FCS GROUP
Solutions-Oriented Consulting

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Exhibit A: Scope of Services

CITY OF SNOQUALMIE

UTILITY RATE STUDY & GFC UPDATE

The following approach would be used to perform a rate study (for water, sewer, and stormwater) and general facilities charge update for the City of Snoqualmie. The tasks noted below will be completed for each utility unless specifically noted otherwise.

TASK PLAN

TASK 1 | INITIAL PROJECT MEETING

An initial project meeting will be scheduled before the commencement of the project with the consultant and the City project team. Meeting participants would include a representative from departments that can address issues related to finance, engineering / operations, customer service and administration.

Deliverables

- Project schedule with key milestone review points.
- Schedule standing project team meetings.
- Establish communication protocol.
- Identify project deliverables.

TASK 2 | DATA COLLECTION

FCS GROUP will provide a data needs list encompassing historical and projected financial, operational, billing and planning information. The provided data will be reviewed, analyzed and validated for inclusion in the study process.

Task 2b | Customer Statistics Validation

A detailed customer billing statistics validation will be completed for each utility. Individual customer data including number of accounts and billed usage will be evaluated and validated against actual revenue collections. This revenue reconciliation will identify anomalies to be corrected prior to developing future projections of customer counts and use / demand under “normal” conditions. Validation of the customer statistics data set with customer demands and revenue generation is critical to the rate study as it establishes the foundation for all of the major analytical phases (revenue requirement, cost-of-service analysis, rate design).

Deliverables

- Validated customer statistics for rate revenue forecasting.
- Customer use profile development.
- Evaluate rate classifications.
- Allocation factor development.

TASK 3 | MODEL ARCHITECTURE

The financial planning cost of service rate model forms the framework and foundation of the rate study. The modeling toolset offers more than a rate study, it provides the City with a long-term financial plan for proactive financial management of each system. The toolset can easily be set-up to address each utility's needs on any multi-year period (e.g., 5/10/20+ year period).

The financial planning model will be a dynamic long-term tool that evolves with the City over time. All analyses will be contained in a single file (one file per utility). An introductory flow screen and user interface will enhance model navigation and "what if" scenarios allowing for various cost and policy alternatives to be simultaneously evaluated. We will work with the City to determine how the model is intended to be used, what answers need to be generated by the tool and what user interface will be most effective.

Deliverables

- A "nimble" rate-setting toolset for proactive financial management of each utility.
- User interface for easy navigation to key input areas.
- Scenario interface to test key variables.

TASK 4 | REVENUE REQUIREMENT ANALYSIS

This task establishes a sustainable, multi-year (10-year minimum) financial management plan that meets the projected total financial needs of each system through generation of sufficient, sustainable revenue. This task analyzes annual cash flow needs by identifying expenses incurred to operate and manage each system including; cost increases resulting from changes in staffing and/or enhanced programs or initiatives, existing contract cost arrangements, capital repair/ replacement needs, new and existing debt repayment obligations and fiscal policy achievement.

Alternative rate strategies and scenarios will be developed that may consider operational changes, capital prioritization, and overall asset management funding approaches for long term capital needs. These scenarios can be used to ultimately inform decision making and optimize proposed rate strategies.

Deliverables

- Fiscal policy evaluation.
- Determine total annual system obligations by utility.
- Identify the required rate strategy that will meet each system's total financial obligations.

- Evaluate capital projects and create funding a plan for each system.
- Ten-year rate strategy (2020-2029) easily expandable for a longer-term outlook.
- Base case and up to three (3) scenarios.
- Two (2) project team review meetings.

TASK 5 | COST OF SERVICE UPDATE (WATER & SEWER)

The cost of service (COSA) analysis establishes both (1) a defensible basis for assigning "cost shares," and (2) "equity" for system customers based on industry standard methodologies that are tailored to the City's unique water and sewer systems and customer characteristics. Due to the simplicity of the stormwater rate structure, a cost-of-service analysis is not performed for the service.

Deliverables

- Class based equity evaluation.
- Cost based unit costs.
- Evaluation of fixed and variable costs.
- COSA phase-in, if warranted.
- Review meeting.

TASK 6 | RATE DESIGN

Rate design determines how the target level of revenue will be generated (fixed v. variable charges) from each customer class. Rate design considers both the level (amount of revenue that must be generated) and structure (how the revenue will be collected, or bill assessed).

