

# ADMINISTRATIVE REPORT

Date: April 22, 2013

Agenda Item No.: 10

Council Action Date: May 13, 2013

**To: Honorable Mayor and City Council**

**From: Mark D. Watkins, City Manager  
Shana Epstein, Ventura Water General Manager**

**Subject: Water and Wastewater Rate Study and Citizen Advisory  
Committee**

## **RECOMMENDATION**

It is recommended that Council:

- a. Authorize the City Manager or his designee to execute an Amendment to Professional Services Agreement No. 100001850 with Raftelis Financial Consultants, Inc. (RFC) in order to revise the Scope of Service to add 7 new tasks, revise the Schedule of Compensation to add additional funding of \$94,000, and extend the term of the Agreement from August 1, 2013 to August 1, 2015.
- b. Pursuant to SBMC § 4.600.200, authorize the City Manager or his designee to execute a future amendment, if necessary, in order to extend the term of the agreement for a period greater than six (6) months and modify the Schedule of Compensation in an amount not-to-exceed \$30,000, in order to accommodate the need for additional scope, other than minor revisions, if required.
- c. Establish the 2013-14 Rate Advisory Committee to review an update to the 2012 Cost of Service Study for customer water and wastewater rates in the Fall of 2013 and make recommendations to Council at its conclusion.
- d. Direct staff to request the nine members of the 2011-12 Cost of Service and Rate Design Advisory Committee to serve again on the 2013-14 Rate Advisory Committee and solicit applications from the community at large to be considered for any vacant seats.
- e. Establish an Ad-Hoc Council Committee to appoint members to the remaining seats of the 2013-14 Rate Advisory Committee and direct staff to return to Council in July to ratify the full membership of the 2013-14 Rate Advisory Committee.

- f. Authorize the Finance and Technology Department to transfer \$47,000 from Project 64101, Wastewater Administration and \$47,000 from Project 63151, Water Production to 63162, Water Efficiency and assign to the proper accounts.

### **PREVIOUS COUNCIL ACTION**

June 4, 2012 - Adopted ordinances increasing water and wastewater customer rates for FY 2012-13, effective July 4, 2012 and for FY 2013-14, effective July 1, 2013.

May 21, 2012 – Conducted Public Hearing on the proposed two-year water and wastewater rates.

March 19, 2012 – Accepted the final Cost of Service and Rate Design Report, approved recommendation to sustain a two-year moratorium on eligible water and wastewater capital projects from the public art obligation, and directed staff to proceed with outreach and Proposition 218 compliance requirements for the proposed rate restructuring and increases as recommended in the report.

February 27, 2012 – Accepted recommendations from the Cost of Service and Rate Design Advisory Committee for the first two years of a 10-year financial plan, proposed rate adjustments and modified pass through ordinance language for the Water and Wastewater Enterprise utilities. Directed staff to facilitate review by the Public Arts Commission and the Cultural Affairs Commission regarding the Committee's public art recommendation.

### **SUMMARY**

The financial stability of Ventura's Water and Wastewater Enterprises is vital to the long-term health and sustainability of our precious water resources and infrastructure systems. As a result of the 2012 Cost of Service and Rate Design Study and the work of its Advisory Committee, the changed rate structures are generating sufficient revenues to balance current expenses. However, the 10-year financial plans for both Enterprise Funds projected that continued rate adjustments would be necessary to keep pace with inflationary expense increases, the renewal of our aging pipelines and facilities, and growing regulatory and environmental compliance requirements.

The proposed Amendment (Attachment A) to the existing professional services agreement with RFC will update and further refine the financial plan based on current water consumption and customer class information, provide analysis on other related financial issues, and facilitate the 2013-14 Rate Advisory Committee meetings. The extension of the agreement and reconvening of as many members as possible from the 2012 Rate Advisory Committee will provide continuity and leverage the earlier financial planning and review process.

## **DISCUSSION**

Over the past two years, a significant amount of work has been conducted to establish equitable rates and sustainable financial policies for Ventura's water and wastewater utilities to lead to a more transparent, accountable and stable future. This is important because Ventura Water is owned by the City of Ventura and its customers and must be self-supporting by rates paid by those owners. Ventura Water receives no funding from the City's General Fund and both the Water and Wastewater Enterprise Funds are municipal businesses that have separate accounting and do not make a profit.

