

July 26, 2022

Mr Scott Dunlop
Director of Development Services
City of Manor
105 E. Eggleston St.
Manor TX 78653

Subject: Proposal for Development Services Financial Planning Model and Benchmarking Study

Dear Mr. Dunlop:

Raftelis is pleased to submit this proposal to assist the City of Manor (City) to develop a financial planning model and benchmarking review for the Development Services Department (DSD). We appreciate the opportunity to submit this proposal, which details our project approach to meet the City's objectives as well as our qualifications and experience working with financial planning models and fee reviews. The study will include a thorough review and validation of the fee model to assure stakeholder acceptance and confidence in the fees at DSD.

- For this engagement, the Raftelis team will include Angie Flores as Project Director and myself as Project Manager. Rob Ori will serve as a technical lead and will provide another level of quality assurance. Rob has completed many Development Fee studies throughout the United States. We will complete this study from the Austin office.

Scope of Work

In Attachment A, we provide a scope of work outlining the tasks for the study. The study will provide the City with a financial planning model to assist the City in the review and updating of building permit fees to fund the Development Department's expenses over the next three years. Raftelis will also complete a benchmarking study to compare to neighboring communities.

Budget and Timeline

For this engagement, we propose a not-to-exceed cost of \$22,463. In Attachment B, you will find a detailed budget and timeline. It is our practice to bill monthly based on actual time and expenses. Total fees and expenses will be limited to the not-to-exceed amount unless specific approval for an adjustment in scope is received. If additional modifications are required beyond those identified or related to those listed in the Scope of Work, we can develop additional budget and scope or provide the services based on hourly rates provided in Attachment C.

We look forward to working on this study with the City of Manor. Should you have any questions or need additional information, please contact me at 737-471-0146. If the scope and budget for this engagement are acceptable, please provide a signature below.

Sincerely,



Justin Rasor

Manager

City of Manor, Texas accepts the terms of this engagement letter:

Approved: _____	Date: _____
Name of Signatory: _____	Title: _____

ATTACHMENT A SCOPE OF WORK

The scope of services to be performed by Raftelis shall includes i) developing a financial planning model to assist the City staff in the review and updating of building permit fees to fund the Department's expenses over the next 3 years and determination of the level of increases needed to recover building inspection fees costs and additional staffing and ii) the development of benchmarking study to compare neighboring communities building development fees. The following is a summary of the tasks to be performed that comprise the scope of services for each phase of the Project by specific phase.

The specific scope of services to be performed Raftelis with respect to the Project shall include the following tasks:

TASK 1 – DATA ACQUISITION AND REVIEW

Raftelis will work with the City to obtain financial information and reports and other data necessary to determine the costs of providing building inspection and related services necessary for providing permitting and oversight services for new construction as provided by the Department (the "services"). Information to be requested from the City may include, but not be limited to, the following:

- A. General Fund and Department financial and budget information, including any previous cost allocation analyses and supporting workpapers;
- B. Detailed Building Permit information, construction costs for fee application, and other attributes associated with the derivation of revenues allocated to the Department;
- C. Statistical information regarding the development of cost allocation factors including, but not limited to, square feet of office space allocable to the Department, percent of time spent by employees in building / inspection function, etc.;
- D. System ordinances and resolutions associated with the adoption and implementation of the current Department rates for inspection and permitting services;
- E. A summary of personnel salaries and benefits by title, identification of the type and cost of vehicles used in providing service, the number of computers, telecommunication devices, and other tools used in serving the City, all by cost center or department;

- F. Any debt or loan repayment expenditures associated with the financing of City fixed assets (buildings, improvements, equipment, etc.); and
- G. Other information deemed necessary by Raftelis and the City.

Raftelis will prepare an information request to obtain certain data, documents, and analyses to be compiled by the City.

As part of the data acquisition process for this component of the Project, Raftelis will interview the City staff to identify any future costs needs for the Department. Working with the Department office, and other City departments, including Finance, Raftelis will identify key personnel to discuss the applicability of providing the services by the Department, including the nature of the services provided.

