

SULTAN CITY COUNCIL AGENDA ITEM COVER SHEET

ITEM NO: A-2

DATE: September 10, 2009

SUBJECT: Authorize the Mayor to sign a contract with FCS Group to conduct a solid waste rate study

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

Authorize the Mayor to sign a contract not to exceed \$30,000 with FCS Group to conduct a solid waste (garbage) rate study to ensure adequate financial resources to fund operations, maintenance and equipment replacement in the City's garbage utility.

STAFF RECOMMENDATION:

1. Review the proposed contract and scope of work (Attachment A).
2. Authorize the Mayor to sign a contract not to exceed \$30,000 with FCS Group to conduct a solid waste rate study.

SUMMARY:

City staff recommend contracting with FSC Group to conduct a solid waste rate study. FCS Group assisted the City in reviewing sewer and water rates. The firm is familiar with Sultan's financial history and community culture. FSC Group is a well-known and respected firm in the region for performing utility rate studies for municipal governments and utility districts. There is no city or state requirement to bid professional services work.

The proposed scope of work is \$30,000. The City Council included \$25,000 in the Garbage Utility operating budget to fund the garbage rate study. There is approximately a \$5,000 carryover expected in 2010 to complete the study. According to the Council's work plan, the garbage rate study is scheduled to begin in the third quarter of 2009.

Given the current business climate in the public sector, a "cost of service" or "rate study" is an essential tool to help the city council focus on the critical financial and management issues facing the city's solid waste utility. Most importantly, a well-planned and detailed rate analysis can be used to measure the revenues the city will

need to provide the desired levels of service, while at the same time helping establish fair, equitable, stable, and defensible solid waste user rates.

A thorough analysis of existing operations will enable the city council to evaluate whether the existing levels of service, collection technology, maintenance practices, fleet replacement strategy and financing may need to be reexamined.

BACKGROUND:

Solid waste rates were last set by Ordinance 849-04 effective July 1, 2004. Since that time:

- The cost to purchase dumpsters has doubled in price
- The cost of fuel increased by 50%
- Employee wages have increased annually to keep pace with inflation
- Health care benefits have increased annually
- Snohomish County Solid Waste Rates increased by 15% January, 2009
- Allied Waste increased recycling rates increased by 20% effective January 1, 2009

Interim Rate Increase Approved in January

On January 22, 2009 the City Council passed Ordinance No. 1014-09 approving a 20% interim increase in garbage rates until the city could conduct a rate study in the third quarter of 2009.

The interim increase was necessary because the 2005-2009 average percentage increase in revenues was 5.55% while expenditures have increased by 7.40%. The 2009 garbage fund budget included:

- Vehicle operation and maintenance cost increase of \$20,000, this includes fuel, oil, tires, electronic and hydraulic repair as necessary
- 15% increase in tipping fees payable to Snohomish County, from \$89.00 to \$105.00 per ton.
- 20% increase in recycling costs charged by Allied Waste.

DISCUSSION:

Proposed Solid Waste Rate Study

Task One – Data Collection \$305.00

- Collect solid waste rate data, customer base, operating expenses, debt service.
- Uncover any data limitations, issues or concerns that will need to be addressed early in the process.

Task Two – Multi-Year Operating Forecast (revenue requirements) \$6,915

Form a complete picture of the utility's financial obligations (operating, capital, debt service, equipment replacement and fiscal policies). This is the basis for setting rates. This analysis will ensure the garbage utility's rates and charges can independently meet the financial obligations facing the utility after other revenue sources have been accounted for.

Evaluate alternatives that may alter the results of the operating forecast. Develop a baseline scenario for existing operation and up to three additional scenarios for changes in service levels and/or costs.

Task Three – Cost of Service Analysis \$6,195

Use the revenue requirements in Task 2 to develop a defensible basis for assigning "cost share" and establishing equity between customers (i.e. residential, commercial, etc.). The cost of service results serve as a guide to develop final rate designs for all classes of service in the utility.