Key milestones of the previous work include:

- Hiring in 2011 of Raftelis Financial Consultants (RFC), leaders in the utility rate industry, to perform a Cost of Service and Rate Design Study, as the City's last formal study was conducted in the early 1990s.
- Formation of a nine-member Citizen Advisory Committee to provide community input into the study during a series of public meetings from October 2011 through February 2012.
- Development of 10-year financial plans for both utilities to estimate future revenue requirements to fund operations and maintenance, debt payments, and the capital improvement program to renew Ventura's aging water and wastewater pipes and facilities.
- Collaborative recommendations from the Advisory Committee, staff and RFC to restructure rates and methodology to more equitably align water usage by different customer classes and the proportionate cost of providing that service.
- Finalized Cost of Service and Rate Design Study by RFC that calculates the individual rates based on utility industry methodology to generate revenues equal to projected expenses.
- Approval of two-year rate adjustments and increases by Council, effective July 4, 2012 and July 1, 2013.
- Integrated outreach at each stage to promote community engagement and understanding and provide transparency and access to all stakeholders.

### **Analysis**

The next phase will continue to build on the established financial framework to chart a long-term plan based on new data. The second year of the approved rate increases will go into effect on July 1, 2013, following a year of water and wastewater rates that were restructured on July 4, 2012. This new water consumption and revenue data will be

used to update the Cost of Service Study to modify revenue projections. Actual operational and capital improvement project expenses will also be compared to projections to analyze needed changes. Other financial analysis will consider the future water reuse program for the water cleaned by the Ventura Water Reclamation Facility and the Right of Way fee paid by the utilities to the General Fund.

To increase transparency and accountability, convening of a new limited-assignment Rate Advisory Committee to participate in the financial review and update process will ensure that community expectations are addressed at this earlier stage. One goal will be to consider the feasibility of proposing a series of rate increases over the next four or five years, if the financial plan demonstrates this need. The tentative commitment for the Rate Advisory Committee, if Council directs and participates in selecting members by July, would be a total of three monthly meetings (September, October and November) with the Committee returning to Council with recommendations in early January 2014. Mirroring the effort in 2011-12, the proposed public meetings with Rate Advisory Committee would be supported by a highly-visible public engagement program.

The financial analysis will be performed and facilitated by RFC who was selected in 2011 following a competitive process. An established leader in rate study practices and models, RFC has performed hundreds of studies in California over the past 15 years and has considerable experience designing rates to meet evolving regulatory, legal and public outreach changes due to Proposition 218.

### **IMPACTS**

The cost of the new tasks is \$94,000, which includes \$24,594 to facilitate three (3) Rate Advisory Meetings and \$7,000 for contingency such as further analysis and/or for additional meetings which may be needed as the process moves forward. Funds for this project have been identified and shared between Water Fund 52 and Wastewater Fund 51. While today's scope of work outlines the expected activities and schedule, additional authority up to \$30,000 is requested to address other significant tasks that may arise for a total potential cost of \$124,000. Due to the rapid evolution of legal and regulatory changes in the water industry, it is recognized that sound financial guidance and expertise is a prudent investment to protect the health of our utilities.

### **ALTERNATIVES**

Council has various alternatives to consider, both singularly and in combination. In regards to the amended agreement, Council could choose to:

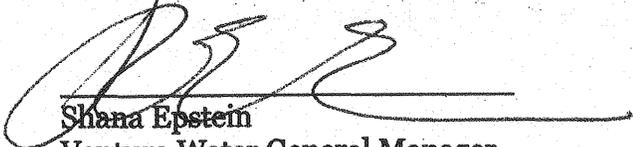
- Not approve the amended scope with RFC and direct staff to conduct a new competitive process to provide financial services for this effort. This would result in considerable delays and likely higher costs.

- Postpone or delay approval of the amended agreement which may result in loss of revenues or other unknown consequences.
- Request additional information or change the scope of work of the proposed amended agreement which will result in delays.
- Not approve the amended agreement and direct staff to pursue another course of action.

In regards to the new Rate Advisory Committee, Council could choose to:

- Not convene a new Rate Advisory Committee and direct staff and RFC to conduct the three (3) financial review meetings before Council. The proposed schedule is one meeting in the months of September, October and November 2013.
- Not convene a new Rate Advisory Committee and direct staff to perform the financial analysis without public review at this stage. This would reduce the amended agreement cost by \$24,594 but may not consider a variety of community perspectives.
- Postpone or delay the project until a later date which may have negative financial implications over the long term.

