

SULTAN CITY COUNCIL

AGENDA COVER SHEET

ITEM NO: A -2

DATE: July 26, 2007

SUBJECT: Contract Extension and Amendment #1
Financial Consulting Solutions Group, Inc.

CONTACT PERSON: Public Works Director Dunn

ISSUE:

The issue before the Council is an amendment to the Contract with Financial Consulting Solutions (FCS) Group for professional services for the preparation of the Sewer Rate Study. The FCS Group have been delayed in the completion of services by change in the scope of work related to finalizing a draft multi year General Facility Charge (GFC) calculation with separation for general facilities, WWTP Short Term Improvements and Phase I.

The contract with FCS Group required the sewer utility rate study to be complete on April 2, 2007. Due to the additional work and public meetings staff is requesting that Council extend the contract to September 30, 2007.

SUMMARY:

The amended scope of work is to include calculating a schedule of GFC updated each year from 2007 – 2013. The proposed GFC shall be updated each year based on the cost of new facilities added to the system and interest on the existing facilities.

The contract time for completion of the Sewer Rate Study shall be extended to expire no later than September 30, 2007.

October 2, 2006 the City of Sultan executed a contract with FCS Group for professional services for the completion of a Sewer Utility Rate Study. Payment to the FCS Group is currently paid by the City of Sultan on a time and materials basis. The currently contract is for Thirty Thousand Five Hundred Ten Dollars (\$30,510) the contract amendment will add Four Thousand Nine Hundred Fifty Dollars (\$4,950.00) for the Multi Year GFC task. The amended contract shall not exceed Thirty Thousand Five Hundred Sixty Dollars (\$35,460.00) without prior Council approval.

RECOMMENDED ACTION/MOTION:

The City Council authorize the Mayor to sign contract amendment #1 to the professional services agreement for a Wastewater Utility Rate Study with Financial Solution Consulting Group. Amendment #1 amends the Scope of Work to include calculating a schedule of General Facilities Charge updated each year from 2007-2013, extend the contract time to expire on or before September 30, 2007, and amending the cost to Thirty Thousand Five Hundred and Sixty Dollars (\$35,460.00).

MOTION:

Move to Authorize the Mayor to sign the amendment # 1 with FCS Group in the amount not to exceed Thirty Five Thousand Four Hundred Sixty Dollars (\$35,460.00) and extending the contract completion date to September 30, 2007

COUNCIL ACTION:

DATE: July 26 007

ATTACHMENTS:

Original Contract signed 10.02.06
Contract Amendment dated July 20, 2007
July 3, 2007 Wastewater Utility Rate Study Billing and
Progress Report

EX COPY

CONTRACT AGREEMENT

BETWEEN

FINANCIAL CONSULTING SOLUTIONS GROUP, INC. AND CITY OF SULTAN

8201 - 164th Avenue NE, Suite 300
Redmond, WA 98052

319 Main St. #200
Sultan, WA 98294

PROJECT: Wastewater Rate Study

THIS AGREEMENT combines all understandings between the Parties regarding professional services for the Project named above and supersedes all prior proposals, quotations, solicitations, negotiations, representations, agreements or understandings, whether written or oral.

The performance of the professional services herein described and authorized by the **City of Sultan**, as well as payment for such services, shall be in accordance with the terms and conditions presented in this Agreement and the following Sections and Exhibits which are attached and incorporated by reference which, taken together, shall constitute the whole Agreement.

- Section I - Relationship of the Parties**
- Section II - Contract Provisions**
- Exhibit A - Scope of Work and Task Plan**
- Exhibit B - Fee Schedule**

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals this _____ day of _____, 20_____.

APPROVED:

FINANCIAL CONSULTING SOLUTIONS GROUP, INC.

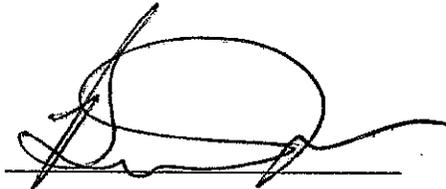
APPROVED:

CITY OF SULTAN



John Ghilarducci
Principal

Date: 9-15-06



Date: 10-2-06

ATTEST:

SECTION I: RELATIONSHIP OF THE PARTIES

The City of Sultan ("Client"), desires to complete a wastewater utility rate study ("Project"). In furtherance of the Project, the Client hereby contracts with **Financial Consulting Solutions Group, Inc.** ("FCS Group") to perform the professional services described in Exhibit A of this Agreement. All services shall be performed under the joint supervision of the Client's Representative, Connie M. Dunn or a designee or designees identified in writing to FCS Group by the Client's Representative.

