



275 W Campbell Road
Suite 440
Richardson, TX 75080
Phone: (972) 680-2000

March 28, 2023

via email: mpeacock@cityofjoshuatx.us

Mr. Mike Peacock
City Manager
City of Joshua
101 S. Main Street
Joshua, TX 76058

Subject: Proposal to Conduct Stormwater (Drainage) Fee Feasibility Study

Dear Mr. Peacock:

NewGen Strategies and Solutions, LLC (NewGen) appreciates this opportunity to propose our assistance to the City of Joshua (City). It is our understanding that at this time the City is seeking a qualified consultant to conduct a Stormwater Fee Feasibility Study (Study) in accordance with the requirements of Local Government Code 552, Subchapter C.

The following letter provides our proposed scope of services and anticipated fees associated with completing the requested scope. We look forward to assisting the City on this important engagement and stand ready to answer any questions you or the City Council may have.

Proposed Work Plan

To perform the requested study, the Project Team proposes the following work plan. This work plan closely follows the approaches and methodologies utilized by NewGen's Project Team members in all of their stormwater fee studies. Therefore, the City can be assured that the work plan proposed by NewGen has been tested and proven in numerous studies across the state and nation. It is understood that, if selected, the Project Team will refine, customize, and finalize the work plan with the City upon award of the project.

NewGen maintains a strong and active presence before the State of Texas' rate regulatory authorities and is routinely requested to provide expert opinions on rate matters by legal counsels representing clients throughout the State of Texas. For NewGen to maintain its reputation and presence within the regulatory environment, our product must be of such quality to withstand intense scrutiny. The product(s) developed by NewGen for this engagement will withstand such scrutiny.

Unless otherwise specified or requested by the City, all meetings discussed throughout the work plan will take place virtually. NewGen utilizes a variety of tools to conduct virtual meetings and will work with the City to determine the best technology platform for all parties.

Task 1 – Establish and Analyze Service Area

At the outset of the Project, NewGen will discuss the anticipated stormwater / drainage service area with City staff and establish the limits of the service area. This service area typically includes the corporate boundaries of the municipality and could also include other areas within the municipality's current extraterritorial jurisdiction that contribute flow to the drainage system. Once the service area is

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established, NewGen will utilize the Johnson County Appraisal District (JCAD) database under the standard scope of services to develop an estimate of square footage of the property accounts with lots and tracts within the service area. The Project Team will work with City staff and JCAD staff to complete the necessary documentation needed to grant our team access to the data. With this data, our Team members will determine the estimated square footage of residential and non-residential properties within the service area to develop the appropriate billing units.

Alternatively, the JCAD database could be used to survey a sample of residential properties within the service area and develop the average impervious area for this sample set of properties as an option to the standard scope of services. This average impervious area will then serve to set the equivalent residential unit (ERU) value for the City. Once developed, the Project Team will then review non-residential properties in the City and calculate the potential impervious area and associated ERUs for these non-residential properties based on land area and appropriate impervious cover assumptions.

Please note that significant effort may be required to calculate impervious cover based on satellite imagery. This type of analysis can be time consuming and costly. Given that the City is not currently generating stormwater fee revenue, the Project Team proposes to establish the service area and perform impervious surface calculations using available data from the appraisal district as opposed to aerial imagery. Going forward, as the City generates stormwater fee revenue, and should additional work be required to refine and further define the impervious cover dataset, these services can be provided under a separate engagement. Should the City desire to move forward with such a detailed analysis at this time, then NewGen has provided optional pricing for this determination. Please note that should the City avail itself of this optional service, NewGen reserves the right to subcontract this portion of the scope of work in an effort to complete the services in the timeliest manner.

Task 2 – Prepare Customer Billing Database

To create the customer billing database for the assessment of stormwater fees, the impervious area and ERU values developed in Task 1 must be merged and assigned to the City's utility billing accounts. The information contained in the JCAD dataset and the City's utility billing database will vary, and a clean-up effort will be needed to properly merge the information. For example, different street naming conventions may exist between the two databases such that an address-matching effort is required to link the two sources of information together. Additionally, existing water or wastewater utility customers must be reviewed to see if they are also stormwater customers. Further, stormwater customers who are not City water or wastewater customers must also be identified, and new accounts created. As a result, various complications may arise in resolving mismatches or identifying where no match exists that will ultimately require City staff support to finalize the billing data.

It should be noted that the establishment of the customer billing database and evaluation and resolution of data discrepancies can be a time-consuming process depending on the quality of existing data and the desired basis for fee application. The Project Team will keep staff apprised of work efforts and will proactively discuss difficulties as they may arise.

Task 3 – Revenue Forecasting and Rate Options

Using the database prepared in Task 2, the Project Team will forecast annual revenues based on a variety of potential rate scenarios. These scenarios will include recognition of required mandatory exemptions from the stormwater fee (i.e., parcels that are not developed (kept in a natural state), properties with a wholly sufficient and privately-owned drainage system that does not discharge to the public drainage

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system, State-owned facilities, County-owned facilities, and institutions of higher learning). In addition, the Project Team will provide an estimation of the revenue impact of granting potential discretionary exemptions for other properties such as city-owned facilities, churches, and schools.

