Agreement at Fresno, California, the day and year first above written.

CITY OF FRESNO,
a California municipal corporation

Municipal Financial Services,
a sole proprietorship

By: _____
Thomas C. Esqueda,
Director, Public Utilities

By: Thomas Pavletic

Name: THOMAS PAVLETIC

Title: OWNER
(if corporation or LLC, Board
Chair, Pres. or Vice Pres.)

ATTEST:
YVONNE SPENCE, CMC
City Clerk

By: _____

By: _____
Deputy

Name: _____

APPROVED AS TO FORM:
City Attorney's Office

Title: _____
(if corporation or LLC, CFO,
Treasurer, Secretary or Assistant
Secretary)

By: Brandon Collet
Senior Deputy/Deputy City Attorney

Any Applicable Professional License:
Number: _____
Name: _____
Date of Issuance: _____

Addresses:

CITY:
City of Fresno
Attention: John Watkins,
Senior Management Analyst
2600 Fresno Street
Fresno, CA 93721
Phone: (559) 621-8612
FAX: (559) 457-1234

CONSULTANT:
Municipal Financial Services
Attention: Tom Pavletic,
Owner
2960 Valley Basin Avenue
Henderson, NV 89052
Phone: [(510) 439-6264
FAX: None

Attachments:

- 1. Exhibit A - Scope of Services
- 2. Exhibit B - Insurance Requirements
- 3. Exhibit C - Conflict of Interest Disclosure Form

Exhibit A

SCOPE OF SERVICES

**Consultant Service Agreement between City of Fresno (“City”)
and Municipal Financial Services (“Consultant”)**

Five-Year Rate Plan-Water and Wastewater
PROJECT TITLE

See Attached Proposals from Municipal Financial Services

SCHEDULE OF FEES AND EXPENSES

See Attached Proposals from Municipal Financial Services



Proposal for Preparation of a
Five-Year Rate Plan for the City of Fresno
Public Utilities Wastewater Management Division

Submitted May 19, 2016

MUNICIPAL
FINANCIAL
SERVICES

2960 Valley Basin Avenue
Henderson, Nevada 89052
(510) 439-6264



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Letter of Transmittal

May 19, 2016

John Watkins, Senior Management Analyst
City of Fresno, Department of Public Utilities
2600 Fresno Street, 4th Floor, Room 4019
Fresno, CA 93721

Subject: Proposal for Preparation of a Five-Year Rate Plan for the City of Fresno
Public Utilities Wastewater Management Division

Dear Mr. Watkins:

Municipal Financial Services (MFS) is pleased to submit our proposal for preparation of a Five-Year Rate Plan for the City of Fresno (City) Public Utilities Wastewater Management Division. This proposal documents our proposed scope of work, deliverables, schedule and budget for providing services to the City. The proposal is in three sections summarized below.

Scope of Work and Deliverables. This section describes each task and subtask in the scope of work and provides a list of deliverables.

Budget. The budget is broken down by Fiscal Year (July 1 – June 30) for three fiscal years – FY 2016-17, FY 2017-18 and FY 2018-19. Fiscal Year 2016-17 includes time to be spent from issuance of the Notice to Proceed until the end of FY 2015-16. Budget hours and dollars are fungible among tasks.

Schedule. The schedule is based on a chart provided by the City that shows the timeline for the City's next rate increases. The schedule begins with the Notice to Proceed in May 2016 and runs through the end of Fiscal Year 2018-19 (June 30).

We appreciate the opportunity to submit our proposal. If you have any questions or wish to discuss changes in the proposal, please call (510) 439-6264.

Very truly yours,



Tommy Pavletic

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Section 1

Scope of Work

The section describes our scope of work for the project and provides a list of deliverables.

We will perform the following tasks as part of our scope of work. Note that this scope of work excludes the development of fees or charges for penalties, service work, temporary service, and wastewater connection charges and other special fees and charges.

1.1 Task 1—Evaluate Cost Allocation Methods and Rate Structures

Meet with key City staff to learn their expectations of the wastewater rate structure; and discuss with City staff the advantages and disadvantages of the various types of wastewater rate structure.

We will discuss with the City the specific cost allocation methods and rate structures most likely to be selected for evaluation and implementation. We will review the Master Fee Schedule with the City to obtain a list of the current wastewater rates. We will assist the City in their selection of a new rate structure that will supplement or replace the current rate structures.

Key cost allocation method and rate structure issues that we will discuss with the City include the following:

- Amount of revenue to be recovered from fixed charges versus the amount of revenue recovered from quantity charges
- Levels of indoor and outdoor water conservation likely to result from each customer class for each rate structure alternative
- Growth rates for new customers for each customer class
- Whether to combine the “Capital” and “O&M” components in the wastewater rate structure
- Whether to retain the Senior Citizen rate structure component
- The cost basis for a recycled water rate structure and rates

We will prepare a technical memorandum that summarizes the advantages and disadvantages of the various types of rate structures, cost allocation methods, water conservation projections and growth projections selected by the City for evaluation in the rate study.

1.2 Task 2—Develop Customer Use Characteristics

We will obtain detailed customer water use data from the City's billing system. We will verify the most recent 12 months of customer data by categorizing the data according to the existing rate structure components, multiplying the water use and account data times the applicable rate in the rate structure, and calculating the amount of rate revenue. We will compare that amount of revenue with the amount of revenue shown in the general ledger. If the two amounts of revenue are approximately the same, we know that the customer characteristics data will serve as a good basis for projections for future use.

We will analyze the customer water use data in sufficient detail to facilitate the development of wastewater rate structures selected by the City for implementation. We will coordinate with City staff to ensure they export data from the utility billing system to an Excel spreadsheet that meets our data analysis needs.