Task Four – Rate Design Analysis \$3,555

Use the results and findings from the cost of service study in Task 3 to develop cost-based garbage rates. The final garbage rates developed will meet the target revenue needs of the city. A rate comparison of up to five comparable communities will be gathered as a part of this task.

Task Five – Meetings and Presentations \$11,910

- Meet with city staff up to five times to gather data, review interim findings, conclusions and recommendations.
- Meet with the city council up to four times to review results, conclusions and obtain policy direction and feedback.
- Attend one open house meeting with the public

FISCAL IMPACT:

The proposed scope of work is \$30,000. The City Council included \$25,000 in the Garbage Utility operating budget to fund the garbage rate study. There is approximately a \$5,000 carryover expected in 2010 to complete the study.

RECOMMENDED ACTION:

1. Review the proposed contract and scope of work (Attachment A).

2. Authorize the Mayor to sign a contract not to exceed \$30,000 with FCS Group to conduct a garbage rate study.
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ATTACHMENTS:

A – Contract and Scope of Work with FCS Group

COUNCIL ACTION:

DATE:

**AGREEMENT FOR SERVICES
BETWEEN THE CITY OF SULTAN AND
FCS GROUP**

THIS AGREEMENT, is made this 15th day of September, 2009, by and between the City of Sultan (hereinafter referred to as "City"), a Washington Municipal Corporation, and FCS Group (hereinafter referred to as "Service Provider"), doing business at Redmond Town Center 7525 166th Ave NE, Suite D-215, Redmond, WA 98052.

WHEREAS, Service Provider is in the business of providing certain services specified herein; and

WHEREAS, the City desires to contract with Service Provider for the provision of a Garbage rate study, and Service Provider agrees to contract with the City for same;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, it is agreed by and between the parties as follows:

TERMS

- 1. Description of Work.** Service Provider shall perform work as described in Attachment A, Scope of Work, which is attached hereto and incorporated herein by this reference, according to the existing standard of care for such services. Service Provider shall not perform any additional services without the expressed permission of the City.
- 2. Payment.**
 - A. The City shall pay Service Provider at the hourly rate set forth in Attachment B, but not more than a total of thirty thousand dollars (\$30,000) for the services described in this Agreement. This is the maximum amount to be paid under this Agreement, and shall not be exceeded without prior written authorization from the City in the form of a negotiated and executed supplemental agreement.
 - B. Service Provider shall submit monthly payment invoices to the City after such services have been performed, and the City shall make payment within four (4) weeks after the submittal of each approved invoice. Such invoice shall detail the hours worked, a description of the tasks performed, and shall separate all charges for clerical work and reimbursable expenses.
 - C. If the City objects to all or any portion of any invoice, it shall so notify Service Provider of the same within five (5) days from the date of receipt and shall pay that portion of the invoice not in dispute. The parties shall immediately make every effort to settle the disputed portion.

3. **Relationship of Parties.** The parties intend that an independent contractor - client relationship will be created by this Agreement. As Service Provider is customarily engaged in an independently established trade which encompasses the specific service provided to the City hereunder, no agent, employee, representative or subcontractor of Service Provider shall be or shall be deemed to be the employee, agent, representative or subcontractor of the City. None of the benefits provided by the City to its employees, including, but not limited to, compensation, insurance and unemployment insurance, are available from the City to the Service Provider or his employees, agents, representatives or subcontractors. Service Provider will be solely and entirely responsible for his acts and for the acts of Service Provider's agents, employees, representatives and subcontractors during the performance of this Agreement. The City may, during the term of this Agreement, engage other independent contractors to perform the same or similar work that Service Provider performs hereunder.
4. **Project Name.** Garbage rate study
5. **Duration of Work.** Service Provider shall complete the work described in Attachment A on or before March 15, 2009.
6. **Termination.**
 - A. Termination Upon the City's Option. The City shall have the option to terminate this Agreement at any time. Termination shall be effective upon ten (10) days written notice to the Service Provider.
 - B. Termination for Cause. If Service Provider refuses or fails to complete the tasks described in Attachment A, or to complete such work in a manner unsatisfactory to the City, then the City may, by written notice to Service Provider, give notice of its intention to terminate this Agreement. After such notice, Service Provider shall have ten (10) days to cure, to the satisfaction of the City or its representative. If Service Provider fails to cure to the satisfaction of the City, the City shall send Service Provider a written termination letter which shall be effective upon deposit in the United States mail to Service Provider's address as stated below.
 - C. Rights upon Termination. In the event of termination, the City shall only be responsible to pay for all services satisfactorily performed by Service Provider to the effective date of termination, as described in the final invoice to the City. The City Manager shall make the final determination about what services have been satisfactorily performed.
7. **Nondiscrimination.** In the hiring of employees for the performance of work under this Agreement or any subcontract hereunder, Service Provider, its subcontractors or any person acting on behalf of Service Provider shall not, by reason of race, religion, color, sex, marital status, national origin or the presence of any sensory, mental, or physical disability, discriminate against any person who is qualified and available to perform the work to which the employment relates.

