

## PROFESSIONAL SERVICES CONTRACT

THIS CONTRACT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2022, by and between CITY OF STEVENSON, a municipal corporation of the State of Washington, and hereinafter referred to as "CITY," and FCS GROUP, hereinafter referred to as the "Contractor."

IN CONSIDERATION of the mutual promises, agreements, and covenants contained herein, it is hereby agreed, by and between the parties, as follows:

### SECTION I Nature and Scope of Work

Contractor will perform services as set forth in the attached Exhibit "A." Contractor shall make oral reports, and prepare and submit written reports, in such form and frequency as required by CITY.

### SECTION II Payment for Services & Expense Reimbursement

#### A. PAYMENT

Contractor shall be paid by CITY, for the work to be performed hereunder, as set forth in the attached Exhibit "A." Any payment made to Contractor, however, shall not constitute acceptance of the work, or any portion thereof, which is not in accordance with this contract.

#### B. TRAVEL

Contractor shall be reimbursed for actual transportation costs that are necessary for the performance of this contract, and which are pre-approved by the City Administrator. Any approved air travel by Contractor shall be limited to coach class (restricted fare). Travel by private auto shall be reimbursable at a rate not to exceed the Internal Revenue Service's current mileage reimbursement rate for business related travel. **If the Contractor is based outside Skamania County, any travel to and from the area shall require the prior approval of CITY's Clerk/Treasurer.**

#### C. TRAVEL EXPENSES

Contractor shall be reimbursed for the actual reasonable subsistence costs incurred, by Contractor, while traveling in performance of the services hereunder, not to exceed State per diem rates.

### SECTION III General Terms & Conditions

#### A. DURATION

This contract shall commence as of the date indicated below, and shall continue **until December 31, 2025** or until terminated by either party giving the other party thirty (30) days written notice of such termination. Notice shall be deemed to have been given at the end of three (3) working days, after the deposit of the same in the United States mail, addressed to the other party, postage prepaid, at the address of the parties as hereinafter stated. In the event of cancellation by either party, the notice may specify the services that are to be performed after receipt of the notice until the date of termination. Unless stated otherwise, Contractor shall perform no further services upon receipt of notice of the termination. On or before termination or expiration of the thirty (30) day period, Contractor agrees to deliver to CITY all records, notebooks, files, materials, reports, data, and other information pertaining to the services performed for CITY. In the event of termination, CITY shall pay Contractor for all contract costs incurred prior to termination. Contractor shall not be entitled to compensation for lost profits or expectations of profit due to CITY's early termination of this contract.

#### B. RELATIONSHIP OF THE PARTIES

Contractor is an independent contractor of CITY. Nothing contained herein shall be deemed to create a relationship of employer and employee or of principal and agent. Unless specifically restricted by this agreement, Contractor may hold itself out to the general public for the provision of similar services. Upon CITY's request, Contractor shall advise CITY of the approximate workload of its existing and new clients and the possibility of any conflicts of interest that may arise.

#### C. ASSIGNMENT

Contractor shall not assign any interest in this contract, and shall not transfer any such interest to any third party, without CITY's prior written consent. Any subcontract entered into by Contractor, for work covered by this agreement, shall require prior approval by CITY.

#### D. DISCLOSURE

Contractor agrees to keep confidential any information obtained by Contractor, or its employees, or any person under its control in the course of the services performed under this contract, and to refrain from publishing or revealing any information acquired by Contractor in the course of these services, without the written consent of CITY.

**Any knowledge or information acquired or provided by the Contractor to CITY related to services performed under this contract shall not be considered confidential or proprietary unless such designation is approved, in writing, by CITY's City Administrator.**

**However, regardless of the designation of information provided by the Contractor, CITY does not waive attorney-client privilege or similar protections afforded by law.**

#### E. DISPUTES

Except as otherwise provided or agreed, any dispute relating to this contract which is not disposed of by agreement shall be decided by litigation in a court of competent jurisdiction upon the filing of a legal action by the aggrieved party. During the pendency of any dispute, Contractor shall proceed diligently with the performance of this contract. It is further agreed by Contractor that litigation shall be limited and confined exclusively to the appropriate state court located within the State of Washington. **Venue shall be in Skamania County unless otherwise agreed to by CITY.** This contract shall be governed in accordance with the laws of the State of Washington.