In addition to determining the wastewater discharge characteristics of wastewater customers, we will determine the recycled water use characteristics of recycled water users. These customers (both existing and projected) use recycled water for irrigation and for industrial (for example, boiler and cooling tower make up water) purposes. Their usage amounts and seasonal usage patterns will be determined. We will review the City's *December 2010 Recycled Water Master Plan* to obtain background information regarding existing facilities and recycled water use and potential recycled water demands.

1.3 Task 3—Develop Financial Plan and Revenue Requirements

We will obtain from the City all financial data necessary for the development of wastewater rates including annual projection of capital and operating expenditures, existing and projected annual debt service obligations, recent revenue from wastewater rates and other sources, fund balances and debt coverage covenants.

Expenditures for specific City services with dedicated rates, such as pretreatment surcharges and recycled water use, will need to be segregated by the City for the purposes of rate development.

In the case of recycled water costs, we will separate the costs incurred to meet recycled water use demand by the City's recycled water use customers in the various recycled water project areas. These costs will include any incremental treatment costs necessary to meet recycled water use standards and the cost of the recycled water conveyance and distribution system. From these costs we will subtract the avoided costs associated with existing wastewater disposal. The total cost of recycled water use will include both capital and operating expenses and will be allocated to recycled water use customers in proportion to their use.

We will develop an Excel-based spreadsheet that evaluates the annual amount of revenue required from rates. These revenue requirements will include operations and maintenance expenses, capital improvement program (CIP) expenditures, and debt service costs to be recovered via rates.

We will work with City staff to ensure that operating and capital expenditures are clearly defined in the rate study to facilitate customer understanding of the need for the expenditure and the program related to those expenditures.

We will confer with the City to develop escalation rates that will be used to escalate projected operating and maintenance expenditures and capital expenditures.

We will confer with the City to obtain their consensus approach for financing capital expenditures that are not designated "pay-as-you-go."

We will use Excel's standard financial functions for calculating interest and principal payments to develop debt service schedules for projected new financing or create a customized debt service schedule based on parameters provided by the City. We will evaluate debt service coverage ratios and "days of cash". We will develop coverage calculations that match the methodology described in the covenant(s) as provided to us by the City.

We will develop fund balance target amounts (reserves) using a classical approach. The classical approach involves quantitative methods of developing reserves requirements for working capital, capital improvements and rate stabilization.

Because revenue requirements are expected to increase significantly (resulting from increases in capital expenditures), we will work at the direction of City staff to consider the use of reserves to moderate rate increases. We will offset revenue required from rates using other non-rate revenues where applicable (revenue from capacity charges, interest earnings and account management charges are typical examples). We will rely on the City to provide annual projections of the amount of revenue to be derived from non-rate revenues.

The study period for projected revenue requirements and rates will be FY 2019/20 through FY 2023/24 (five years). We will provide ten years of projected financial performance for wastewater fund.

1.4 Task 4—Allocate Costs and Develop Rate Alternatives

We will allocate the revenue required from rates among functional cost categories. We will discuss with the City the basis for the current cost allocations and use existing methodology as appropriate. We will use standard methods for the development of rates. We will conform to principles found in the State of California State Revolving Fund (SRF) *Revenue Program Guidelines*.

The wastewater rate study will have three steps of technical analysis – the development of revenue required from rates, the allocation of costs among functional cost categories (cost-of-service analysis) and the design of a rate structure.

The revenue required from rates is net of non-rate revenues (for example interest earned on fund balances, loan disbursements, revenue from new connections to the system, lease and rental income, various reimbursements, other charges for services). The allocation of costs is structured so that the revenue required from charges is distributed proportionally for every level of service in a manner that allows the development of unit costs. The rate structure uses the unit costs as a basis for aggregating costs into rates that are applicable to the various customer classes.

We will review the assumptions regarding wastewater discharge characteristics that will be used to allocate costs and the methodology used to develop current wastewater rates.

There are a number of assumptions regarding the proportion of water used by customers that is entering the wastewater system and regarding the concentration of BOD and SS in the wastewater evident in the current sewer rate structure.

We will discuss with City utility management staff whether the current customer classifications – Residential Single Family, Residential Multi Unit, Schools, Commercial (Low, Medium and High), Industrial (Low and High) and Septage Hauling – should be modified. Modifications could include: 1) adding a customer class (es) that distinguishes between different types of Commercial Food Related customers; 2) combining the Industrial Low and High customer classes so that both utilize flow, BOD and TSS unit costs; and 3) developing a quantity rate (\$ per HCF) for residential customer classes to compliment the current “fixed” monthly rate (the “fixed” component would likely decrease from its current value).

The unit costs of service for recycled water will be determined by dividing the recycled water system incremental treatment cost plus the recycled water distribution system costs by the projected recycled water use. The recycled water rate structure may consist of both a fixed monthly charge and a quantity charge applied to use. In addition to calculation of cost of service based recycled water rates, we will investigate the possibility of selling recycled water at a discount to potable water rates to contract users.

We will collaborate with the City to develop a rate structure for recycled water that meets the stipulations in the Fresno Municipal Code relating to the use of recycled water.

All rates and charges will be based on unit costs that are determined based on principles that “the amount of the charge imposed on any parcel shall not exceed the proportional cost of service attributable to a parcel.”¹

We will discuss with City utility management staff the basis for the distinction between “Capital” and “O&M” in the rate structure.

¹ The quoted text is from Article XIID, Section 6(b) of the California Constitution (added by Proposition 218) that lists the five substantive requirements for “property related fees and charges.”