- 8. Indemnification / Hold Harmless.** The Service Provider shall defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or in connection with the performance of this Agreement, except for injuries and damages caused by the sole negligence of the City.

Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Service Provider and the City, its officers, officials, employees, and volunteers, the Service Provider's liability hereunder shall be only to the extent of the Service Provider's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the Service Provider's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this section shall survive the expiration or termination of this Agreement.

- 9. Insurance.** The Service Provider shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Service Provider, their agents, representatives, employees or subcontractors.

A. **Minimum Scope of Insurance.** Service Provider shall obtain insurance of the types described below:

1. Automobile Liability insurance covering 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. If necessary, the policy shall be endorsed to provide contractual liability coverage.
2. Commercial General Liability insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. The City shall be named as an insured under the Service Provider's Commercial General Liability insurance policy with respect to the work performed for the City using ISO additional insured endorsement GC 20 10 10 01 and GC 20 37 10 01 or substitute endorsements providing equivalent coverage.
3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.

B. **Minimum Amounts of Insurance.** Service Provider shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident.
 2. Commercial General Liability insurance shall be written with limits no less than \$1,000,000 each occurrence, \$2,000,000 general aggregate and \$2,000,000 products-completed operations aggregate limit.
- C. Other Insurance Provisions. The insurance policies are to contain, or be endorsed to contain, the following provisions for Automobile Liability and Commercial General Liability insurance:
1. The Service Provider's insurance coverage shall be primary insurance as respect to the City. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Service Provider's insurance and shall not contribute with it.
 2. The Service Provider's insurance shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.
- D. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.
- E. Verification of Coverage. Service Provider shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Service Provider before commencement of the work.
- F. Subcontractors. Service Provider shall include each subcontractor as insured under its policies or shall furnish separate certifications and endorsements for each subcontractor. All coverage shall be subject to all of the same insurance requirements as stated herein for the Service Provider.
- 10. Entire Agreement.** The written provisions and terms of this Agreement, together with all documents attached hereto, shall supersede all prior verbal statements of any officer or other representative of the City, and such statements shall not be effective or be construed as entering into or forming a part of, or altering in any manner whatsoever, this Agreement.
- 11. City's Right of Supervision, Limitation of Work Performed by Service Provider.** Even though Service Provider works as an independent contractor in the performance of his duties under this Agreement, the work must meet the approval of the City and be subject to the City's general right of inspection and supervision to secure the satisfactory completion thereof. In the performance of work under this Agreement, Service Provider

shall comply with all federal, state and municipal laws, ordinances, rules and regulations that are applicable to Service Provider's business, equipment, and personnel engaged in operations covered by this Agreement or accruing out of the performance of such operations.