#### F. NONWAIVER

The failure of CITY to insist upon or enforce strict performance of any provision of this contract shall not be construed as a waiver or relinquishment to any future enforcement of such contractual term.

#### G. AUDIT RIGHTS/PUBLIC RECORD RETENTION

During this contract, and for six (6) years thereafter, CITY shall have the right to inspect Contractor's records pertaining to this contract and to perform an audit in accordance with generally accepted audit standards. The Contractor shall make these records available without charge to CITY. Contractor agrees to either provide CITY with a copy of all records relating to the contract, or to retain such records for the applicable public records retention period and promptly provide them to CITY in order to fulfill any public records requests submitted during the retention period. Failure to promptly provide said records shall constitute a default of this agreement and entitle CITY to attorney fees and costs to recover the records, plus require Contractor to indemnify CITY against any statutory penalties for failure to promptly comply with a lawful public records request.

#### H. WORK PRODUCT

All "Work Product," which shall contain, without limitation, all documentation, data, studies, surveys, drawings, maps, photographs, and any object or source code for any software developed pursuant to or in connection with this contract, as well as any copyrights, patents, trade secrets, trademarks, or other intellectual property developed for or in connection with this contract, shall be work for hire and shall be the property of CITY. Contractor does hereby transfer and assign any rights that it has in the Work Product, or that may arise out of or in connection with this contract, to CITY. CITY's rights to the Work Product shall survive termination of this contract. In the event the CITY uses the "Work Product" in the future without Contractor's involvement, CITY agrees to hold harmless, defend, and indemnify Contractor for any claims or liabilities resulting from such use.

I. INSURANCE - HOLD HARMLESS

Contractor shall procure and maintain, during the life of this contract, the insurance policies and associated limits listed below to protect it, and any subcontractor performing work under this contract, from claims for damages from personal injury, including death resulting therefrom, as well as from claims for property damage which may arise under this contract, whether such work is performed by Contractor or by any subcontractor, or by anyone directly or indirectly employed by either of them. Upon demand, Contractor shall provide CITY with copies of all applicable insurance policies.

General Liability	\$1,000,000 per claim/\$2,000,000 aggregate
Automobile Liability	\$1,000,000
Worker’s Compensation	\$1,000,000
Professional Liability	\$1,000,000 per claim/\$2,000,000 aggregate

CITY and Contractor (“Party” or ”Parties”) hereby agree to indemnify and hold harmless the other Party, its appointed and elective officers, and its employees, from and against any and all suits, claims, actions, losses, costs, penalties, fines, and damages of whatever kind and nature, including attorney fees and costs, by reason of any and all claims and demands on it, its officers and employees, as may be caused by the negligence or willful misconduct of the indemnitee, its agents or employees, (or anyone directly or indirectly employed or engaged by the indemnitee, including subcontractors) to perform or observe any term or condition of this contract, or for any act or inaction of the indemnitee in connection with or incident to the work covered by this contract. It is the intent of the Parties hereto that, where negligence is determined to have been contributory, principles of comparative negligence will be followed and each Party shall bear the proportionate costs of any loss, damage, expense and liability attributable to that Party’s negligence.

In any and all claims against CITY by any employee of Contractor, the indemnification and hold-harmless obligation herein shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Contractor under workers’ compensation acts, disability acts, or other employee benefits acts, AND THE CONTRACTOR SPECIFICALLY AND EXPRESSLY WAIVES ANY IMMUNITY UNDER SUCH ACTS.

J. WARRANTY

Contractor agrees that services performed as specified in Exhibit "A" shall be performed in a manner consistent with the professional standards and industry practices acceptable in the trade.

K. SEVERABILITY

The invalidity or unenforceability of any provision of this contract shall not affect the other provisions hereof, and this contract shall be construed, in all respects, as if such invalid or unenforceable provisions were omitted.

#### L. HEADINGS

The headings used in sections of this contract are for convenience of reference only and are not intended to restrict, affect, or be of any weight in the interpretation or construction of the provisions of such sections of this contract.

#### M. CONSEQUENTIAL DAMAGES

Notwithstanding any other provision of this contract, and to the fullest extent permitted by law, neither CITY nor Contractor, 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 contract in excess of insurance limits required hereunder.

