



TETRA TECH

February 6, 2024

Mr. Tim Watterson
DPW Supervisor
Madison Township
3804 S. Adrian Highway
Adrian, MI 49221

**Re: Water and Sewer Rate Study
Proposal for Professional Engineering Services**

Dear Mr. Watterson:

In response to your request Tetra Tech (Tt) is pleased to offer this proposal to prepare a Water and Sewer Rate Study for Madison Township.

Tt prepared a Water and Sewer Rate Study for the Township in June 2017. That study projected rates for five (5) years which has passed.

We assume that the methodology used in that rate study will remain the same, but the data will be revised to reflect current budgets and user data. Therefore, the Water and Sewer Rate Study will be an update of the June 2017 Water and Sewer Rate Study.

This update would continue the approach to bill the prison a sewer usage rate equal to the sewer usage rate calculated for Township users. However, in addition to this approach the Township would like Tt to investigate establishing a separate sewer rate for the prison (Central Lenawee system) based on a new approach tied to the cost of service to provide sewer service to the prison (Central Lenawee system).

The resulting linked Excel spreadsheets will show the total impact of the new water and sewer rates on Township customers.

BACKGROUND

Water and sewer rates should be based on mathematical formulas designed as follows:

- They must raise funds sufficient to meet the water and sewer infrastructure revenue requirements.
- They must comply with the intent of the December 1998 Michigan Supreme Court decision in the case of *Bolt v. City of Lansing*. To comply with the intent of the “*Bolt*” decision, they must be calculated using a “**cost of service**” method to be considered valid.
- In the event that the City chooses in the future to pursue a water and/or sewer State of Michigan **low interest loan**, it will be required to develop rates that meet the State’s regulations for obtaining such loans.

Tetra Tech

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SCOPE OF SERVICES

1. Kick-off Meeting (Meeting Number One)

Tt staff will meet with Madison Township staff to review the data that Madison Township will provide to Tt to complete the Water and Sewer Rate Study. Tt requests that this data be sent to us electronically in Excel format whenever possible. During the data gathering process Tt will communicate with Township staff to review the status of the data collection process and answer any of the Township's questions related to the data being requested by Tt.

Water Rate Study Data

We will review the data that will be required to update the following tables from the June 2017 Water Rate Study:

- Table W1: Current and Projected Madison and Fairfield Township Water Rates
- Table W2: Madison Township Water Meters
- Table W3: Fairfield Township Water Sales Data
- Table W4: Madison Township Water Revenue Breakdown by User Class and Fee

Sewer Rate Study Data

We will review the data that will be required to update the following tables from the June 2017 Sewer Rate Study:

- Table S1: Current and Projected Madison Township Sewer Rates and Prison Sewer Rate
- Table S2: Madison Township Sewer Meter and Flat Rate Accounts
- Table S3: Madison Township Expenses and Revenues for Prison
- Table S4: Madison Township Sewer Revenue Breakdown by User Class and Fee

The data we will require for the Water and Sewer Rate Study will be as listed below:

- Audited water and sewer operation and maintenance (O&M) and capital budgets for the last two fiscal years.
- Dedicated water and sewer reserve fund cash balances (sometimes expressed as “cash and equivalents,” “cash reserves,” or “working capital”) as of the end of the fiscal year for the last five fiscal years. Provide these balances for each dedicated reserve fund. Please include cash reserves for any bond issues that require the development and maintenance of a dedicated reserve per the bond covenant.
- Bond principal and interest repayment schedules for all outstanding bonds that are repaid in whole or in part from water and sewer rates or from property taxes. Include bond covenant reserve requirement wording, if any.
- Audited water and sewer system revenues for the last two fiscal years.
- Projected water and sewer O&M budgets (or anticipated percentage changes) for the next three fiscal years.
- Projected water and sewer capital improvement budgets (i.e., capital improvement plan) for the next three fiscal years.
- Proposed water and sewer bonds, if any.
- Current water and sewer system capital and/or operating millages, if any.