This Agreement shall inure to the benefit of and be binding upon successors, assigns and legal representatives of each of the Parties hereto. Any assignment or transfer of an interest in this Agreement by either Party without the written consent of the other shall be void.

SECTION II: CONTRACT PROVISIONS

1. Scope of Work: FCS Group shall perform the service for the Client which consists of a wastewater rate study. See Exhibit "A" for a detailed scope of work/task plan, which is attached hereto and hereby incorporated by this reference.

2. Time for Completion: The Scope of Work for the conduct of the study as set forth above is anticipated to be completed by FCS Group within a time frame approximating that shown by the following schedule:

Notice to Proceed: On or before October 2, 2006
Completion of Project: April 2, 2006

The schedule for completion is dependent on the availability of data from the Client, and the availability of Client's staff and elected officials for review sessions.

If FCS Group is delayed in the performance of services by conditions which are beyond their control, or by a change in the scope of work, the schedule showing time of performance may be revised. Any revision thereto shall be submitted in writing to the Client for review and approval by the Client Representative.

3. Payment: FCS Group will be paid by the Client on a time and materials basis. FCS Group agrees to perform the services as set forth in Exhibit "A" at a cost not to exceed **\$30,510**. It is understood that FCS Group will not exceed this amount without the Client's prior written authorization.

Payment to FCS Group for services set forth in Exhibit "A" shall be: an amount equal to FCS Group's standard billing rates as set forth in Exhibit "B" multiplied by the actual hours worked. Direct expenses will not be charged. Payment shall be made monthly upon receipt and approval of FCS Group's invoice.

4. Supplemental Agreements: Supplemental Agreements may be entered into upon mutual written agreement that would increase or decrease the scope and associated costs and payment.

5. Work to be Accomplished: All work accomplished will be performed under the direction of the Client Representative or his/her Designee.

6. Termination: This contract may be terminated by the Client by giving FCS Group written notice of such termination no fewer than fifteen (15) days in advance of the effective date of said termination. FCS Group shall be entitled to terminate this agreement only in the case of a material breach by the Client, and upon failure of the Client to remedy said breach within fifteen (15) days of said notice. In the event that the contract is terminated before completion, FCS Group shall be paid for the services to date on the basis set forth in Paragraph 3, plus 10% of the total compensation earned to time of termination to compensate for FCS Group's rescheduling adjustments, reassignment of personnel, and related costs incurred due to termination. The Client shall notify FCS of termination or abandonment in writing.

7. Indemnity: FCS Group shall comply with all Federal Government, State and local laws and ordinances applicable to the work to be done under this Agreement.

FCS Group hereby agrees to hold the Client harmless from and shall process and defend at its own expense, specific claims, demands or suits at law or equity, arising from FCS Group's negligent performance of the provisions of this Agreement; provided that if the Client and FCS Group are concurrently negligent, FCS Group shall be required to indemnify and defend only in proportion to negligence of FCS Group. These indemnity provisions shall not require FCS Group to defend or indemnify the Client against any action based solely on the alleged negligence of the Client.

8. All Work Produced is Joint Property of FCS Group and the Client: The materials, computer programs, reports, calculations, analyses, etc., generated by FCS Group under this contract including the final report shall be the joint property of the Client and FCS Group. FCS Group may retain copies thereof for workpaper documentation and their own use unless specifically restricted in writing by the Client as to use.

Computer models use generally available software, such as Microsoft Excel (TM), and FCS Group does not intend or imply any warranty of those programs.

9. Financial Forecasts: Neither FCS Group's name nor the report and its financial projections may be referred to or included in any prospectus or as a part of any offering or representation made in connection with the sale of securities or participation interests to the public, whether through a public or private offering.

The information used in developing the forecast assumptions will be derived from published information and other sources FCS Group considers appropriate. However, FCS Group cannot assume responsibility for the accuracy of such material. Moreover, forecasts are subject to many uncertainties as to the future; therefore, FCS Group cannot represent that the projected financial statements will be representative of the results that actually occur. FCS Group will endeavor to include appropriate comments drawing the readers' attention to these matters.

10. Integrated Agreement: This agreement together with attachments or addenda, represents the entire and integrated agreement between the Client and FCS Group supersedes all prior negotiations, representations, or agreements written or oral. This agreement may be amended by written instrument signed by both the Client and FCS Group.

11. Independent Contractor: The parties intend that an independent Contractor/Client relationship will be created by this agreement. No agent, employee, or representative of FCS Group shall be deemed to be an agent, employee, or representative of the Client for any purpose. FCS Group shall be solely responsible for all acts of its agents, employees, representatives, and subcontractors during the performance of this contract.