We will discuss with City utility management staff the basis for Pretreatment Surcharges and whether the surcharges structure should be revised.

We will develop at least two different rate scenarios (update of the current rates is one scenario) and review the policy implications of each scenario. Policy considerations include affordability, equity between and within customer classes, revenue sufficiency and rate stability.

The proposed rates and monthly bills based on those rates will be compared with those of neighboring, comparable cities and special districts that provide wastewater collection and treatment service.

We will provide ongoing rate analysis and rate model adjustments as needed.

We will provide additional services related to utility rates as needed.

1.5 Task 5—Review and Develop Facility Charges

We will review facility charges (capacity charges) to the sewer system, and prepare recommendations regarding changes to capacity charges as necessary. Elements of the capacity charges to be evaluated include the following:

- Methodology (buy in, marginal cost, combination of methods, etc.)
- Source data for determination of asset valuation and system capacity
- Planned expansion of the North Fresno Wastewater Reclamation Facility
- Source data for determination of capacity assigned to new connections for each customer class
- Charges structure (unit costs, flat charge for certain customer classes or service connection sizes)

The City's current wastewater facility charges recover the capacity costs of the treatment and trunk sewer facilities. We will review the methodology used to develop current charges to ensure that it complies with applicable State of California Government Code regulations.

We will review relevant data (asset values, debt payments, etc.) in the Comprehensive Annual Financial Report and incorporate that data into our findings as required.

Findings and recommendations will be included in a separate study report.

1.6 Task 6—Review STEP and EDP Program Charges

Simple Tiered Equity Program (STEP) and Employment Development Program (EDP) are two sewer connection programs offered by the City to reduce initial start-up costs and reward businesses for providing employment opportunities.

We will review the STEP and EDP programs and prepare recommendations regarding changes to the programs as necessary.

We will prepare draft and final versions of a technical memorandum that summarizes findings and recommendations.

1.7 Task 7—Prepare Preliminary, Draft and Final Reports

We will document findings and recommendations in report form. We will prepare separate reports for the water and wastewater enterprises (unless directed otherwise by the City). The reports for wastewater rates and wastewater capacity charges will be separate.

We will prepare and submit three versions of reports: 1) a preliminary report for internal review with staff; 2) a draft for Department of Public Utilities (DPU) Management review; and 3) a final report (incorporating any final Council and staff changes) at which the Proposition 218 Notice of Public Hearing is considered. Preliminary and draft reports will be submitted in electronic format. We will submit five bound copies and one electronic copy of the final report at the conclusion of the study.

All versions of the report will show the development of the rates and document findings as an administrative record that demonstrates the cost-rate relationship.

All information shall be presented in a clear, concise, and easy-to-understand manner. The reports will include the following: 1) a brief physical description of the utility systems; 2) service area description, including population characteristics; 3) overview of recent financial operations; 4) description of the necessary capital improvement program over time (10 years), including potential State and Federal regulatory requirements; 5) tables from the comprehensive revenue and expense model supplemented with text that describes and supports how rates were derived; and 6) a survey of rates of other nearby municipalities and a comparison of customer bills based on those rates and statewide comparisons as appropriate.

1.8 Task 8—Prepare Presentations and Attend Meetings

We will prepare slides for presentations and attend up to four (4) meetings with City Staff and seven (7) meetings or workshops with the City Council to present findings and recommendations (a total of eleven, on-site meetings). We will conduct conference calls supplemented with internet meeting technology as frequently as necessary to complete the work.

We will develop tables and figures for presentations that clearly describe findings and recommendations.

During the meetings with City utility management, we will discuss findings and policy implications and the schedule for the rate adoption process.

We will coordinate with City staff to create a defined message, supported by findings, for each meeting (or workshop) with the City Council. The message at the initial meetings (or workshops) with City Council will be designed to facilitate discussion about the projected expenditures, revenue requirements, and alternative rate structures, and educate customers on the types of costs incurred by the water and wastewater divisions and how those costs are recovered. We will work with the City's Communications and Public Affairs staff to provide data and information for development of a public awareness campaign.

1.9 Deliverables

MFS will provide the following deliverables during the course of the study and at its conclusion:

- Up to eleven (11) on-site meetings or workshops
- Draft and final versions of a Technical Memorandum that summarizes the cost allocation methods, rate structures, water conservation projections and growth projections selected by the City for evaluation in the rate study (from Task 1)
- Draft and final versions of a Technical Memorandum that summarizes our review of the STEP and EDP programs and any recommendations regarding changes to the programs (from Task 6)
- Schedule of water and wastewater rates and an index for annual adjustment of rates to be adopted by Proposition 218 procedures
- Excel-based model with tables and figures used in reports and presentations
- Electronic copies of Preliminary, Draft and Final Reports for rates and for capacity charges
- Hard copies of the Final Reports (five copies) for rates and for capacity charges
- Electronic copies of PowerPoint Presentations
- Monthly invoices showing project status in terms of labor hours, costs and work performed

Section 2

Budget

2.1 Budget by Fiscal Year

The table below shows the project budget and total cost of services for the scope of work. Only hours actually used will be charged. Labor hours not used will not be invoiced. Hours and costs are fungible between tasks. All costs for travel, shipping, phone, copying etc. are included in the hourly rates. Marv Winer will be a subconsultant to Municipal Financial Services.

The budget is broken down by Fiscal Year (July 1 – June 30) for three fiscal years – FY 2016-17, FY 2017-18 and FY 2018-19. Fiscal Year 2016-17 includes time to be spent from issuance of the Notice to Proceed until the end of FY 2015-16.