- Offsetting revenues to the water and sewer enterprise funds from sources other than rates, such as property taxes.
- Total number of inside and outside-Township water/sewer accounts, sorted by water meter size.
- Total number of inside and outside-Township “water only, irrigation” accounts.
- Number of flat rate sewer customers.
- Projected annual new water and sewer customer growth, by water meter size, for each year for the next three fiscal years.
- Projected billable water and sewer flow for each year for the next three fiscal years. Include any projected major increases or decreases due to large customers joining or leaving the system.
- Inside and outside-Township water and sewer customer total billable flow for the most recent 24-month period.
- Copies of all water and sewer service agreements, including rates, not already provided to Tt in the past.
- Copies of:
 - A typical residential customer water and sewer bill.
 - A typical commercial customer water and sewer bill.
 - A typical institutional customer water and sewer bill (High School, for example).
 - The bill for the Township’s largest water and sewer customer.

2. Data Review and Clarification

Tt will review the data provided under Task 1 and request additional data and clarification from Township staff as needed. Tt will not proceed to Task 3 until all requested data has been provided.

3. Prepare Draft Water and Sewer Rate Study

Once all of the necessary data has been supplied as given in Tasks 1 and 2, Tt will prepare a draft of the Water and Sewer Rate Study. Tt will include a comparison of the current and proposed typical residential water, sewer and total bills in Madison Township to the current bills in:

- Adrian
- Ann Arbor
- Battle Creek
- Brooklyn
- Chelsea
- Dexter
- Fairfield Township
- Jackson
- Lansing
- Saline

4. Review Draft Water and Sewer Rate Study with Township Staff (Meeting Number Two)

We will send the draft Water and Sewer Rate Study to Township staff for their review and we will meet with Township staff to review their comments, questions and suggested revisions. Comments will be discussed to address them in the final Water and Sewer Rate Study.



5. Prepare Final Water and Sewer Rate Study

Tt will prepare the final Water and Sewer Rate Study which will address the draft Water and Sewer Rate Study comments given to us by Township staff.

6. Review Final Water and Sewer Rate Study with Township Staff (Meeting Number Three)

We will send the final Water and Sewer Rate Study to Township staff for their review and we will meet with Township staff to review their comments, questions and suggested revisions.

7. Presentation of Final Water and Sewer Rate Study to Township Board of Trustees (Meeting Number Four)

We will give a presentation of the final Water and Sewer Rate Study to the Township Board of Trustees using a PowerPoint presentation and the actual Excel-based rates.

ITEMS NOT INCLUDED IN THIS PROPOSAL

- As a result of *Bolt*, all user fees in Michigan now face a stricter legal test. Our scope of work does not include any legal opinions. Our work is limited to the necessary accounting and engineering work associated with setting water and sewer rates.
- Training in the use of the water and sewer rate table Excel files.
- Review and/or revision of the Township’s new customer water and sewer tap fees (system development charges).
- Additional meetings or presentations beyond the four meetings described above.
- Additional versions of the water and sewer rate tables other than the two described above (i.e., draft and final).
- Comparison of the Township’s water and sewer rates to those in effect in other communities beyond those communities listed above.

SCHEDULE

The following approximate schedule (all in 2024) is anticipated:

- February: Township authorizes Tt to proceed
- March: Kickoff meeting (remote)
- April: Tt receives all necessary financial and user data
- May: Draft Water and Sewer Rate Study reviewed in meeting with Township staff
- June: Final Water and Sewer Rate Study delivered and reviewed in meeting with Township staff
- July: Final Water and Sewer Rate Study presented to Township Board of Trustees

COMPENSATION

We propose a lump sum of \$24,900 for the scope of work included in this proposal.



TETRA TECH

We appreciate this opportunity to be of continued service to Madison Township, and look forward to helping you achieve your goals. Please contact me at (734) 213-4081 if you have any questions regarding this proposal.