12. Equal Opportunity: FCS Group will not discriminate against any employee or applicant for employment because of age, race, color, religion, sex, or national origin. FCS Group will take affirmative action to ensure that applicants are evaluated and selected, and that employees are treated during employment, without regard to their age, race, color, religion, sex or national origin.

13. Notices: Notices to the Client shall be sent to the following address:

City of Sultan
Attention: Connie Dunn, Public Works Director
319 Main St. #200
Sultan, WA 98294

Notices to FCS Group shall be sent to the following address:

Financial Consulting Solutions Group, Inc.
Attention: Angie Sanchez Virnoche, Senior Project Manager
8201 - 164th Avenue NE, Suite 300
Redmond, Washington 98052

Exhibit A – Scope of Work for the Wastewater Rate Study

The following task plan outlines the project scope of services to complete a Wastewater Rate Study. We follow a structured method to arrive at rate and charge conclusions, which will enable us to perform this work in an orderly, efficient, and results-oriented manner and defend our findings, conclusions and recommendations, as appropriate.

The result of the work effort will be a multi-year financial planning tool that meets the financial requirements of the City, with the least impact to customers.

SCOPE OF SERVICES

Task One –Data Collection and Validation:

- 1a. Prepare an initial data request identifying financial and operational documents pertinent to the performance of the study. Review, analyze, and validate data as necessary for use in formulating the technical analyses. Follow up with requests for any additional items or explanations as necessary.

Task Two –Initial Project Meeting:

- 2a. Prepare for and facilitate a project initiation meeting to introduce the Consultant Team to City management and staff. The purpose of this meeting is to review the overall goals of the study, discuss City policies and objectives, review data needs, delineate lines of communication and project roles, and schedule near-term events for the study. During this meeting, the Consultant Team will strive to uncover any data limitations, issues or concerns that will need to be addressed early on in the process to ensure successful study completion.
- 2b. Catalog existing City policies and potential strategies, which would guide the work of each subsequent task.

Task Three –Needs Assessment (Revenue Requirement)

- 3a. The needs assessment forms a complete portrayal of the utility financial obligations and link directly with the operational/capital drivers of the system. The analysis will be developed to ensure that the wastewater rates and charges can independently meet the needs for which they are established. This analysis will be conducted for a multi-year period (e.g. 2007-2017) to capture key financial requirements, analyze revenue needs and establish overall rate-setting strategies that fully fund the comprehensive needs of the utility [long-term capital investment funding; expenses incurred to operate, maintain, and manage the utility; contractual obligations; debt repayment; cash flow needs; and fiscal policy achievement.] Subtasks are:
 - *Multi-year Operating Forecast.* Identify future annual non-capital costs associated with the operation, maintenance, and administration of the utility – to include an analysis of rate impacts of potential additional staffing needs, O&M increases and new regulatory requirements. The WWTP upgrade engineering report will provide key data for inclusion in the analysis.
 - *Capital Funding Analysis.* Define strategies for funding the Capital Improvement Programs identified in the WWTP upgrade report. The City is currently undergoing significant capital funding requirements. The capital should encompass both growth related requirements and a specified annual funding level for system reinvestment. A capital-funding plan will include determination of the optimum mix of available

resources from rate revenues, general facility charges, debt financing, and use of accumulated capital reserves, to ensure financial health of the utility and to smooth rate impacts of capital funding needs.

- *Debt Service Requirements.* The City's existing debt issues and any anticipated new issues are included in the revenue requirement. Due to the significant capital funding needs of the City, it will be imperative to maintain debt service coverage requirements above required covenant/policy levels.
- *Reserve Analysis.* Tests for satisfaction of actual or recommended minimum fund balance policies, including working capital, capital contingency/emergency, and system reinvestment funding.
- *Test of Sufficiency.* Evaluates the adequacy of current utility revenues in meeting all obligations, including cash uses such as operating expenses, debt service, capital outlays, and reserve contributions, as well as any coverage requirements associated with long-term debt.
- *Rate Strategy.* A strategy that promotes a forward-looking perspective for adjusting utility rates to fully fund all utility obligations on an annual basis for the test period under review while considering the impacts to customers.
- *Sensitivity Analysis.* Evaluates alternative scenarios that may alter the results of the needs assessments. The sensitivity of alternative funding sources, growth rates, project timing, etc. may be considered to provide the City staff and council with appropriate information to make the most informed decision.
- *Review and Recommendations.* Prepare for and facilitate an on-site meeting with the City study team to review findings, conclusions, and recommendations. Following this review, FCS GROUP will revise the analyses, as appropriate, and finalize recommendations

Task Four –Issue Paper

This task involves researching and providing a written issue paper.