Table 2-1. Budget

Task	Hours			Total	Hourly Rate	Cost
	FY 2016-17	FY 2017-18	FY 2018-19			
Task 1—Evaluate Cost Allocation Methods and Rate Structures	28	8	8	44	\$150	\$6,600
Task 2—Develop Customer Use Characteristics	46	20	20	86	\$150	\$12,900
Task 3—Develop Financial Plan and Revenue Requirements	48	20	20	88	\$150	\$13,200
Task 4—Allocate Costs and Develop Rate Alternatives	56	20	20	96	\$150	\$14,400
Task 5—Review and Develop Facility Charges	60	10	10	80	\$150	\$12,000
Task 6—Review STEP/EDP Programs	30	10	10	50	\$150	\$7,500
Task 7—Prepare Preliminary, Draft and Final Reports	50	30	20	100	\$150	\$15,000
Task 8—Prepare Presentations and Attend Meetings	7	42	28	77	\$150	\$11,550
Totals	325	160	136	621		\$93,150
	\$48,750	\$24,000	\$20,400	\$93,150		

Any additional work agreed to between the City and MFS will be performed at the Hourly Rate shown in Table 2-1.

We would invoice for work performed no more than once a month. Invoices will include a list of all tasks, work performed on each task during the time period corresponding with the invoice, a total amount due, the amounts previously billed, and the budget remaining.

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Section 3

Schedule

3.1 Schedule for Project Completion

Work may commence immediately upon issuance of a Notice to Proceed by the City. The schedule for project completion is shown in Table 3-1. The schedule is contingent on the timely delivery of customer data and financial data by the City.

Table 3-1. Schedule

Task	2016				2017				2018				2019			
	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4
<i>Week Start Day/Month ></i>																
<i>Week Number ></i>			1	4	27	40	53	66	79	92	105	118	131	144	157	170
<i>Cumulative Number of Days from Start ></i>			92	184	274	365	457	549	639	730	822	914	1004	1095	1187	1279
Notice to Proceed - May 2016																
Task 1—Evaluate Cost Allocation Methods and Rate Structures			Staff													
Task 2—Develop Customer Use Characteristics				Staff												
Task 3—Develop Financial Plan and Revenue Requirements					Staff											
Task 4—Allocate Costs and Develop Rate Alternatives						Staff										
Task 5—Review and Develop Facility Charges																
Task 6—Review STEP/EDP Programs																
Task 7—Prepare Preliminary, Draft and Final Reports							pre				draft				final	
Task 8—Prepare Presentations and Attend Meetings																
Legend					Cncl		Cncl	Cncl	Cncl	Cncl	218 op		218 cl		impl. rates	

pre = preliminary report; draft = draft report; final = final report; staff = meeting with City staff
 Cncl = Council meeting or workshop; 218 op = Council approves mailing of Prop 218 Notice; 218 cl = Council closes Prop 218 hearing

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Proposal for Preparation of a Five-Year Rate Plan for the City of Fresno Public Utilities Water Management Division

Submitted May 16, 2016

**MUNICIPAL
FINANCIAL
SERVICES**

2960 Valley Basin Avenue
Henderson, Nevada 89052
(510) 439-6264



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Letter of Transmittal

May 16, 2016

John Watkins, Senior Management Analyst
City of Fresno, Department of Public Utilities
2600 Fresno Street, 4th Floor, Room 4019
Fresno, CA 93721

Subject: Proposal for Preparation of a Five-Year Rate Plan for the City of Fresno
Public Utilities Water Management Division

Dear Mr. Watkins:

Municipal Financial Services (MFS) is pleased to submit our proposal for preparation of a Five-Year Rate Plan for the City of Fresno (City) Public Utilities Water Management Division. This proposal documents our proposed scope of work, deliverables, schedule and budget for providing services to the City. The proposal is in three sections summarized below.

Scope of Work and Deliverables. This section describes each task and subtask in the scope of work and provides a list of deliverables.

Budget. The budget is broken down by Fiscal Year (July 1 – June 30) for three fiscal years – FY 2016-17, FY 2017-18 and FY 2018-19. Fiscal Year 2016-17 includes time to be spent from issuance of the Notice to Proceed until the end of FY 2015-16. Budget hours and dollars are fungible among tasks.

Schedule. The schedule is based on a chart provided by the City that shows the timeline for the City's next rate increases. The schedule begins with the Notice to Proceed in May 2016 and runs through the end of Fiscal Year 2018-19 (June 30).

We appreciate the opportunity to submit our proposal. If you have any questions or wish to discuss changes in the proposal, please call (510) 439-6264.

Very truly yours,



Tommy Pavletic

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Section 1

Scope of Work

The section describes our scope of work for the project and provides a list of deliverables.

We will perform the following tasks as part of our scope of work. Note that this scope of work excludes the development of fees or charges for penalties, service work, temporary service, well drilling, well inspection, water connection charges and other special fees and charges.

1.1 Task 1—Evaluate Cost Allocation Methods and Rate Structures

Meet with key City staff to learn their expectations of the water rate structure; and discuss with City staff the advantages and disadvantages of the various types of water rate structures.

We will discuss with the City the specific cost allocation methods and rate structures most likely to be selected for evaluation and implementation. We will review the Master Fee Schedule with the City to obtain a list of the current water rates. We will assist the City in their selection of a new rate structure that will supplement or replace the current rate structures.

The discussion of cost allocation methods and rate structures will include the review of findings from the City's updated Urban Water Management Plan (UWMP) and from the California Urban Water Conservation Council (CUWCC) Memorandum of Understanding (MOU) to which the City is signatory. We will request that the City provide the most recent version of both documents (the UWMP and the CUWCC MOU).