Sincerely,

Brian M. Rubel, P.E.
Sr. Vice President

Copy: Vic Cooperwasser, P.E., Senior Project Manager

PROPOSAL ACCEPTED BY _____

TITLE: _____ **DATE:** _____



Tetra Tech of Michigan, PC

Engineering Services Standard Terms & Conditions

Services Consultant will perform services for the Project as set forth in Attachment A and in accordance with these Terms & Conditions. Consultant has developed the Project scope of service, schedule, and compensation based on available information and various assumptions. The Client acknowledges that adjustments to the schedule and compensation may be necessary based on the actual circumstances encountered by Consultant in performing their services. Consultant is authorized to proceed with services upon receipt of an executed Agreement.

Compensation In consideration of the services performed by Consultant, the Client shall pay Consultant in the manner set forth above. The parties acknowledge that terms of compensation are based on an orderly and continuous progress of the Project. Compensation shall be equitably adjusted for delays or extensions of time beyond the control of Consultant. Where total project compensation has been separately identified for various tasks, Consultant may adjust the amounts allocated between tasks as the work progresses so long as the total compensation amount for the project is not exceeded.

Fee Definitions The following fee types shall apply to methods of payment:

- **Salary Cost** is defined as the individual's base salary plus customary and statutory benefits. Statutory benefits shall be as prescribed by law and customary benefits shall be as established by Consultant employment policy.
- **Cost Plus** is defined as the individual's base salary plus actual overhead plus professional fee. Overhead shall include customary and statutory benefits, administrative expense, and non-project operating costs.
- **Lump Sum** is defined as a fixed price amount for the scope of services described.
- **Standard Rates** is defined as individual time multiplied by standard billing rates for that individual.
- **Subcontracted Services** are defined as Project-related services provided by other parties to Consultant.
- **Reimbursable Expenses** are defined as actual expenses incurred in connection with the Project.

Payment Terms Consultant shall submit invoices at least once per month for services performed and Client shall pay the full invoice amount within 30 days of the invoice date. Invoices will be considered correct if not questioned in writing within 10 days of the invoice date. Client payment to Consultant is not contingent on arrangement of project financing or receipt of funds from a third party. In the event the Client disputes the invoice or any portion thereof, the undisputed portion shall be paid to Consultant based on terms of this Agreement. Invoices not in dispute and unpaid after 30 days shall accrue interest at the rate of one and one-half percent per month (or the maximum percentage allowed by law, whichever is the lesser). Invoice payment delayed beyond 60 days shall give Consultant the right to stop work until payments are current. Non-payment beyond 70 days shall be just cause for termination by Consultant.

Additional Services The Client and Consultant acknowledge that additional services may be necessary for the Project to address issues that may not be known at Project initiation or that may be required to address circumstances that were not foreseen. In that event, Consultant shall notify the Client of the need for additional services and the Client shall pay for such additional services in an amount and manner as the parties may subsequently agree.

Site Access The Client shall obtain all necessary approvals for Consultant to access the Project site(s).

Underground Facilities Consultant and/or its authorized subcontractor will conduct research and perform site reconnaissance in an effort to discover the location of existing underground facilities prior to developing boring plans, conducting borings, or undertaking invasive subsurface investigations. Client recognizes that accurate drawings or knowledge of the location of such facilities may not exist, or that research may reveal as-built drawings or other documents that may inaccurately show, or not show, the location of existing underground facilities. In such events, except for the sole negligence, willful misconduct, or practice not conforming to the Standard of Care cited in this Agreement, Client agrees to indemnify and hold Consultant and/or its Subcontractor harmless from any and all property damage, injury, or economic loss arising or allegedly arising from borings or other subsurface penetrations.

Regulated Wastes Client is responsible for the disposal of all regulated wastes generated as a result of services provided under this Agreement. Consultant and Client mutually agree that Consultant assumes no responsibility for the waste or disposal thereof.