The rate design process in this study will aim to balance the priorities of the City while preserving revenue stability. Each developed rate design alternative should generate sufficient revenue to meet the revenue requirement's forecast and begin to address any material inequities identified in the COSA findings. In addition, rate designs will be consistent with the City's fiscal policies, billing system capabilities, and goals.

Task 6a | Reclaimed Water Rate Design

A reclaimed water rate design will be developed utilizing the sewer utility's cost-of-service analysis' unit costs. The reclaimed water rate will capture relevant expenses associated with operating and maintenance, general and administrative, capital and, if applicable, debt service. The rate structure will take into account the level of revenue to be recovered and the revenue recovery mechanism (e.g., fixed and variable charges). This task includes two (2) review meetings and up to three (3) alternative rate structure scenarios. This task also includes the development of a financial chapter for the reclaimed water comprehensive plan being completed for the City by a consulting engineer.

Deliverables

- Up to three (3) alternative customer class rate designs that align with the identified City priorities.
- Up to three (3) alternative reclaimed water rate design alternatives and two (2) review meetings.
- Customer class bill impacts.
- Neighboring utility bill comparisons.
- Two (2) project review meetings.
- Financial chapter in the reclaimed water system plan.

TASK 7 | GENERAL FACILITIES CHARGE (GFC) UPDATE

A general facilities charge (GFC) is a one-time charge imposed as a condition of service on new development or on expanded connection to the system. The charge represents a prorated share of the capital investment made to provide system capacity. There are a variety of approaches that are used in the industry to establish a defensible GFC. While the City has some flexibility to define an equitable share of system costs, it is important that the City follow a rational approach to consistently determine and implement cost based GFCs.

The City is authorized to assess fees and charges under Section 35.92.025 of the Revised Code of Washington (RCW). The RCW has limited language specifying the methodology to be used for calculation of GFCs for Cities, offering minimal guidance. In general, each connection shall bear a proportional share of the cost of the system capacity required. The GFC developed shall reflect an updated inventory of existing system assets, the most recent approved capital improvement program costs related to growth, and current expectations for future population/ customer capacity.

The GFC will reflect existing and future capital costs associated with providing service to new connections as identified in the City's current draft Water and Sewer System Plan planning documents. The GFC calculation will provide the maximum allowable charge. The results of the GFC will be incorporated into the revenue requirement as revenue from these fees will help off-set capital costs. The City may consider phasing-in charges should there be significant increases or if other policy-related issues are being considered such as economic development.

Deliverables

- Calculated maximum allowable GFC for each system, and phase-in if warranted.
- Schedule of fees.
- Review meeting.

TASK 8 | IMPLEMENTATION & EDUCATION

The success of a rate study relies on an open and involved process for informing and educating the City Council, Committee and customers on the rate study process and to clearly define the cost basis for the fees imposed on customers by linking the financial requirements to costs. We propose six (6) internal project meetings at key milestones with City staff to review key assumptions and outcomes.

These meetings may be scheduled as onsite or an interactive conference call depending on budget constraints.

In addition to the project review meetings, it will be critical to present findings, education and implementation information and recommendations to the City Council, Finance and / or Public Works Committee and the public. These meetings are meant to familiarize the decision makers with the process, gain input on key priorities and objectives, and allow sufficient time for presentation of findings and to incorporate their feedback and input in development of the final recommendations.

The RFP did not identify a number of total meetings to be included in the scope of services. Based on our history working with the City, and additional input received from our follow up questions, we propose attendance at five (5) meetings with the City Council / Committee / Public.

The most recent rate study completed in 2020 included ten (10) Council and Committee meetings. Based on input received from our follow-up questions, an additional five (5) meetings will be budgeted as part of a contingency, only accessible, if necessary, by written authorization from the City.

TASK 8 | DOCUMENTATION

A written draft and final report documenting the rate study process, methodology, key assumptions, results and recommendations will be provided. The electronic model will provide the technical exhibits.

Deliverables

- An electronic copy of the draft report.
- An electronic reproductible copy of the final report.
- A copy of the Excel based model for each utility.

MANAGEMENT CONTINGENCY

This scope includes a budget contingency for any unanticipated tasks, which may include, but are not limited to the development of additional rate strategies, alternative rate designs and additional meetings / presentations. This portion of the budget will only be accessible through written authorization.

Exhibit B: Compensation

The total compensation to be paid to FCS GROUP, including services and expenses, shall not exceed $127,970.