Prepared by Nancy Broschart, Management Analyst for



Shana Epstein

Ventura Water General Manager

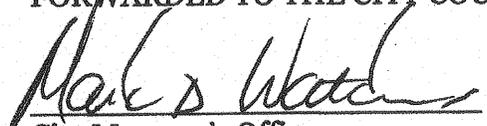
Reviewed as to fiscal impacts



Jay Panzica

Chief Financial Officer

FORWARDED TO THE CITY COUNCIL



Mark S. Waters

City Manager's Office

ATTACHMENT

- A. Second Amendment to Professional Services Agreement No. 100001850 between the City of San Buenaventura and Raftelis Financial Consultants, Inc.

# PROFESSIONAL SERVICES AGREEMENT

AGREEMENT NO. 2011-047.2

## SECOND AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT NO. 100001850 BETWEEN THE CITY OF SAN BUENAVENTURA AND RAFTELIS FINANCIAL CONSULTANTS, INC.

This Second Amendment ("Second Amendment") to Professional Services Agreement No. 100001850 ("Agreement") is made and entered this 13 day of May, 2013, by and between the CITY OF SAN BUENAVENTURA, a charter city and municipal corporation of the State of California ("City"), and Raftelis Financial Consultants, Inc., a North Carolina corporation ("Consultant").

Pursuant to Paragraph 18 of the Agreement and executed by the parties on or about August 9, 2011, and as previously modified by the first Amendment in 2012, both of which are attached hereto and incorporated herein by reference, the Agreement is being further amended as follows:

1. Section 1 of the Agreement, "Consultant Services," currently reads as follows:

"Consultant shall perform the tasks, obligations and services set forth in the 'Scope of Services' attached to and incorporated into this Agreement as Exhibit 'A.'"

Section 1 is hereby amended and replaced in its entirety to read as follows:

"Consultant shall perform the tasks, obligations, and services set forth in the Scope of Services attached to and incorporated into this Agreement as Exhibit A, as amended by the first Amendment, and as modified and described in Exhibit A-1, 'Amended Scope of Services Adding Tasks to the Professional Service Agreement' (attached to this Second Amendment and incorporated herein by reference)."

2. Section 2 of the Agreement, "Compensation for Consultant Services," currently reads as follows:

"City shall pay Consultant for the services performed by Consultant pursuant to the terms of this Agreement the compensation set forth in the 'Schedule of Compensation' attached hereto as Exhibit 'B.' the compensation shall be paid the time and manner set forth in Exhibit 'B.'"

Section 2 is hereby amended and replaced in its entirety to read as follows:

"City shall pay Consultant for the services performed by Consultant pursuant to the terms of this Agreement the compensation set forth in the 'Schedule of Compensation' attached hereto as Exhibit 'B,' and as

amended by Exhibit B-1, 'Amended Schedule of Compensation Including Additional Compensation for Tasks Added Pursuant to Exhibit A-1.' The compensation shall be paid the time and manner set forth in Exhibits 'B.' and 'B-1.'

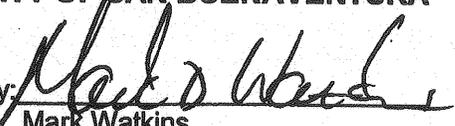
3. Paragraph 4, "Term of Agreement," is hereby replaced in its entirety and amended to read as follows:

"The term of this agreement shall be from August 1, 2011, to August 1, 2015."

Except as otherwise specifically provided herein and in the first Amendment, all other provisions of the Agreement shall remain in full force and effect.

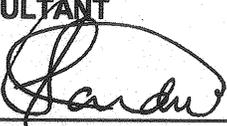
In witness whereof, the parties have signed this agreement on the dates set forth below.

**CITY OF SAN BUENAVENTURA**

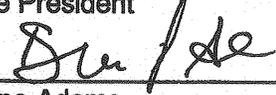
By:   
Mark Watkins  
City Manager

5/22/13  
Date

**CONSULTANT**

By:   
Sudhir Pardiwala  
Vice President

5-14-13  
Date

By:   
Diane Adams  
Chief Financial Officer

5-15-13  
Date

APPROVED AS TO FORM  
Ariel Pierre Calonne, City Attorney

By:   
M. Rebeca Mendoza  
Assistant City Attorney

Ventura Water Budget and Account No. 52302-63162-63162-100-52

**EXHIBIT A - 1**  
**STANDARD FORM PROFESSIONAL SERVICE AGREEMENT**  
**(City of San Buenaventura and Raftelis Financial Consultants, Inc.)**

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**SCOPE OF WORK  
DESCRIPTION**

The following sections outline the tasks to update Ventura Water's Cost of Service and Rate Design Study (Study) and 10-year financial plan and provide technical and financial analysis support for a public process for potentially four years of water and wastewater rate adjustments/increases. This amended scope will leverage the previous Study and Citizen Advisory Committee (CAC) results experienced in 2012.