Contractor Selection Consultant may make recommendations concerning award of construction contracts and products. The Client acknowledges that the final selection of construction contractors and products is the Client's sole responsibility.

Ownership of Documents Drawings, specifications, reports, programs, manuals, or other documents, including all documents on electronic media, prepared under this Agreement are instruments of service and are, and shall remain, the property of Consultant. Record documents of service shall be based on the printed copy. Consultant will retain all common law, statutory, and other reserved rights, including the copyright thereto. Consultant will furnish documents electronically; however, the Client releases Consultant from any liability that may result from documents used in this form. Consultant shall not be held liable for reuse of documents or modifications thereof by the Client or its representatives for any purpose other than the original intent of this Agreement, without written authorization of and appropriate compensation to Consultant.

Standard of Care Services provided by Consultant under this Agreement will be performed in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances. Consultant makes no warranty or guaranty, either express or implied. Consultant will not be liable for the cost of any omission that adds value to the Project.

Period of Service This Agreement shall remain in force until completion and acceptance of the services or until terminated by mutual agreement. Consultant shall perform the services for the Project in a timely manner consistent with sound professional practice. Consultant will strive to perform its services according to the Project schedule set forth in the provisions for Scope of Work/Fee/Schedule in Attachment A. The services of each task shall be considered complete when deliverables for the task have been presented to the Client. Consultant shall be entitled to an extension of time and compensation adjustment for any delay beyond Consultant control.

Insurance and Liability Consultant shall maintain the following insurance and coverage limits during the period of service. The Client will be named as an additional insured on the Commercial General Liability and Automobile Liability insurance policies.

Worker's Compensation – as required by applicable state statute

Commercial General Liability - \$1,000,000 per occurrence for bodily injury, including death and property damage, and \$2,000,000 in the aggregate

Automobile Liability –\$1,000,000 combined single limit for bodily injury and property damage

Professional Liability (E&O) - \$1,000,000 each claim and in the aggregate

The Client shall make arrangements for Builder's Risk, Protective Liability, Pollution Prevention, and other specific insurance coverage warranted for the Project in amounts appropriate to the Project value and risks. Consultant shall be a named insured on those policies where Consultant may be at risk. The Client shall obtain the counsel of others in setting insurance limits for construction contracts.

Indemnification Consultant shall indemnify and hold harmless the Client and its employees from any liability, settlements, loss, or costs (including reasonable attorneys' fees and costs of defense) to the extent caused solely by the negligent act, error, or omission of Consultant in the performance of services under this Agreement. If such damage results in part by the negligence of another party, Consultant shall be liable only to the extent of Consultant's proportional negligence.

Dispute Resolution The Client and Consultant agree that they shall diligently pursue resolution of all disagreements within 45 days of either party's written notice using a mutually acceptable form of mediated dispute resolution prior to exercising their rights under law. Consultant shall continue to perform services for the Project and the Client shall pay for such services during the dispute resolution process unless the Client issues a written notice to suspend work. Causes of action between the parties to this Agreement shall be deemed to have accrued and the applicable statutes of repose and/or limitation shall commence not later than the date of substantial completion.

Suspension of Work The Client may suspend services performed by Consultant with cause upon fourteen (14) days written notice. Consultant shall submit an invoice for services performed up to the effective date of the work suspension and the Client shall pay Consultant all outstanding invoices within fourteen (14) days. If the work suspension exceeds thirty (30) days from the effective work suspension date, Consultant shall be entitled to renegotiate the Project schedule and the compensation terms for the Project.

Termination The Client or Consultant may terminate services on the Project upon seven (7) days written notice without cause or in the event of substantial failure by the other party to fulfill its obligations of the terms hereunder. Consultant shall submit an invoice for services performed up to the effective date of termination and the Client shall pay Consultant all outstanding invoices, together with all costs arising out of such termination, within fourteen (14) days. The Client may withhold an amount for services that may be in dispute provided that the Client furnishes a written notice of the basis for their dispute and that the amount withheld represents a reasonable value.