Key cost allocation method and rate structure issues that we will discuss with the City include the following:

- Use of data and projections found in the UWMP
- Best Management Practices found in the CUWCC MOU
- Amount of revenue to be recovered from meter charges versus the amount of revenue recovered from quantity charges
- Levels of indoor and outdoor water conservation likely to result from each customer class for each rate structure alternative
- Growth rates for new customers for each customer class
- Whether to introduce tiered rates (inclining block), seasonal rates or a combination of both
- Whether to recommend different quantity charges and/or block thresholds for each customer classification
- The cost basis for the private wells water quantity charge

We will prepare a technical memorandum that summarizes the advantages and disadvantages of the various types of rate structures, cost allocation methods, water conservation projections and growth projections selected by the City for evaluation in the rate study.

1.2 Task 2—Develop Customer Use Characteristics

We will obtain detailed customer water use data from the City's billing system. We will verify the most recent 12 months of customer data by categorizing the data according to the existing rate structure components, multiplying the water use and account data times the applicable rate in the rate structure, and calculating the amount of rate revenue. We will compare that amount of revenue with the amount of revenue shown in the general ledger. If the two amounts of revenue are approximately the same, we know that the customer characteristics data will serve as a good basis for projections for future use.

We will also evaluate water use data from other reports prepared for the City. These reports include the Urban Water Management Plan and conservation reporting required by the State of California.

We will analyze the customer water use data in sufficient detail to facilitate the development of water rate structures selected by the City for implementation. We will coordinate with City staff to ensure they export data from the utility billing system to an Excel spreadsheet that meets our data analysis needs.

1.3 Task 3—Develop Financial Plan and Revenue Requirements

We will obtain from the City all financial data necessary for the development of water rates including annual projection of capital and operating expenditures, existing and projected annual debt service obligations, recent revenue from water rates and other sources, fund balances and debt coverage covenants.

Expenditures for specific City services with dedicated rates, such as backflow prevention, will need to be segregated by the City for the purposes of rate development.

We will develop an Excel-based spreadsheet that evaluates the annual amount of revenue required from rates. These revenue requirements will include operations and maintenance expenses, capital improvement program (CIP) expenditures, and debt service costs to be recovered via rates.

We will work with City staff to ensure that operating and capital expenditures are clearly defined in the rate study to facilitate customer understanding of the need for the expenditure and the program related to those expenditures.

Specific programs which will require additional City resources and expenditures are: 1) the Fresno Metropolitan Water Resource Plan; 2) the Sustainable Groundwater Management Act (SGMA); and 3) the UWMP. We will incorporate the revenue requirements for these programs and incorporate them in the cash flow model.

We will confer with the City to develop escalation rates that will be used to escalate projected operating and maintenance expenditures and capital expenditures.

We will confer with the City to obtain their consensus approach for financing capital expenditures that are not designated "pay-as-you-go."

We will use Excel's standard financial functions for calculating interest and principal payments to develop debt service schedules for projected new financing or create a customized debt service schedule based on parameters provided by the City. We will evaluate debt service coverage ratios and "days of cash". We will develop coverage calculations that match the methodology described in the covenant(s) as provided to us by the City.

We will develop fund balance target amounts (reserves) using a classical approach. The classical approach involves quantitative methods of developing reserves requirements for working capital, capital improvements and rate stabilization.

Because revenue requirements are expected to increase significantly (resulting from increases in capital expenditures), we will work at the direction of City staff to consider the use of reserves to moderate rate

increases. We will offset revenue required from rates using other non-rate revenues where applicable (revenue from capacity charges, interest earnings and account management charges are typical examples). We will rely on the City to provide annual projections of the amount of revenue to be derived from non-rate revenues.

The study period for projected revenue requirements and rates will be FY 2019/20 through FY 2023/24 (five years). We will provide ten years of projected financial performance for the water fund.

1.4 Task 4—Allocate Costs and Develop Rate Alternatives

We will allocate the revenue required from rates among functional cost categories. We will discuss with the City the basis for the current cost allocations and use existing methodology as appropriate. We will use standard methods for the development of water rates such as base-extra capacity method, commodity-demand method or appropriate variations of those methodologies as published in the American Water Works Association *Manual of Water Supply Practices, M1 Principles of Water Rates, Fees, and Charges*, 2012 Sixth Edition.

The water rate study will have three steps of technical analysis – the development of revenue required from rates, the allocation of costs among functional cost categories (cost-of-service analysis) and the design of a rate structure.

The revenue required from rates is net of non-rate revenues (for example interest earned on fund balances, loan disbursements, revenue from new connections to the water system, lease and rental income, various reimbursements, other charges for services). The allocation of costs is structured so that the revenue required from charges is distributed proportionally for every level of service in a manner that allows the development of unit costs. The rate structure uses the unit costs as a basis for aggregating costs into rates that are applicable to the various customer classes.

Revenue requirements for the water enterprise will be recovered through a combination of fixed meter charges (charges vary by meter size), fixed connection charges (charges vary by connection size) and variable rates based on usage. At the City's request, we would review selected special fees such as the Backflow Prevention Program Fee.

We expect that costs to be recovered from service charges will be allocated based on meter flow capacity and recovered as fixed charges. We expect that costs to be recovered from private fire protection charges will be allocated based on lateral connection flow capacity and recovered as fixed charges.

All other costs are expected to be recovered from quantity charges. We will modify allocations of costs to be recovered via quantity charges as necessary to allow the development of appropriate alternative rate structures.