TASK 2 – FINANCIAL PLAN DEVELOPMENT

Raftelis will evaluate the revenue / rate relationship between the allocated expenditures to the Department and the revenues anticipated to be received from building permit fees for construction and from other miscellaneous fees, in order to determine the nexus between the services provided and revenues earned.

Based on the information compiled by the City and the results of the staff interview process, Raftelis will prepare a detailed financial planning model to determine the estimated total cost of enforcement of the City's building code by the Department. "Enforcing the City's Building Code" shall include the direct costs and reasonable indirect costs associated with the review of building plans, building inspections, re-inspections, and building permit processing; building code enforcement, fire inspections associated with new construction, and training costs associated with the enforcement of the building code. For the purposes of this analysis, the estimated actual costs identified by the City for Fiscal 2022 - 2024 (will include year-to-date expenditures and estimates to complete the Fiscal Year) will serve as the Test Year for the financial planning process.

The Task will also review fee revenue to determine a reserve balance and will consider the character of the reserve requirements and may include the development of operating reserves, capital reserves, and other balances based on the needs of the Department. The reserve amount will be compared to the current cash balances and considered in the determination of the revenue requirements to be recovered from building fees and stabilize revenues if growth slows in the City.

Upon completion of the financial plan, Raftelis will present the results to City staff in a working group meeting. The presentation will focus on the cost identification process and will serve as a review meeting. Raftelis will update the analysis based on the results of the working group meeting. Raftelis will prepare presentation materials and other supporting documentation, or correspondence as considered necessary to present the analysis to the City staff. It is recognized in this task the attendance of one (1) on-site meetings (which will also incorporate Task 3) and two (1) virtual (e.g., WebEx[®], Teams[®], or another platform) with City staff to conduct and present the

fee evaluation after the initial data compilation/staff interview tasks for performing this component of the scope of services.

TASK 3 – BUILDING PERMIT FEE RATE COMPARISON

Based on data accessibility from other local governments, Raftelis will work with the City to prepare a comparison of the City's existing and proposed building permit fees, including any discounts provided as a result of an applicant using a private provider to provide a portion of the services provided, with those charged by other neighboring municipalities (not to exceed eight Cities based on data availability / accessibility).

Raftelis will not be evaluating the cost of service for the fees or rates used by the City as part of this scope of services. Any change in rate structure is assumed change from current fees.

TASK 4 – MEMO REPORT AND PROPOSED RATE ORDINANCE UPDATE

Raftelis will prepare a discussion or technical memorandum documenting the analytical process used in the determination of the sufficiency of revenues and the costs associated with the building inspection and permitting process by the City (the "report"). The report will discuss the assumptions relied upon in the cost allocation process, the allocation factors / basis used, and the results of the cost allocation analysis for the 3-year planning process.

Raftelis will assist the City with the development of any ordinances or resolutions to reflect any change in fee structure or level based on the analysis conducted in the previous tasks; the ultimate preparation of the ordinance or resolution will be the responsibility of the City.

LIST OF DELIVERABLES

The deliverables to be provided in this engagement include the following items:

- Initial Data Request prior to City staff Interviews;
- Financial planning model;
- Proposed Rates and Comparison of the building permit fees with other public jurisdictions.
- Technical Memorandum or Report Documenting Analysis and Findings

ATTACHMENT B

Budget

Tasks	Web Meetings	In-person Meetings	Hours				Total Fees & Expenses
			RO	JR	LH	Total	
1. Project Initiation, Management, and Data Review	1		0	16	16	32	\$6,960
2. Financial Plan Development		0	2	8	24	34	\$7,000
3. Fee Review and Benchmarking	1	1	1	4	24	29	\$5,883
4. Memo Report	1	0	1	6	4	11	\$2,620
Total Meetings / Hours	3	1	4	34	68	106	
Hourly Billing Rate			\$350	\$250	\$165		
Total Professional Fees			\$1,400	\$8,500	\$11,220	\$21,120	
Total Fees							\$21,120
Total Expenses							\$1,343
Total Fees & Expenses							\$22,463

RO - Rob Ori
 JR - Justin Rasor
 LH - Lundy Harrelston
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Timeline

Raftelis will complete the scope of services by September 1, 2022. The proposed schedule assumes a notice to proceed by the beginning of August 1, 2022 and that Raftelis will be able to schedule meetings, as necessary.