#### N. ENTIRE AGREEMENT

Contractor and CITY understand and agree that this document constitutes the entire understanding between the parties regarding the work or services described herein, and that this contract supersedes all other prior agreements and understandings, whether oral or written. This contract shall not be modified or amended, except in writing, signed by both parties.

[Signatures appear on next page]

IN WITNESS WHEREOF, the parties have executed this contract at Stevenson, Washington, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

CITY OF STEVENSON

CONTRACTOR

By: \_\_\_\_\_  
\_\_\_\_\_, its Mayor

By: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Name & Title

\_\_\_\_\_  
\_\_\_\_\_  
Mailing Address

Approved as to form

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Kenneth B Woodrich,  
City Attorney

\_\_\_\_\_  
Federal Tax ID Number

\_\_\_\_\_  
UBI#

# Exhibit A

## CITY OF STEVENSON

### WATER AND SEWER UTILITY RATE STUDY AND SYSTEM DEVELOPMENT CHARGE UPDATE

FCS GROUP is pleased to submit this proposed scope of services and budget to complete a Water and Sewer Rate Study and System Development Charge Update. The scope has been developed to address the City's needs as discussed during the August 26th, 2022, call with Leana Kinley, City administrator

The rate study will review the revenue requirements of each utility on a stand-alone basis to evaluate the sufficiency of each utility's existing rates. The resulting plan will serve to establish a blueprint for achieving revenue stability, sufficiency and equitable cost-based utility rates. The system development charge update will review the City's current methodology for legal compliance, administrative ease and advancement of City goals and objectives.

Our approach offers transparency in documentation, collaboration with staff and clear communication with the City Council on policy considerations. As defined in the task plan, we follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient and results-oriented manner. The tasks noted below will be completed for each utility unless specifically noted otherwise.

## TASK PLAN

### Task 1 | Project Kickoff

Prior to performing any work on this project, FCS GROUP will submit a request for needed data and arrange for a remote meeting with City staff to set a course for completing the work and establish a clear project understanding. This meeting will also serve as an information exchange with FCS GROUP personnel responsible for collecting all necessary information and clarifying data requests. Also during the meeting, the consultant and City staff will identify and discuss key policy and technical issues to be addressed in the study.

### Task 2 | Customer Statistics Validation

Customer data is the building block of a successful rate study. Customer account, meter and monthly usage/flow data for each utility is "validated" by applying existing rates by customer classification to the statistics and comparing results to actual financial results. Validation of the customer statistics data with customer demands and revenue generation is critical to the rate study as it offers consistency throughout the rate study process by using one validated data set to develop revenue, cost projections, allocation factors and rate designs. The process has proven beneficial in uncovering anomalies in data that can impact forecast revenue and cost allocation.

## Task 3 | Revenue Requirement Financial Plan

This task establishes a sustainable, multi-year financial management plan that meets the projected total financial needs of each utility through the generation of sufficient, sustainable revenue. Annual cash flow needs are developed by identifying expenses incurred to operate and manage the systems including:

- Capital investment funding (improvements, expansion, and replacement)
- Expenses incurred to operate, maintain, and manage the systems
- Debt repayment
- Cash flow needs
- Fiscal policy achievement

Tasks are as follows:

- » Use the validated customer statistics in Task 4 to identify demand trends. Projected revenue will consider the sensitivities of changes in customer and demand growth related to economic and weather variables in order to mitigate volatility and stabilize revenue.
- » Using the most recent approved budget, develop a forecast of other revenue and operating expenses. Adjust for any known future changes in annual non-capital costs associated with the operation, maintenance, and administration of each of the systems. Changes may include additional staffing needs and other operating costs associated with maintaining the system along with initiating new or enhanced program activities.
- » Incorporate the most recent capital plans identifying the capital projects required for system maintenance, repair, growth and regulatory compliance (e.g., wastewater treatment plant improvements). Develop a capital funding analysis that balances available funding from rate revenue, reserve funds, contributions and additional debt, if needed.
- » Include existing and any anticipated new debt issues in the revenue requirement along with monitoring required debt service coverage ratios.
- » Provide a fiscal policy review that compares existing policies to industry practices to determine whether there are possible enhancements that would strengthen the financial health of the systems. We will recommend new policies or benchmark ratios, as warranted.
- » Develop a fund balance tracking analysis to track existing City funds. The analytical module will include annual inflows and outflows of funds and monitor target balances for compliance with established fiscal policies.
- » Develop the annual baseline multi-year rate strategy to fully fund all system obligations and smooth financial impacts. The baseline analysis will test the sufficiency of each system's current revenues in meeting all system obligations. Rate revenue sufficiency will be tested from two perspectives: the ability to meet all cash obligations, and the attainment of any debt coverage requirements.
- » Design a rate implementation strategy that meets each system's financial obligations over the multi-year planning horizon and provides smooth and moderated impacts to ratepayers.
- » Develop rate scenarios to evaluate the impact of changes to key variables such as changes in growth, project timing and priority, funding sources, and/or others identified by the City. The budget includes three (3) alternative scenarios for each utility.
- » At the end of the engagement, we will deliver an electronic copy of the financial planning model for internal use.