All rates and charges will be based on unit costs that are determined based on principles that "the amount of the charge imposed on any parcel shall not exceed the proportional cost of service attributable to a parcel."¹

¹ The quoted text is from Article XIID, Section 6(b) of the California Constitution (added by Proposition 218) that lists the five substantive requirements for "property related fees and charges."

Examples of unit costs are listed below (the current water rate structure combines the four bulleted unit costs for water supply and water delivery).

- Base ground water supply unit costs
- Base surface water supply unit costs
- Base water delivery unit costs
- Extra (peak) demand water delivery unit costs
- Private well irrigation/commercial use unit costs
- Lateral and meter service unit costs
- Public fire protection unit costs
- Private fire protection unit costs
- Customer service unit costs

We will develop at least two different rate scenarios (update of the current rates is one scenario) and review the policy implications of each scenario. Policy considerations include affordability, equity between and within customer classes, revenue sufficiency and rate stability.

The proposed rates and monthly bills based on those rates will be compared with those of neighboring, comparable cities and special districts that provide water service.

We will provide ongoing rate analysis and rate model adjustments as needed.

We will provide additional services related to utility rates as needed.

1.5 Task 5—Review Capacity Charges and Connection Fees

We will review connection fees (capacity charges and connection fees) to the water system listed in the Master Fee Schedule Amendment #521, pages 18-21, and prepare recommendations regarding changes to charges and connection fees as necessary. Elements of the charges and fees to be evaluated include the following:

- Frontage charges
- Installation charges
- Recharge area fee
- Transmission grid main charge
- Transmission grid main bond debt service charge
- UGM water supply fee
- Well head treatment fee
- 1994 bond debt service fee
- Water main reimbursement
- Transmission grid main credit/reimbursement
- Trench surfacing credit

We will prepare a technical memorandum that summarizes findings and recommendations. Alternatively, findings and recommendations would be included in the rate report at the discretion of the City.

1.6 Task 6—Prepare Preliminary, Draft and Final Reports

We will document findings and recommendations in report form.

We will prepare and submit three versions of reports: 1) a preliminary report for internal review with staff; 2) a draft for Department of Public Utilities (DPU) Management review; and 3) a final report (incorporating any final Council and staff changes) at which the Proposition 218 Notice of Public Hearing is considered. Preliminary and draft reports will be submitted in electronic format. We will submit five bound copies and one electronic copy of the final report at the conclusion of the study.

All versions of the report will show the development of the rates and document findings as an administrative record that demonstrates the cost-rate relationship.

All information shall be presented in a clear, concise, and easy-to-understand manner. The reports will include the following: 1) a brief physical description of the utility systems; 2) service area description, including population characteristics; 3) overview of recent financial operations; 4) description of the necessary capital improvement program over time (10 years), including potential State and Federal regulatory requirements; 5) tables from the comprehensive revenue and expense model supplemented with text that describes and supports how rates were derived; and 6) a survey of rates of other nearby municipalities and a comparison of customer bills based on those rates and statewide comparisons as appropriate.

1.7 Task 7—Prepare Presentations and Attend Meetings

We will prepare slides for presentations and attend up to four (4) meetings with City Staff and seven (7) meetings or workshops with the City Council to present findings and recommendations (a total of eleven, on-site meetings). We will conduct conference calls supplemented with internet meeting technology as frequently as necessary to complete the work.

We will develop tables and figures for presentations that clearly describe findings and recommendations.

During the meetings with City utility management, we will discuss findings and policy implications and the schedule for the rate adoption process.

We will coordinate with City staff to create a defined message, supported by findings, for each meeting (or workshop) with the City Council. The message at the initial meetings (or workshops) with City Council will be designed to facilitate discussion about the projected expenditures, revenue requirements, and alternative rate structures, and educate customers on the types of costs incurred by the water division and how those costs are recovered. We will work with the City's Communications and Public Affairs staff to provide data and information for development of a public awareness campaign for the water studies.

1.8 Deliverables

MFS will provide the following deliverables during the course of the study and at its conclusion:

- Up to eleven (11) on-site meetings or workshops
- Draft and final versions of a Technical Memorandum that summarizes the cost allocation methods, rate structures, water conservation projections and growth projections selected by the City for evaluation in the rate study (from Task 1)
- Draft and final versions of a Technical Memorandum that summarizes review of water charges and fees (from Task 5)
- Schedule of water rates and an index for annual adjustment of rates to be adopted by Proposition 218 procedures
- Excel-based model with tables and figures used in reports and presentations
- Electronic copies of Preliminary, Draft and Final Reports
- Hard copies of the Final Report (five copies)
- Electronic copies of PowerPoint Presentations
- Monthly invoices showing project status in terms of labor hours, costs and work performed

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Section 2

Budget

2.1 Budget by Fiscal Year

The table below shows the project budget and total cost of services for the scope of work. Only hours actually used will be charged. Labor hours not used will not be invoiced. Hours and costs are fungible between tasks. All costs for travel, shipping, phone, copying etc. are included in the hourly rates. Marv Winer will be a subconsultant to Municipal Financial Services.

The budget is broken down by Fiscal Year (July 1 – June 30) for three fiscal years – FY 2016-17, FY 2017-18 and FY 2018-19. Fiscal Year 2016-17 includes time to be spent from issuance of the Notice to Proceed until the end of FY 2015-16.