While tasks are listed consecutively, elements of tasks may be conducted concurrently with other tasks.

**Task 14: Project Initiation, Management and Data Collection**

The Project Initiation task will begin the Study so that it progresses in an efficient and deliberate manner. Task 1 includes the collection and review of all relevant data and documents, a kick-off meeting, project management, and a quality assurance/quality control process.

**Task 14.1: Data Collection and Kick-off Meeting with City Staff**

Prior to the kick-off meeting, the Consultant will submit a detailed data request list to Ventura Water so all appropriate data in the required format can be collected efficiently. This electronic data will include, at a minimum, the most full recent fiscal year of historical customer billing data and financial information such as approved budgets, financial statements, new official statement for debt, and updated water and wastewater long-term capital improvement plans.

The Consultant will conduct a kick-off meeting to provide a solid foundation for the project and serve as a forum for Ventura Water and other City staff to provide input on the project approach, work plan, schedule, and priorities. The meeting's focus is to ensure that project participants are in mutual agreement as to the project goals and expectations. Consultant shall prepare a kick-off meeting package that contains the meeting agenda and presentation materials to guide the discussion.

*Meeting(s)/Conference(s): One (1) kick-off meeting*

*Deliverable(s): Data request list and meeting minutes*

**Task 14.2: Ongoing Project Management**

Consultant shall provide consistent and competent project management to ensure project success and adherence to timelines and budgets. This task involves multiple interrelated work efforts that will require effective coordination between Ventura Water and City staff, Consultant project team, and City Council. Consultant will meet project objectives through effective communication, teamwork, objectivity, and accountability. Consultant will also be responsible for general administrative duties such as client correspondence, billing, project documentation and administration of the study control plan.

### **Task 14.3: Quality Assurance/Quality Control Process**

Consultant will conduct Quality Assurance/Quality Control (QA/QC) practices to ensure the quality of the work effort and the final product. This will include peer review by senior members to engage the project team on specific issues critical to the project and review the work effort for consistency, accuracy, and validity. In addition, project budget and progress will be reviewed weekly by the Project Manager to track progress, time, and expenses. Consultant shall also conduct regular progress reviews to address critical issues to prevent delays or other problems.

### **Task 15: Financial Plan Update**

This task involves performing bill frequency analysis to determine the usage patterns, usage block sizes for different customer groups, and evaluation of the City's financial situation. In addition, this task will include development of a forecast of revenue requirements for a ten-year planning horizon. This will include forecasting annual operating and maintenance (O&M) expenses, reserve contributions, review of the capital improvement plans (CIP) to identify capital outlays, pay-as-you-go capital items, and annual debt service. Also, as part of this task, Consultant will develop cash flow analysis and recommend reserve levels.

#### **Task 15.1: Perform Bill Frequency Analysis**

Consultant will examine the usage patterns of the different customer classes and the associated usage peaks based on the most current available data. This analysis will allow better decision-making regarding customer impacts. Based on this historical usage analysis and planning data, Consultant will develop projections of future water consumption. This task will allow an analysis of the changes in usage patterns over the last couple of years and provide a better basis to project future usage.

#### **Task 15.2: Develop Revenue Requirements**

This task will include the projections of budget items, such as annual costs related to sources of water supply, labor, power, materials, capital expenditures, plant investment, O&M expenses, reserve contributions, and debt service using assumptions based on different economic factors and growth trends.

Consultant will develop a forecast of water and wastewater revenue requirements over the planning horizon. This will include an estimate of revenues based on current rates, usage characteristics, and other non-operating revenues. Revenue requirements will be projected over the rate-setting period based on historical results, the current budget, capital improvement plans, existing debt service, other obligations and current economic trends. Capital cost financing from rates, debt, low interest SRF loans, grants, taxes, or infrastructure bank loans will be provided as options. Projecting revenue adjustments over a long planning horizon can illustrate future rate impacts and potential challenges to the City's financial situation. This will allow the City to make adjustments to expenses, reserve balances or schedule capital projects to smooth rate impacts and maintain financial stability.

