

December 2, 2022

Fred Hawkins, P.E.  
Director of Engineering, Building and Environmental Services  
City of Alabaster  
1953 Municipal Way, Suite 101  
Alabaster, AL 35007

**Subject: 2021 Sewer Cost of Service Study - Additional Services**

Dear Fred:

Raftelis Financial Consultants, Inc. (Raftelis) was retained by the City of Alabaster (City) to complete a sewer cost of service study (Study) based on the terms of a professional services agreement (Agreement) executed May 10, 2021. The terms of the Agreement provided a timeframe for completion of the Study, including the analysis, draft report, and presentation to the Board by November 10, 2021. Due to unforeseen delays and additional analysis required for this engagement at the request of the City, we respectfully request an adjustment to the project budget and time extension as set forth herein.

The Study was substantially complete with a draft report delivered to City staff on March 14, 2022. Subsequent to the delivery of this draft report, several changes have occurred within the City's sewer system that required updating of the financial analysis. A summary of the changes is shown below:

1. The City changed its automatic consumer price index (CPI) rate increase to include the full CPI indicator instead of the CPI less gas and food.
2. Operating and maintenance (O&M) expenses have increased substantially, specifically to fuel, chemicals, personnel, and other O&M costs.
3. The City has issued a bond which included \$17.8 million of capital funding for the sewer system.

Based on the above information, Raftelis will perform the following additional activities to complete the Study:

- Update of the financial forecast and annual sewer rate adjustments taking into account the new Fiscal Year (FY) 2023 O&M expenses, new sewer bond issue by the City, and updated six-year capital improvement plan (CIP);
- Review and update the proposed FY 2022 "revenue neutral" sewer rate structure that was proposed in the March 2022 draft report;
- Update of the tap-on fees which are a miscellaneous revenue to the City. Fee will be revised to incorporate any new recent and local cost data;
- Update of the new system development fee charged to new development. Fee will be revised to incorporate current fixed assets and new CIP provided by staff;
- Modifications to the cost of service study report;
- Conference call to review draft report;

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- Presentation to City Council; and
- Additional coordination with City staff and other activities through March 31, 2023.

We certainly understand the need for these additional services and project time requirements due to unforeseen circumstances during the course of our Study. We also hope that the additional services during this time have benefited the City in meeting its objectives for sewer rate services. Since the above items were not contemplated in our original professional services agreement, we are respectively requesting additional services for this effort.

With these additional services, the original budget is revised as summarized below:

Original Budget (May 2021 – November 2021)	\$39,300
Additional Services (December 2021 – March 2023)	\$19,500
Revised Budget	\$58,800

We appreciate your consideration of the approval of this budget adjustment. If this is acceptable to the City, please indicate with the authorized signature at the bottom of this letter. We very much appreciate being able to serve the City on this important engagement. Please do not hesitate to contact me with any questions at 407-960-1811 or [ahairston@raftelis.com](mailto:ahairston@raftelis.com).

Sincerely,

***RAFTELIS FINANCIAL CONSULTANTS, INC.***



Tony Hairston  
Vice President

Approved by,

**City of Alabaster, Alabama**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

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Date