- 12. Work Performed at Service Provider's Risk.** Service Provider shall be responsible for the safety of its employees, agents and subcontractors in the performance of the work hereunder and shall take all protections reasonably necessary for that purpose. All work shall be done at Service Provider's own risk, and Service Provider shall be responsible for any loss of or damage to materials, tools, or other articles used or held for use in connection with the work.
- 13. Ownership of Products and Premises Security.**

 - A. All reports, plans, specifications, data maps, and documents produced by the Service Provider in the performance of services under this Agreement, whether in draft or final form and whether written, computerized, or in other form, shall be the property of the City.
 - B. While working on the City's premises, the Service Provider agrees to observe and support the City's rules and policies relating to maintaining physical security of the City's premises.
- 14. Modification.** No waiver, alteration or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of the City and Service Provider.
- 15. Assignment.** Any assignment of this Agreement by Service Provider without the written consent of the City shall be void.
- 16. Written Notice.** All communications regarding this Agreement shall be sent to the parties at the addresses listed below, unless notified to the contrary. Any written notice hereunder shall become effective as of the date of mailing by registered or certified mail, and shall be deemed sufficiently given if sent to the addressee at the address stated in this Agreement or such other address as may be hereafter specified in writing.
- 17. Non-Waiver of Breach.** The failure of the City to insist upon strict performance of any of the covenants and agreements contained herein, or to exercise any option herein conferred in one or more instances shall not be construed to be a waiver or relinquishment of said covenants, agreements or options, and the same shall be and remain in full force and effect.
- 18. Resolution of Disputes, Governing Law.** Should any dispute, misunderstanding or conflict arise as to the terms and conditions contained in this Agreement, the matter shall be referred to the City Manager, whose decision shall be final. In the event of any

litigation arising out of this Agreement, the prevailing party shall be reimbursed for its reasonable attorney fees from the other party. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

IN WITNESS WHEREOF, **the parties have executed this Agreement on the day and year above written.**

CITY OF SULTAN

SERVICE PROVIDER

By: _____
Carolyn Eslick, Mayor

By: _____
Title: _____
Taxpayer ID #: _____

CITY CONTACT

SERVICE PROVIDER CONTACT

City of Sultan
319 Main Street, Suite 200
Sultan, WA 98294
Phone: 360-793-2231
Fax: 360-793-3344

Phone: _____
Fax: _____

ATTEST/AUTHENTICATED

By: _____
City Clerk

APPROVED AS TO FORM

By: _____
Office of the City Attorney

SCOPE OF SERVICES

As illustrated in the Task Plan, we follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient, and results-oriented manner. Each aspect of this methodology will be tailored to match today's policies, practices, and unique attributes of the City's garbage utility, resulting in a sound financial plan and sustainable rates. The study encompasses the following major tasks:

Task One - Data Collection:

FCS GROUP will establish a foundation for the rate study by conducting a structured data collection and analysis process. We 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.

Task Two –Multi-Year Operating Forecast (revenue requirement):

This task forms a complete portrayal of the garbage utility's financial obligations (operating, capital, debt service, equipment replacement and fiscal policy attainment) – yielding a basis for setting rates. The analysis will ensure that the garbage utility's rates and charges can independently meet the financial obligations facing the utility after other revenue sources have been accounted for.

- a. Identify and integrate the City's cash, coverage and equipment replacement policies.
- b. Forecast annual operating expenditures for the planning horizon. Budget estimates will be used as a baseline for projecting future costs. Model impacts resulting from any operational cost additions or savings caused by known or anticipated changes, as well as impacts of any new or enhanced program initiatives.
- c. Calculate rate revenue by completing a customer statistics review of the City's garbage accounts. Miscellaneous revenue will be based on the most recent budget.
- d. Incorporate the City's existing debt issues and any anticipated new issues in the revenue requirement. Perform a coverage test so that debt service coverage requirements are maintained above required covenant/policy levels.
- e. Identifying the full operating and equipment costs and conduct a test of sufficiency that compares those needs against available rate and miscellaneous operating revenues, identifying any projected shortfalls over the forecast period.
- f. Develop rate strategies that meet financial obligations over the planning horizons and provide smooth impacts to utility customers, to the extent practical.
- g. Evaluate alternative scenarios that may alter the results of the operating forecast. The sensitivity of alternative funding sources, growth rates, equipment replacement timing, etc. may be considered to provide the City staff and council with appropriate information to make the most informed decision. A baseline scenario will be developed for existing operations as well as up to three (3) additional scenarios for various changes and/or increases in service levels / costs. Additional budget will be requested for any additional sensitivity analyses requested above the three scenarios identified.