Task 4 – Cost of Service Comparison

Once the various revenue scenarios have been developed, the Project Team will work with City staff to identify the current cost of stormwater management currently covered within the City's General Fund. In addition, discussions will be held with City Staff to determine the cost associated with additional stormwater management activities which are desired but are not currently deployed within the City. This analysis will be driven by the permissible Drainage Utility cost of service criteria as contained in the Texas Local Government Code 552.044(2). Once the cost is developed, it will be compared with the revenue generation scenarios developed under Task 3 to further inform Council's decision on an appropriate level of stormwater charges.

Task 5 – Stormwater Fee Comparison Review

The Project Team will compare the potential fee levels considered in Task 3 with Stormwater Fees of municipal utilities of comparable size, demographics, and operational characteristics so as to provide an estimation of the City's comparable and competitive position.

At the conclusion of Task 5, members of the Project Team will conduct a briefing presentation with City staff to discuss the results of the analysis. Included in these discussions will be the development of the strategy(ies) to communicate and institute the stormwater utility.

Task 6 – Draft Letter Report Preparation

The Project Team will develop a draft letter report summarizing findings, conclusions, and recommendations of the Stormwater Fee Study. The report will include all methodologies, assumptions, and calculations, and a background section that includes all data used in the determinations made in the study. The Project Team is committed to ensuring that the City thoroughly understands the recommendations in the draft report and will be available to discuss findings, answer questions, and receive input. The Project Team will ensure that City staff has sufficient time to address their concerns and/or questions prior to finalizing the report.

Task 7 – Final Letter Report Preparation and Presentation

Upon receipt of City staff comments, the Project Team will make appropriate changes and provide the City with the final report. After completion of the final report, the Project Team will assist the City in the presentation of the results of study to various stakeholders, including presenting the study's findings, conclusions, and recommendations to the City Council. Such presentations will be limited to participation at one (1) public meeting of the City Council either as a work session or general Council meeting.

Project Timeline and Deliverables

The Project Team will provide the City with the following:

- Draft Report

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- Within 130 to 160 days of notification of award, given the timely receipt of the required financial and operational data, an electronic draft report will be provided for the City's review and comment that summarizes the Project Team's findings, conclusions, and recommendations.
- Final Report
 - The final report will be provided to the City within two weeks after delivery of the draft report, given the timely receipt of the City's comments.
- Meetings/Presentations
 - The Project Team will conduct up to three (3) meetings with City staff during the course of the engagement. In the interest of time and in order to complete the study in the most cost-effective manner, meetings will be conducted via web or teleconferencing whenever possible. Additional formal meetings and/or presentations beyond those listed here will be provided on a time and expense basis.

Proposed Project Cost

Based on the work plan outlined herein, the Project Team agrees to perform the requested study for the fees outlined below. Please note that these fees are inclusive of out-of-pocket expenses.

Description	Fees
Standard Scope of Services	\$ 37,500
Optional: Standard Scope with Impervious Area Calculations	\$ 60,000

NewGen proposes to invoice the City monthly for actual hours worked at our then applicable hourly billing rates, plus out of pocket expenses incurred at cost. Payment is due within thirty (30) days upon receipt of invoice. NewGen's hourly billing rates, effective through December 31, 2023, are as follows:

NewGen Strategies and Solutions 2023 Billing Rates	
Position	Hourly Billing Rate
Partner	\$250 – \$385
Principal	\$235 – \$385
Senior Manager	\$210 – \$265
Manager	\$185 – \$210
Senior Consultant	\$160 – \$185
Consultant	\$150 – \$160
Administrative Services	\$120

Note: Billing rates are subject to change based on annual reviews and salary increases.

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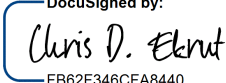
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Services requested by the City not specifically outlined within the proposed work plan and which the Project Team is unable to provide within the proposed project pricing above will be provided on a time and expense basis.

Again, NewGen appreciates the opportunity to propose our assistance to the City of Joshua, and we stand ready to answer any questions or provide any additional information the City may need as you select a qualified firm for this important project. If you should have any questions regarding this letter and/or require additional information, please contact me at cekrut@newgenstrategies.net or (972) 232-2234.

Very truly yours,

NewGen Strategies and Solutions, LLC

DocuSigned by:


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Chris D. Ekrut

Partner and Chief Financial Officer

Project Authorization

**City of Joshua, TX – Standard Scope of Services
(\$37,500)**

Signed _____ Printed _____

Title _____ Date _____

Project Authorization

**City of Joshua, TX – Optional Standard Scope of Services with Impervious Area Calculations
(\$60,000)**

Signed _____ Printed _____

Title _____ Date _____