#### **Special Revenue Issues**

Consultant will provide financial analysis for the significant capital expenditures related to various options to remove effluent from the Santa Clara River Estuary, which includes an expansion of the reclaimed water system among other options. In conjunction with the options presented in the recent Estuary Special Studies Phase 2: Facilities Planning Study for Expanding Recycled Water Delivery, Consultant will review up to three top City-identified alternatives, associated with the Estuary project to present to City staff and the Citizens Advisory Committee (CAC) so that the rate impacts resulting from these capital expenses are fully understood.

Consultant will review the right-of-way costs that would be incurred as a result of the work done on City streets to repair water and sewer lines. This element would involve identification of the miles of water and sewer pipes in the ground and the average rate at which those are refurbished and replaced. Consultant will provide the City with a separate module for the calculation of these costs.

Also, Consultant will provide financial analysis for the City's 2% Public Art requirement policy, as needed.

### **Task 15.3: Develop Multi-Year Cash Flow Analysis and Review Reserve Balances**

Consultant will develop a multi-year cash flow analysis to determine the revenue adjustments needed to meet projected revenue requirements for the planning period, minimizing sharp rate fluctuations. The cash flow worksheet will incorporate revenues generated from different sources, expenses needed to maintain the water and wastewater systems, any transfers in and out of the Enterprise funds, as well as the coverage needed to meet current and proposed debt service requirements. Consultant will also review established reserve policy guidelines and recommend any modifications to maintain appropriate reserves balances, such as operating, capital, rate stabilization, etc., consistent with industry standards and the City's risk management practices.

*Meeting(s)/Conference(s): At least one (1) GoToMeeting web conference*

*Deliverable(s): 10-year Financial Plan Model and Proposed Revenue Adjustment Schedule*

### **Task 16 – Cost of Service Analysis**

Consultant will perform the cost of service study based on industry standards and methodologies approved by the AWWA M-1 Rate Manual and the SWRCB and WEF. The cost of service allocations will focus on appropriate service functions, allocating the cost of service (revenue requirements) to the service functions, determining how those services are used by each customer class, and developing the cost allocation components of the models. Cost allocations among customer classes for the Water Enterprise will likely be based on the AWWA approved Base-Extra Capacity approach which focuses on the different usage patterns (or peaking factors) demonstrated by each customer class as well as Best Management Practices from the California Urban Water Conservation Council (CUWCC). Wastewater rates will comply with the SWRCB guidelines to ensure that the City will qualify for potential grants and low interest loans.

Consultant will use the current COS methodology to retain consistency with existing rate structures and comply with City policy considerations, procedures, and currently known federal, state, and local rules, regulations, and guidelines. Additionally, in conjunction with the City Attorney, Consultant will ensure that the proposed rates are in compliance with Proposition 218.

### **Task 16.1: Review Customer Class Usage Patterns and Recommend Customer Classifications**

Consultant will review and analyze historical water consumption, revenue records, and billing summaries to determine water usage and peaking characteristics by customer class or subclass. For the wastewater utility, Consultant will examine items such as annual flow and strength and perform a mass balance comparing plant influent to the estimated wastewater generated by the City's users including infiltration and inflow. This analysis will provide appropriate identification of loadings from each customer class, based on billing summary data,

other locally available data which may be applicable, and Consultant's experience with other utilities exhibiting similar usage characteristics and patterns. It will provide the basis for equitable cost allocations to each customer class or subclass.

### **Task 16.2: Allocate Costs to Functional Cost Categories**

During the next step, the Consultant will allocate the cost of service to the various cost components that constitute a functional classification of the different types of service the City provides. Functional cost components for water will include base commodity costs, extra capacity costs, private fire protection costs, customer service and other indirect costs. Functional cost components for wastewater include flow, chemical oxygen demand (COD) and suspended solids (SS). These will represent the revenue requirements from these cost components to be met from charges and fees over the study period.

### **Task 16.3: Allocate Functional Costs to Customer Classes**

Next, the costs associated with the functional components will be allocated to the various customer classifications on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of units of service for each customer classification and the application of unit costs of service to the respective units.