## Task 4 | Cost of Service (COS) Analysis (Sewer Only)

The cost of service analysis establishes a defensible basis for assigning “cost shares” and establishing “equity” for system customers based on industry accepted methodologies that are tailored to the City’s unique sewer system and customer characteristics. Based on discussions with the City, the water utility has one rate schedule that serves all customer classes making it unnecessary to complete a class cost of service analysis. The sewer utility has multiple classes and strength based rates which makes a cost of service equity evaluation more applicable to establish the target revenue to collect from each customer class and strength constituent.

The COSA develops a series of functional allocations that distribute cost pools to classes of customers linked to a proportionate share of costs required to serve their demand. Specific consideration will be given to total utility costs in relationship to the functions identified below.

**Exhibit 1: Sewer Cost of Service Allocations**

Sewer Functions
Flow
Strength (BOD/TSS/Other)
Customer

The cost of service results will identify the cost to serve each customer class of the sewer system. The results will identify any warranted shifts in cost burden that could improve equity between customers from the existing rate structure. It also identifies the unit cost for each cost category (e.g., flow, strength, customer) ultimately providing the cost justification for each element of the City’s rate structure, ensuring a sound nexus between cost causation and rates charged.

## Task 5 | Rate Design

Rate design determines how the target level of revenue will be generated (fixed v. variable charges) from each customer class and considers both the level (amount of revenue that must be generated) and structure (how the revenue will be collected and/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 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, goals and will be easy to administer and understand.

We will work with the City to determine what specific rate design changes may be warranted. The initial review of the City’s rates and discussion with city staff has indicated a review of the following may be warranted:

- Elimination of the base charge allowance included in base meter charges (400 cubic feet)
- Evaluate level of sewer multi-family per dwelling unit rate
- Evaluate level of sewer non residential flow charge
- Update BOD surcharge for medium, high and very high classifications

The budget includes development of up to two (2) alternative rate structures per utility or per customer class.

Monthly bill impacts for low, medium and high users will be calculated for comparison. In addition, a comparative survey will be completed for up to five (5) neighboring utilities.

## Task 6 | System Development Charge (SDC) Update

System development charges or connection fees are one-time fees for new or redevelopment used to recover a proportional share of the value of facilities required to provide service. The general facilities charge is calculated based on the intent and structure of the Revised Code of Washington (RCW) statute for Water-Wastewater Cities and Towns (RCW 35.92.025). In general, each connection shall bear a proportional share of the cost of the system capacity required.

The SDCs developed for each system shall reflect an updated inventory of existing system assets, the most recent capacity enhancing capital improvement program costs, and determination of existing and future system capacity.

The City has specifically requested the following issues be addressed as part of the SDC update:

- Inclusion of Wastewater Treatment Plant Improvements
- Alternative options for assessing sewer connection fee
  - » Current fees establish EDUs based on beds, rooms, seats, students, etc.
  - » Identify alternatives (e.g., water meter size, indoor fixture units, orange book basis, equivalent units, other)
- Options for assessing charge to mixed use buildings (residential/commercial)
- Options for assessing charge by residential home size (small, standard, large categories generally informed by square foot assumptions)

The calculated charges will establish the maximum allowable charges that the City may choose to implement. Adopting charges less than the maximum is a viable option, particularly as part of a multi-year strategy to phase in the full cost calculated fee.

## Task 7 | Project Review Meetings

It will be important to interact frequently with the City project team throughout the project to make certain that the study develops work products collaboratively, reflecting the industry expertise of the project team and the specific needs and goals of staff and management.