Task Three: Cost of Service Analysis

The City's garbage revenue requirements will be used to develop a defensible basis for assigning "cost shares" and establishing equity. A brief discussion of the major tasks associated with the cost of service is provided below.

- a. Conduct a customer class analysis to determine the appropriate groupings of customers for review (e.g. residential, commercial, senior low income, etc.).
- b. Classification of Expenses to the service path: collection, disposal, recycling, customer, administrative/overhead, other.
- c. Allocation of Expenses to customer classes based on customer specific statistics such as number of accounts, garbage tons, recycling tons, yard waste tons, number of pick-ups, number of cans by size and others identified. The cost share allocation will assign utility costs recovery to the customer in proportion to their actual demand.
- d. Summary of unit costs for each major cost category required to provide garbage service. Unit costs will be developed for disposal, collection, recycling and customer along with others deemed necessary as the study progresses.
- e. Comparison of the current revenue a customer class is contributing to the allocated cost of service. The comparison highlights any equity issues between classes of service.

The cost of service results serve as a guide in the development of final rate designs for all classes of service of the utility.

Task Four - Rate Design Analysis

The final step in the process of the garbage rate study is to use the results and findings from the cost of service study to develop cost-based garbage rates. Unit costs will be developed in the cost of service process to understand the cost of each service level component (e.g. recycling, disposal, customer, etc.), allowing greater flexibility in the design of final rates. The final garbage rates developed will meet the target revenue needs of the City. A rate comparison for up to five (5) comparable communities will be gathered as part of this task.

Task Five –Meetings/Presentations:

Prepare for and facilitate on-site meetings with the City study team and/or City Council to review findings, conclusions, and recommendations. Following this review, FCS GROUP will revise the analyses, as appropriate, and finalize recommendations.

- a. Meet with City staff in up to five (5) meetings to review interim study results, obtain edits/changes from direction received and finalize results and recommendations to take forward to Council, Planning Board and Public.
- b. Presentations/meetings with City Council in up to four (4) meetings to review results, conclusions and obtain policy direction and feedback. The meeting content and schedule will be confirmed once the project begins.

c. Attendance one (1) open house meetings with the public.

BUDGET

The total proposed level of effort to complete the garbage rate study is detailed below. Our normal billing practice is to bill based on time and materials actually expended, not to exceed the total budget. It is FCS GROUP's policy not to bill for direct expenses, including normal levels of travel. The budgets therefore include only charges for labor.

Task	Consultant Hours				Total Estimated Hours	Labor Budget
	Principal Ghilarducci	Study Manager Sanchez	Analyst Various	Admin. Support		
<i>Hourly Billing Rates:</i>	\$195	\$180	\$120	\$65		
Task 1 - Data Collection	-	-	2	1	3	\$305
Task 2 - Multi-Year Operating Forecast (customer statistics Inc.)	1	4	50	-	55	6,915
Task 3 - Cost of Service Analysis	1	12	32	-	45	6,195
Task 4 - Rate Design Analysis	1	8	16	-	25	3,555
Subtotal Technical Analysis	3	24	100	1	128	16,970
Task 5 - Meetings/Presentations						
- Project Meetings (5 meetings)	-	16	16	-	32	4,800
- City Council Presentations (4 Meetings)	-	20	16	4	40	5,780
- Open House/Public Participation Meetings (1 Meeting)	-	4	4	2	10	1,330
Total All	3	64	136	7	210	\$28,880

The project fees have been listed by each major task. This will provide the City with greater flexibility to develop a scope of services that meets any budget constraints. All portions of this proposal can be expanded or reduced to meet the City's needs.