*Meeting(s)/Conference(s): None*

*Deliverable(s): Cost of Service Analysis, Cost Allocation by Customer Class*

### **Task 17: Calculate Water and Wastewater Rates**

Consultant will develop a program of rates that can be implemented for four years. The rate structure will be the same as the existing structure. Options desired by the CAC/Staff can be evaluated as part of the contingency budget.

#### **Task 17.1: Calculate Rates**

After conducting the cost allocation analysis, the water and wastewater rates will be calculated for the current rate structures. The water rate model will have the flexibility to change the tier widths based on customer class. The model will determine the required rate for each tier to collect the required revenue. In addition, the wastewater users' rates will also be calculated based upon their flow, COD, and SS, as well as all administrative costs related to providing service. All residential and non-residential rates will be calculated based on cost of service and will comply with all regulatory requirements, especially Proposition 218.

#### **Task 17.2: Calculate Customer Impacts**

Consultant shall determine the potential financial impacts on customers that may result from the proposed rates. The model will include a series of tables and figures that show projected rate impacts on different types of customers at different level of usage.

#### **Task 17.3: Update Rate Model**

Consultant shall update the Water and Wastewater Models with any changes and revisions resulting from the rate review process.

*Meeting(s) / Conference(s): At least one (1) web conference with City staff and one (1) on-site meeting with City staff*

*Deliverable(s): Draft copy and final updated Water and Wastewater Rate Model in Microsoft Excel® 2010*

### **Task 17.3: Conduct Rate Survey**

Consultant shall conduct a rate survey comparing the recommended rates for all customer classes with those of five (5) neighboring and comparable agencies. Comparing rates with other representative agencies can provide insights into a utility's pricing policies related to service. However, based on the Consultant's experience, the Consultant shall also identify community-specific factors that affect the cost of providing services to provide a wider perspective on pricing differences. Some of these factors may include geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology.

## **Task 18 – Report Preparation**

### **Task 18.1: Draft Report**

The process for developing the financial plan and proposed rate structures along with preliminary rate recommendations will be described by the Consultant in a preliminary report of findings and recommendations. This preliminary report will include an executive summary highlighting the major issues, results, and recommendations of the study. A comprehensive section will include all key assumptions used in the study and methodologies used to develop the user rate calculations and financial planning.

### **Task 18.2: Final Report**

Comments and changes from City staff will be incorporated by the Consultant into the Final Report, which will be refined to reflect appropriate issues or concerns raised by staff. The final report will be submitted to the City and will include appropriate supporting data from the Model to address the requirements of Proposition 218.

*Meeting(s) / Conference(s): At least one (1) phone conference with City staff*

*Deliverable(s): Copy of the Draft and Final Reports*

### **Task 18.3: Rate Calculator**

Consultant will revise the on-line rate calculator previously developed to reflect the new four-year rates for water and wastewater services.

*Deliverable(s): Customer Rate Calculator*

## **Task 19: Rate Adoption**

### **Task 19.1: Proposition 218 Notice Requirement**

Consultant shall work with the City Attorney to assist the City in reviewing the Proposition 218 notice. The notice is required to be sent out to property owners/customers at least 45 days prior to public hearings. Proposition 218 dictates that an agency cannot collect revenue beyond what is necessary to provide service and that the amount of fee may not exceed the proportional cost of service to the parcel.

### **Task 19.2: Public Meetings**

Consultant will attend and assist staff to make a presentation at one (1) Council meeting to present the results of the Study and the proposed water and wastewater rates. In addition, Consultant will attend and present at one (1) public hearing meeting on the adoption of the new water and wastewater rates.

**Meeting(s) / Conference(s):** One (1) Council meeting and one (1) public hearing meeting  
**Deliverable(s):** Presentation materials for public hearing meeting

**Task 20 – Citizen Advisory Committee Meetings (CAC)**

As part of this task, Consultant will assist the City in addressing different implementation issues and strategies for successfully adopting the proposed water and wastewater rates. Due to the sensitivity of utilities rates, it will be important for the City to engage the community in a collaborative process. This process will include up to three CAC meetings to both share and receive information regarding the purpose and need for the rate adjustments.

Rate studies are complex and technical documents. It will be important to provide information about the study, purpose and need, desired outcome, and timeline in an easy-to-understand format for distribution at CAC meetings. The formal presentation will be facilitated by the Consultant to provide technical assistance, answer questions regarding the study, make presentations about the rates and the associated impacts.