The study has assumed all review meetings will be remote to minimize budget. We will work with the City to determine the preferred remote platform. We recommend the following project team meetings (1 hour per meeting):

- Review revenue requirement results
- Review cost of service results
- Review of rate design alternatives
- Review of System Development Charges
- Finalize rate recommendations

We are happy to provide additional meetings and/or onsite review meetings as requested. The additional meetings will be billed on time and materials.

## Task 8 | Workshop/Presentations

The success of a rate study relies on an open and involved process for informing and educating the staff and City Council 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 two (2) workshops/presentations with the City Council conducted in a workshop or work session format to maximize interaction and collaboration.

- One (1) workshop will present preliminary results of the rate study and SDC update. This onsite workshop will discuss key assumptions, methodology, and initial findings. Discussion and obtain input for final recommendations.
- One (1) Workshop to present final rate study proposed rates and SDCs.

## SCHEDULE

A comprehensive study such as this generally takes six to nine months to complete. Completion of the analysis is based on a variety of issues. These issues include timeliness of receipt of requested data/information; quality of data; ability to schedule meetings in a timely manner; and the ability of the City to provide policy direction for the study to move forward at key study milestones. A specific project schedule that meets the City's needs will be developed during the initial project meeting.

## BUDGET

The total proposed level of effort to complete the Water and Sewer Rate Study and System Development Charge Update is **\$56,765** (detailed below). Our normal billing practice is to bill based on actual time and materials expended, not to exceed the total budget. We would be more than happy to negotiate the appropriate level of effort for this project if we have scaled our approach out of line with the City's needs and/or expectations. We have provided the budget by major task to allow the City the flexibility to add or delete tasks as needed

**Exhibit 2: Estimated Budget for Water and Sewer Rate Study and SDC Update**

Task	Managing Principal	Project Manager	Project Analysts	Admin. Support	Total Estimated Hours	Labor Budget
<b>Project Initiation</b>						
Task 1 - Project Kick off (remote)	1	1	1		3	\$630
- Data Collection		2	4	2	8	1,190
<b>Water Utility Rate Study</b>						
Task 2 - Customer Statistics Validation (revenue forecast)		4	20		24	\$3,880
Task 3 - Revenue Requirement Financial Plan (3 scenarios)	4	8	24		36	6,400
Task 4 - Cost of Service (COS) Analysis						n/a
Task 5 - Rate Design	2	4	16		22	3,820
Total Technical Tasks Water Utility	6	16	60	-	82	\$14,100
<b>Sewer Utility Rate Study</b>						
Task 2 - Customer Statistics Validation (revenue forecast)		4	16		20	\$3,260
Task 3 - Revenue Requirement Financial Plan (3 scenarios)	4	8	24		36	6,400
Task 4 - Cost of Service (COS) Analysis	4	6	28		38	6,630
Task 5 - Rate Design	4	8	20		32	5,780
Total Technical Tasks Sewer Utility	12	26	88	-	126	\$22,070
<b>Water and Sewer System Development Charges (SDCs)</b>						
Task 6 - Water and Sewer System SDC Update	8	12	40		60	\$10,780
<b>Meetings/Presentations</b>						
Task 7 - Project Review Meetings						
- Five (5) Remote Meetings - @1hour	5	5			10	\$2,375
Task 8 - Workshops/Presentations (City Council)						
- Presentation Development (Preliminary results)	2	8		3	13	\$2,390
- Presentation remote	2	2			4	950
- Presentation Development (Final results)	1	4		3	8	1,330
- Presentation remote	2	2			4	950
<b>TOTAL PROJECT BUDGET</b>	<b>39</b>	<b>78</b>	<b>193</b>	<b>8</b>	<b>318</b>	<b>\$56,765</b>
<b>Optional:</b>						
Documentation - Report	2	8	20	2	32	\$5,400

### Task 9 | Documentation (Optional)

A written report documenting the rate study and SDC process, methodology, key assumptions, results and recommendations. The electronic rate modeling toolset will provide the technical exhibits referenced in the report. The City will have a document that outlines the rate study process for future reference and use. Although our approach views the study process as a continual and evolving plan, the City will have a document that outlines the study findings as a baseline for future reference and comparison.