Authorized Representative The Project Manager assigned to the Project by Consultant is authorized to make decisions or commitments related to the project on behalf of Consultant. Only authorized representatives of Consultant are authorized to execute contracts and/or work orders on behalf of Consultant. The Client shall designate a representative with similar authority. Email messages between Client and members of the project team shall not be construed as an actual or proposed contractual amendment of the services, compensation or payment terms of the Agreement.

Project Requirements The Client shall confirm the objectives, requirements, constraints, and criteria for the Project at its inception. If the Client has established design standards, they shall be furnished to Consultant at Project inception. Consultant will review the Client design standards and may recommend alternate standards considering the standard of care provision.

Independent Consultant Consultant is and shall be at all times during the term of this Agreement an independent consultant and not an employee or agent of the Client. Consultant shall retain control over the means and methods used in performing Consultant's services and may retain subconsultants to perform certain services as determined by Consultant.

Compliance with Laws Consultant shall perform its services consistent with sound professional practice and endeavor to incorporate laws, regulations, codes, and standards applicable at the time the work is performed. In the event that standards of practice change during the Project, Consultant shall be entitled to additional compensation where additional services are needed to conform to the standard of practice.

Permits and Approvals Consultant will assist the Client in preparing applications and supporting documents for the Client to secure permits and approvals from agencies having jurisdiction over the Project. The Client agrees to pay all application and review fees.

Limitation of Liability In recognition of the relative risks and benefits of the project to both the Client and Consultant, the risks have been allocated such that the Client agrees, to the fullest extent permitted by law, to limit the liability of Consultant and its subconsultants to the Client and to all construction contractors and subcontractors on the project for any and all claims, losses, costs, damages of any nature whatsoever or claims expenses from any cause or causes, so that the total aggregate liability of Consultant and its subconsultants to all those named shall not exceed \$50,000 or the amount of Consultant's total fee paid by the Client for services under this Agreement, whichever is the greater. Such claims and causes include, but are not limited to negligence, professional errors or omissions, strict liability, breach of contract or warranty.

Consequential Damages Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, neither the Client nor Consultant, their respective officers, directors, partners, employees, contractors or subconsultants shall be liable to the other or shall make any claim for any incidental, indirect or consequential damages arising out of or connected in any way to the project or to this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation or any other consequential damages that either party may have incurred from any cause of action including negligence, strict liability, breach of contract and breach of strict or implied warranty. Both the Client and Consultant shall require similar waivers of consequential damages protecting all the entities or persons named herein in all contracts and subcontracts with others involved in this project or with this Agreement.

Waiver of Subrogation Consultant shall endeavor to obtain a waiver of subrogation against the Client, if requested in writing by the Client, provided that Consultant will not increase its exposure to risk and Client will pay the cost associated with any premium increase or special fees.

Environmental Matters The Client warrants that they have disclosed all potential hazardous materials that may be encountered on the Project. In the event unknown hazardous materials are encountered, Consultant shall be entitled to additional compensation for appropriate actions to protect the health and safety of its personnel, and for additional services required to comply with applicable laws. The Client shall indemnify Consultant from any claim related to hazardous materials encountered on the Project except for those events caused by negligent acts of Consultant.

Cost Opinions Consultant shall prepare cost opinions for the Project based on historical information that represents the judgment of a qualified professional. The Client and Consultant acknowledge that actual costs may vary from the cost opinions prepared and that Consultant offers no guarantee related to the Project cost.

Contingency Fund The Client acknowledges the potential for changes in the work during construction and the Client agrees to include a contingency fund in the Project budget appropriate to the potential risks and uncertainties associated with the Project. Consultant may offer advice concerning the value of the contingency fund; however, Consultant shall not be liable for additional costs that the Client may incur beyond the contingency fund they select unless such additional cost results from a negligent act, error, or omission related to services performed by Consultant.