Table 2-1. Budget

Task	Hours			Total	Hourly Rate	Cost
	FY 2016-17	FY 2017-18	FY 2018-19			
Task 1—Evaluate Cost Allocation Methods and Rate Structures	28	16	8	52	\$150	\$7,800
Task 2—Develop Customer Use Characteristics	50	12	12	74	\$150	\$11,100
Task 3—Develop Financial Plan and Revenue Requirements	32	16	16	64	\$150	\$9,600
Task 4—Allocate Costs and Develop Rate Alternatives	40	12	12	64	\$150	\$9,600
Task 5—Review Capacity Charges and Connection Fees	12	0	0	12	\$150	\$1,800
Task 6—Prepare Preliminary, Draft and Final Reports	40	24	16	80	\$150	\$12,000
Task 7—Prepare Presentations and Attend Meetings	7	42	28	77	\$150	\$11,550
Totals	209	122	92	423		\$63,450
	\$31,350	\$18,300	\$13,800	\$63,450		

Any additional work agreed to between the City and MFS will be performed at the Hourly Rate shown in Table 2-1.

We would invoice for work performed no more than once a month. Invoices will include a list of all tasks, work performed on each task during the time period corresponding with the invoice, a total amount due, the amounts previously billed, and the budget remaining.

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Section 3

Schedule

3.1 Schedule for Project Completion

Work may commence immediately upon issuance of a Notice to Proceed by the City. The schedule for project completion is shown in Table 3-1. The schedule is contingent on the timely delivery of customer data and financial data by the City.

Table 3-1. Schedule

Task	Week Start Day/Month > Week Number > Cumulative Number of Days from Start >	2016				2017				2018				2019			
		Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4
			1	14	27	40	53	66	79	92	105	118	131	144	157	170	
		92	184	274	365	457	549	639	730	822	914	1004	1095	1187	1279		
Notice to Proceed - May 2016																	
Task 1—Evaluate Cost Allocation Methods and Rate Structures			Staff														
Task 2—Develop Customer Use Characteristics				Staff													
Task 3—Develop Financial Plan and Revenue Requirements					Staff												
Task 4—Allocate Costs and Develop Rate Alternatives						Staff											
Task 5—Review Capacity Charges and Connection Fees																	
Task 6—Prepare Preliminary, Draft and Final Reports							pre			draft			final				
Task 7—Prepare Presentations and Attend Meetings					Cncl		Cncl	Cncl	Cncl	Cncl	218 op		218 cl			impl. rates	
Legend	pre = preliminary report; draft = draft report; final = final report; staff = meeting with City staff Cncl = Council meeting or workshop; 218 op = Council approves mailing of Prop 218 Notice; 218 cl = Council closes Prop 218 hearing																

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Exhibit B

INSURANCE REQUIREMENTS

Consultant Service Agreement between City of Fresno ("CITY") and Municipal Financial Services ("CONSULTANT")

Five-Year Rate Plan-Water and Wastewater

PROJECT TITLE

MINIMUM SCOPE OF INSURANCE

Coverage shall be at least as broad as:

1. The most current version of Insurance Services Office (ISO) Commercial General Liability Coverage Form CG 00 01, providing liability coverage arising out of your business operations. The Commercial General Liability policy shall be written on an occurrence form and shall provide coverage for "bodily injury," "property damage" and "personal and advertising injury" with coverage for premises and operations (including the use of owned and non-owned equipment), products and completed operations, and contractual liability (including, without limitation, indemnity obligations under the Agreement) with limits of liability not less than those set forth under "Minimum Limits of Insurance."
2. The most current version of ISO *Commercial Auto Coverage Form CA 00 01, providing liability coverage arising out of the ownership, maintenance or use of automobiles in the course of your business operations. The Automobile Policy shall be written on an occurrence form and shall provide coverage for all owned, hired, and non-owned automobiles or other licensed vehicles (Code 1- Any Auto). If personal automobile coverage is used, the CITY, its officers, officials, employees, agents, and volunteers are to be listed as additional insureds.
3. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
4. Professional Liability (Errors and Omissions) insurance appropriate to CONSULTANT'S profession. Architect's and engineer's coverage is to be endorsed to include contractual liability.

MINIMUM LIMITS OF INSURANCE

CONSULTANT, or any party the CONSULTANT subcontracts with, shall maintain limits of liability of not less than those set forth below. However, insurance limits available to CITY, its officers, officials, employees, agents, and volunteers as additional insureds, shall be the greater of the minimum limits specified herein or the full limit of any insurance proceeds available to the named insured:

1. **COMMERCIAL GENERAL LIABILITY:**
 - (i) \$1,000,000 per occurrence for bodily injury and property damage;
 - (ii) \$1,000,000 per occurrence for personal and advertising injury;
 - (iii) \$2,000,000 aggregate for products and completed operations; and,

- (iv) \$2,000,000 general aggregate applying separately to the work performed under the Agreement.

2. **COMMERCIAL AUTOMOBILE LIABILITY:**

\$1,000,000 per accident for bodily injury and property damage.

OR*

PERSONAL AUTOMOBILE LIABILITY insurance with limits of liability not less than:

- (i) \$100,000 per person;
- (ii) \$300,000 per accident for bodily injury; and,
- (iii) \$50,000 per accident for property damage.

3. **WORKERS' COMPENSATION INSURANCE** as required by the State of California with statutory limits.

4. **EMPLOYER'S LIABILITY:**

- (i) \$1,000,000 each accident for bodily injury;
- (ii) \$1,000,000 disease each employee; and,
- (iii) \$1,000,000 disease policy limit.

5. **PROFESSIONAL LIABILITY** (Errors and Omissions):

- (i) \$1,000,000 per claim/occurrence; and,
- (ii) \$2,000,000 policy aggregate.

UMBRELLA OR EXCESS INSURANCE

In the event CONSULTANT purchases an Umbrella or Excess insurance policy(ies) to meet the "Minimum Limits of Insurance," this insurance policy(ies) shall "follow form" and afford no less coverage than the primary insurance policy(ies). In addition, such Umbrella or Excess insurance policy(ies) shall also apply on a primary and non-contributory basis for the benefit of the CITY, its officers, officials, employees, agents, and volunteers.