- 4a. *Issue Paper #1* – Outline the issue related to alternatives available or in practice to shelter the City from growth related risk (e.g. prepayments). Identify alternatives, discuss pros and cons and provide recommendation.

Task Five –Rate Design

The needs assessment outlines the overall revenue needs of the utility, while the rate design provides the method by which the revenue will be assessed to the City's customers.

- 5a. The City has indicated that the current rate structures are adequately meeting the current goals and objectives of the utility. A cursory review of the rate structure will be provided that will identify considerations for future rate structure changes/improvements.
- 5b. The overall rate adjustments identified by the needs assessment will be used to analyze the rate impact for a series of typical customers using defined attributes for typical customers based on City billing records.
- 5c. Provide a rate comparison for up to five (5) comparable communities.

Task Six –General Facility Fees (GFC) Analysis

Review existing GFC methodology and recommend revisions as warranted. GFCs will be based upon the existing wastewater system facilities.

- 6a. *Develop Cost Basis* – Determine the existing cost basis to be included in the charge.
- 6b. *Develop Customer Basis* – Determine existing and future customer equivalents, over which the cost basis is to be allocated. This includes an analysis of existing customers, planned growth in the customer base, and system capacity.
- 6c. *Calculate Schedule of Charges* – Calculate the maximum allowable GFC per residential customer equivalent and develop a proposed schedule of charges. Summarize impacts, relative to existing GFCs for the same list of comparable communities utilized in Task 5 (Subtask C).

Task Seven –Public Involvement

Prepare for and attend up to three (3) public meetings and one (1) public hearing. The most successful forum for the public meetings is a workshop or study session where discussion is open and free flowing.

- 7a. *Workshops* - The scheduling of each meeting along with the content of each meeting will be confirmed once the project is underway. This will allow flexibility to increase, reduce or change meetings as needed.
- 7b. *Public Hearing* – Consultant will provide a presentation at a public hearing on the process, assumptions, results and conclusions of the study process.

At the City's request, alternative public education meetings can be requested and will be billed on time and materials only.

Task Eight –Documentation

Prepare and submit an executive level summary report to the City summarizing study assumptions, analytical results, and recommendations. In addition, provide a copy of the wastewater rate model for future use by the City. Task outcomes are as follows:

- 8a. Supply five (5) executive level reports of the study process.
- 8b. Provide an electronic copy of the wastewater rate study file for future use by the City.

EXHIBIT B

FINANCIAL CONSULTING SOLUTIONS GROUP, INC.

2006 FEE SCHEDULE

LABOR

<u>Title</u>	<u>Billing Rate</u>
Principal	\$160 - \$175
Senior Project Manager	\$150 - \$160
Project Manager	\$140 - \$150
Project Consultant	\$120 - \$140
Senior Analyst	\$105 - \$120
Analyst	\$ 95
Technical Writer/Graphic Artist	\$ 75
Administrative Support	\$ 50

DIRECT EXPENSES

Direct Expenses will not be charged for ordinary project-related expenses. For any client-requested extraordinary expenses, specific terms will be established prior to expenditure and billing.

EXHIBIT C
Insurance Requirements

- A. The Contractor shall procure and maintain automobile liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident. The automobile liability insurance shall cover all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage.

- B. The Contractor shall procure and maintain in full force throughout the duration of the Agreement comprehensive general liability insurance with a minimum coverage of \$1,000,000.00 per occurrence/aggregate for personal injury and property damage. Said policy shall name the City of Sultan as an additional named insured and shall include a provision prohibiting cancellation or reduction in the amount of said policy except upon thirty (30) days prior written notice to the City. Cancellation of the required insurance shall automatically result in termination of this Agreement.

- C. In addition to the insurance provided for in Paragraph A and B above, the Contractor shall procure and maintain in full force professional liability insurance for those services delivered pursuant to this Agreement that, either directly through Contractor employees or indirectly through contractual or other arrangements with third parties, involve providing professional services. Such professional liability insurance shall be maintained in an amount not less than \$1,000,000.00 combined single limit per claim/aggregate. For the purposes of this Paragraph "professional services" shall include but not be limited to the provision of any services provided by any licensed professional.