Safety Consultant shall be responsible solely for the safety precautions or programs of its employees and no other party.

Information from Other Parties The Client and Consultant acknowledge that Consultant will rely on information furnished by other parties in performing its services under the Project. Consultant shall not be liable for any damages that may be incurred by the Client in the use of third party information.

Force Majeure Consultant shall not be liable for any damages caused by any delay that is beyond Consultant's reasonable control, including but not limited to unavoidable delays that may result from any acts of God, strikes, lockouts, wars, acts of terrorism, riots, acts of governmental authorities, extraordinary weather conditions or other natural catastrophes, or any other cause beyond the reasonable control or contemplation of either party.

Waiver of Rights The failure of either party to enforce any provision of these terms and conditions shall not constitute a waiver of such provision nor diminish the right of either party to the remedies of such provision.

Warranty Consultant warrants that it will deliver services under the Agreement within the standard of care. No other expressed or implied warranty is provided by Consultant.

Severability Any provision of these terms later held to be unenforceable shall be deemed void and all remaining provisions shall continue in full force and effect. In such event, the Client and Consultant will work in good faith to replace an invalid provision with one that is valid with as close to the original meaning as possible.

Survival All obligations arising prior to the termination of this Agreement and all provisions of these terms that allocate responsibility or liability between the Client and Consultant shall survive the completion or termination of services for the Project.

Assignments Neither party shall assign its rights, interests, or obligations under the Agreement without the express written consent of the other party.

Governing Law The terms of Agreement shall be governed by the laws of the state where the services are performed provided that nothing contained herein shall be interpreted in such a manner as to render it unenforceable under the laws of the state in which the Project resides.

Collection Costs In the event that legal action is necessary to enforce the payment provisions of this Agreement if Client fails to make payment within sixty (60) days of the invoice date, Consultant shall be entitled to collect from the Client any judgment or settlement sums due, reasonable attorneys' fees, court costs, and expenses incurred by Consultant in connection therewith and, in addition, the reasonable value of Consultant's time and expenses spent in connection with such collection action, computed at Consultant's prevailing fee schedule and expense policies.

Equal Employment Opportunity Consultant will comply with federal regulations pertaining to Equal Employment Opportunity. Consultant is in compliance with applicable local, state, and federal regulations concerning minority hiring. It is Consultant's policy to ensure that applicants and employees are treated equally without regard to race, creed, sex, color, religion, veteran status, ancestry, citizenship status, national origin, marital status, sexual orientation, or disability. Consultant expressly assures all employees, applicants for employment, and the community of its continuous commitment to equal opportunity and fair employment practices.

Attorney Fees Should there be any suit or action instituted to enforce any right granted in this contract, the substantially prevailing party shall be entitled to recover its costs, disbursements, and reasonable attorney fees from the other party. The party that is awarded a net recovery against the other party shall be deemed the substantially prevailing party unless such other party has previously made a bona fide offer of payment in settlement and the amount of recovery is the same or less than the amount offered in settlement. Reasonable attorney fees may be recovered regardless of the forum in which the dispute is heard, including an appeal.

Third Party Beneficiaries Nothing in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the Client or the Consultant. The Consultant's services under this Agreement are being performed solely for the Client's benefit, and no other entity shall have any claim against the Consultant because of this Agreement or the performance or nonperformance of services hereunder. The Client agrees to include a provision in all contracts with contractors and other entities involved in this project to carry out the intent of this paragraph.

Lien Rights Consultant may file a lien against the Client's property in the event that the Client does not make payment within the time prescribed in this Agreement. The Client agrees that services by Consultant are considered property improvements and the Client waives the right to any legal defense to the contrary.

Captions The captions herein are for convenience only and are not to be construed as part of this Agreement, nor shall the same be construed as defining or limiting in any way the scope or intent of the provisions hereof.