DEDUCTIBLES AND SELF-INSURED RETENTIONS

CONSULTANT shall be responsible for payment of any deductibles contained in any insurance policy(ies) required herein and CONSULTANT shall also be responsible for payment of any self-insured retentions. Any deductibles or self-insured retentions must be declared on the Certificate of Insurance, and approved by, the CITY'S Risk Manager or designee. At the option of the CITY'S Risk Manager or designee, either:

- (i) The insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY, its officers, officials, employees, agents, and volunteers; or
- (ii) CONSULTANT shall provide a financial guarantee, satisfactory to CITY'S Risk Manager or designee, guaranteeing payment of losses and related

investigations, claim administration and defense expenses. At no time shall CITY be responsible for the payment of any deductibles or self-insured retentions.

OTHER INSURANCE PROVISIONS/ENDORSEMENTS

The General Liability and Automobile Liability insurance policies are to contain, or be endorsed to contain, the following provisions:

1. CITY, its officers, officials, employees, agents, and volunteers are to be covered as additional insureds. CONSULTANT shall establish additional insured status for the City and for all ongoing and completed operations by use of ISO Form CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01 or by an executed manuscript insurance company endorsement providing additional insured status as broad as that contained in ISO Form CG 20 10 11 85.
2. The coverage shall contain no special limitations on the scope of protection afforded to CITY, its officers, officials, employees, agents, and volunteers. Any available insurance proceeds in excess of the specified minimum limits and coverage shall be available to the Additional Insured.
3. For any claims related to this Agreement, CONSULTANT'S insurance coverage shall be primary insurance with respect to the CITY, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, agents, and volunteers shall be excess of CONSULTANT'S insurance and shall not contribute with it. CONSULTANT shall establish primary and non-contributory status by using ISO Form CG 20 01 04 13 or by an executed manuscript insurance company endorsement that provides primary and non-contributory status as broad as that contained in ISO Form CG 20 01 04 13.

The Workers' Compensation insurance policy is to contain, or be endorsed to contain, the following provision: CONSULTANT and its insurer shall waive any right of subrogation against CITY, its officers, officials, employees, agents, and volunteers.

If the Professional Liability (Errors and Omissions) insurance policy is written on a claims-made form:

1. The retroactive date must be shown, and must be before the effective date of the Agreement or the commencement of work by CONSULTANT.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the Agreement work or termination of the Agreement, whichever occurs first, or, in the alternative, the policy shall be endorsed to provide not less than a five (5) year discovery period.
3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the effective date of the Agreement or the commencement of work by CONSULTANT, CONSULTANT must purchase "extended reporting" coverage for a minimum of five (5) years

after completion of the Agreement work or termination of the Agreement, whichever occurs first.

4. A copy of the claims reporting requirements must be submitted to CITY for review.
5. These requirements shall survive expiration or termination of the Agreement.

All policies of insurance required herein shall be endorsed to provide that the coverage shall not be cancelled, non-renewed, reduced in coverage or in limits except after thirty calendar days written notice by certified mail, return receipt requested, has been given to CITY. CONSULTANT is also responsible for providing written notice to the CITY under the same terms and conditions. Upon issuance by the insurer, broker, or agent of a notice of cancellation, non-renewal, or reduction in coverage or in limits, CONSULTANT shall furnish CITY with a new certificate and applicable endorsements for such policy(ies). In the event any policy is due to expire during the work to be performed for CITY, CONSULTANT shall provide a new certificate, and applicable endorsements, evidencing renewal of such policy not less than fifteen calendar days prior to the expiration date of the expiring policy.

VERIFICATION OF COVERAGE

CONSULTANT shall furnish CITY with all certificate(s) and **applicable endorsements** effecting coverage required hereunder. All certificates and **applicable endorsements** are to be received and approved by the CITY'S Risk Manager or designee prior to CITY'S execution of the Agreement and before work commences. All non-ISO endorsements amending policy coverage shall be executed by a licensed and authorized agent or broker. All non-ISO endorsements amending policy coverage shall be executed by a licensed and authorized agent or broker. Upon request of CITY, CONSULTANT shall immediately furnish City with a complete copy of any insurance policy required under this Agreement, including all endorsements, with said copy certified by the underwriter to be a true and correct copy of the original policy. This requirement shall survive expiration or termination of this Agreement.

Exhibit C

DISCLOSURE OF CONFLICT OF INTEREST

Five-Year Rate Plan-Water and Wastewater
PROJECT TITLE

		YES*	NO
1	Are you currently in litigation with the City of Fresno or any of its agents?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Do you represent any firm, organization or person who is in litigation with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Do you currently represent or perform work for any clients who do business with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	Are you or any of your principals, managers or professionals, owners or investors in a business which does business with the City of Fresno, or in a business which is in litigation with the City of Fresno?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5	Are you or any of your principals, managers or professionals, related by blood or marriage to any City of Fresno employee who has any significant role in the subject matter of this service?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6	Do you or any of your subcontractors have, or expect to have, any interest, direct or indirect, in any other contract in connection with this Project?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
* If the answer to any question is yes, please explain in full below.			

Explanation: _____

Additional page(s) attached.

Thomas Favletto

Signature

May 17, 2016

Date

THOMAS FAVLETTO

(name)

MUNICIPAL FINANCIAL SERVICES

(company)

2960 VALLEY BASIN AVE

(address)

HENDERSON, NV 89052

(city state zip)