ATTACHMENT C
2022 Standard Hourly Billing Rates

<u>Position</u>	<u>Hourly Billing Rate **</u>
Chair/Chair Emeritus	\$475
Chief Executive Officer/President	\$400
Executive Vice President	\$350
Vice President/Principal Consultant	\$325
Senior Manager	\$285
Manager	\$250
Senior Consultant	\$225
Consultant	\$195
Creative Director	\$195
Associate	\$165
Graphic Designer	\$140
Analyst	\$120
Administration	\$90
Technology/Communications Charge*	\$10

* Technology/Communications Charge – this is an hourly fee charged monthly for each hour worked on the project to recover telephone, facsimilie, computer, postage/overnight delivery, conference calls, electronic/computer webinars, photocopies, etc.

** For services related to the preparation for and participation in deposition and trial/hearing, the standard billing rates listed above will be increased by an amount up to 50%.

ATTACHMENT D
MUNICIPAL ADVISOR – DISCLOSURE OF POTENTIAL CONFLICTS OF
INTEREST UNDER THE DODD-FRANK ACT AND LIMITATIONS OF LIABILITY
FOR MUNICIPAL ADVISORY SERVICE

The proposed scope of work includes a financial plan which assumes that the City may incur debt to finance future capital projects. As a registered Municipal Advisor under the Dodd-Frank Act, Raftelis Financial Consultants (Raftelis) is required to inform our clients of any existing or potential conflicts of interest that may be relevant to any proposed scope of services that may include providing “advice” as that term is defined in the Dodd-Frank Act. As of the date of this letter, no conflicts of interest are known to exist.

Under the Dodd-Frank Act the definition of “advice” includes providing any opinion, information or assumptions related to the size, timing and terms of possible future debt. This type of information may be integrated into the capital and financial planning components of a water and wastewater rate study. This definition is applicable regardless of whether this information is developed and used solely for planning purposes. For this engagement’s scope of work, any information that is developed by Raftelis that falls under this definition of municipal advice is not intended to represent a recommendation that the City should issue debt based on the terms and assumptions used to develop the financial plan or forecast, or that the City will, in fact, be able to issue debt under the exact terms and conditions assumed and used to develop the financial plan or forecast. The information developed as part of this water and wastewater rate study, including any related municipal advice, is intended to provide information useful in evaluating the potential impact on future rate adjustments of one potential course of action. If the City decides at some future date to issue debt, then at that time the City will need to engage an independent, registered Financial Advisor to assist in evaluating the availability of different types of debt, and the specific terms and conditions for issuing debt, which will be affected by market conditions and the City’s credit rating. At that time, as a registered Municipal Advisor, Raftelis can also provide additional assistance related to a specific bond or debt issue, such as preparing a bond feasibility report or financial forecast for inclusion in bond documents, without requiring additional oversight or supervision by the Financial Advisor. A registered Municipal Advisor Representative, Harold Smith, of our firm, is included as Project Director on this assignment.

The Municipal Securities Rulemaking Board (MSRB) provides significant protections for municipal entities and obligated persons that are clients of a municipal advisor. To understand the protections provided and how to file a complaint with an appropriate regulatory authority, visit the MSRB web site at www.msrb.org

Raftelis does not have any legal events or disciplinary history on Raftelis’ Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgements, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. Raftelis’ most recent form MA and each most recent Form MA-I filed with the SEC may be assessed electronically at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory actions is brought against Raftelis, Raftelis will provide complete disclosure to the City in detail.

By signing this disclosure letter, the City acknowledges that Raftelis has provided the necessary disclosures addressing conflicts of interest and any limitations on the scope of Municipal Advisory services to be provided by Raftelis as part of this engagement.

Sincerely,
RAFTELIS FINANCIAL CONSULTANTS, INC.



Angie Flores
Senior Manager

The City of Manor acknowledges receipt of this disclosure and limitations letter:

Signature

Name of authorized agent

Date

Title