**CITY OF SULTAN
CONTRACT AMENDMENT #1
TO
PROFESSIONAL SERVICES AGREEMENT**

Wastewater Utility Rate Study

The contract between the City of Sultan and Financial Consulting Solutions Group Inc. (hereinafter referred to as "Consultant") for professional services to develop a strategy for wastewater rates and charges dated October 2, 2006 is hereby amended as follows:

Item #1: Section 1, Scope of Work: The scope of work is amended to include calculating a schedule of General Facility Charges (GFC) updated each year from 2007-2013. The proposed GFC shall be updated each year based on the cost of new facilities added to the system and interest on the existing facilities.

Item #2: Section 2, Time for Completion: Shall be extended to expire on or before September 30, 2007.

Item #3: Section 3, Payment: Shall be amended as follows:

"The City shall pay the Consultant on a time-and-expenses basis not to exceed, without prior approval, Four Thousand Nine Hundred and Fifty Dollars (\$4,950.00) for additional services as described in Item 1 above, for a new revised total contract amount not to exceed, without prior approval, Thirty Thousand Five Hundred and Sixty Dollars (\$35,460.00).

All work shall comply with City standards and be approved by the City prior to payment.

All other items, terms, and conditions of the contract remain unchanged.

This Contract Amendment is effective as of July 20, 2007.

City of Sultan:

Consultant:



Edward Cebron
Principal

Date: _____

Date: 7/20/07



RECEIVED
JUL 06 2007

July 3, 2007

BY:.....

Ms. CONNIE DUNN
City of Sultan
319 Main Street #200
Sultan, WA 98294

REFERENCE: WASTEWATER UTILITY RATE STUDY BILLING & PROGRESS REPORT

Enclosed is FCS Group invoice for consulting services performed on the wastewater utility rate study through June 29, 2007. This letter serves as a report of work completed.

WORK PROGRESS

Work effort on the project included: (1) Updating the revenue requirement to account for lower growth levels, PWTF debt first draw and incorporating potential second draw and changing CIP numbers (2) Finalize draft of multi-year GFC charges with separation for general facilities, WWTP short term improvements and Phase I. (3) Project meeting on June 26 to discuss results of changes and to strategize rate plan and identify alternative funding requirements (developer contributions).

Work Outside of Scope - The May 31, invoice indicated that approximately \$2,500 was work related to out of scope items related to the GFC. This invoice also includes an additional \$2,450 related to finalizing a draft multi-year GFC calculation. Total out of scope items = \$4,950. The first \$2,500 was billed under the original rate study cap. We are holding the second amount \$2,450 otherwise the original budget will have been expended (see budget table). As stated in the budget summary below, a budget amendment of \$4,950 would be adequate to cover the out of scope items. The remaining \$3,047.50 would be available for preparation and presentation of the rate study results at the July 17 planning board meeting. The status of the project budget is as follows:

BUDGET STATUS

	Original Budget	In Scope	Out of Scope	Notes:
Total Study Budget	\$30,510.00			
Budget as of April 27	\$12,147.50	\$12,147.50		
Invoice as of May 25	9,050.00	\$6,550.00	\$2,500.00	Multi Year GFC
Invoice June 29	\$5,000.00	\$2,550.00	\$2,450.00	Multi Year GFC
Budget remaining June 29	(\$1,902.50)	\$3,047.50	\$4,950.00	Amendment Requested

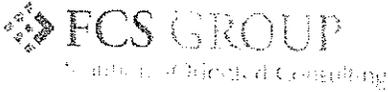
If you have any questions regarding this invoice, please contact me at (425) 867-1802, ext. 230.

Sincerely,

ANGIE SANCHEZ VIRNOCHE
Senior Project Manager

8301 164th Ave NE, Suite 300
Redmond, Washington 98052
T: 425.867.1802 F: 425.867.1937

14020 SE Johnson Rd, Suite 205
Milwaukie, Oregon 97267
T: 503.353.7440 F: 503.353.7442



Invoice Date: June 29, 2007

Invoice #: 1147- 2706100

For Services Rendered Through June 29, 2007

Invoice submitted to: Ms. Connie Dunn
City of Sultan
319 Main Street, #200
Sultan WA 98294

In Reference To: **1147 City of Sultan**
Wastewater Utility Rate Study

Professional services

	<u>Hrs/Rate</u>	<u>Amount</u>
Rice, Brian	13.50	1,350.00
Sanchez, Angie	100.00/hr	1,200.00
	8.00	
	150.00/hr	
For professional services rendered	<u>21.50</u>	<u>\$2,550.00</u>

Please include the invoice number shown above on your check stub and submit your payment to our corporate headquarters in Redmond, Washington. It is not necessary to return a copy of this invoice. Thank you.