**Meeting(s) / Conference(s):** Up to three (3) on-site CAC meetings  
**Deliverable(s):** Presentation materials and hand-outs

**SCHEDULE**

No.	Task Description	No. of Meetings	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
1	Project Initiation, Management and Data Collection	1	[Shaded]												
2	Financial Plan Update		[Shaded]												
3	Cost of Service Analysis		[Shaded]												
4	Calculate Water and Wastewater Rates	1	[Shaded]												
5	Report Preparation		[Shaded]												
6	Rate Adoption	2	[Shaded]												
7	Citizen Advisory Committee Meetings	3	[Shaded]												

-  Represents Kick-Off Meeting
-  Represents Meetings with City Staff
-  Represents Presentation to City Council
-  Represents Committee Meetings

**EXHIBIT B - 1**  
**STANDARD FORM PROFESSIONAL SERVICE AGREEMENT**  
**(City of San Buenaventura and Raftelis Financial Consultants, Inc.)**  
**SCHEDULE OF COMPENSATION**

**MAXIMUM COMPENSATION**

Consultant shall complete all the work and tasks described in Exhibit A (Task 14 through 20) for a total amount of compensation, including out-of-pocket expenses, that does not exceed \$94,000.

TASKS	Cost
14: Project Initiation, Management and Data Collection	11,057
15: Financial Plan Update	13,790
16: Cost of Service Analysis	6,060
17: Calculate Water and Wastewater Rates	10,833
18: Report Preparation	12,680
19: Rate Adoption	7,986
20: Citizen Advisory Committee Meetings	24,594
Contingency	7,000
<b>CONTRACT NOT-TO-EXCEED</b>	<b>\$94,000</b>

**BILLING**

Consultant will invoice City based on the percent complete of each task, not more than once monthly to following address:

City of Ventura  
Attn: Accounts Payable  
P.O. Box 99  
Ventura, CA 93002-0099  
Fax (805) 648-1809

**TIME OF PAYMENT**

Payment to Consultant shall be made within thirty (30) days after submittal of Consultant's invoice and approval by City.

CITY OF VENTURA

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# PROFESSIONAL SERVICES AGREEMENT

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**AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT  
AGREEMENT NO. 100001746 (100001850)  
(City of San Buenaventura / Raftelis Financial Consultants, Inc.)**

This Amendment to Professional Services Agreement is made and executed in duplicate on the dates set forth below by and between the City of San Buenaventura (hereinafter referred to as "City"), and Raftelis Financial Consultants, Inc. (hereafter referred to as Consultant").

Whereas City and Consultant desire to amend that certain agreement entitled Ventura Water Cost of Service and Rate Design Study, and dated August 1, 2011, (hereinafter referred to as "the Agreement") by which Consultant undertook to perform certain professional services for City as described therein during term and otherwise subject to all of the covenants and conditions set forth therein.

Now therefore City and Consultant agree as follows that the Agreement be and hereby is amended as follows:

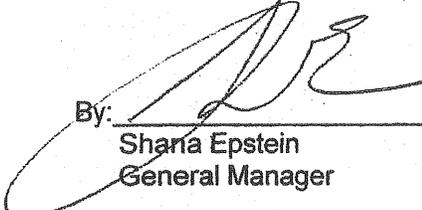
Exhibit A Scope of Work – Task 12 – Water Budget Rates is deleted.

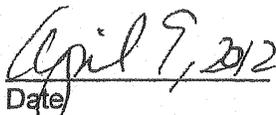
Exhibit A Scope of Work – Add Task 13 – Program and deliver online bill calculator to assist customers in determining the dollar amount of bills under the proposed rate structures. The calculator must be easy to use, clear and reflect all customer account types and include complete user instructions. It must be capable of being installed on the City's server for customer access through the website.

Except as otherwise specifically provided herein, all other provisions of the Agreement shall remain in full force and effect.

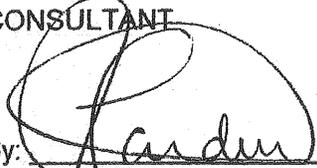
In witness whereof, the parties have signed this agreement on the dates set forth below.

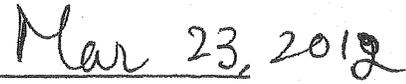
**CITY OF SAN BUENAVENTURA**

By:   
Shana Epstein  
General Manager

  
Date

**CONSULTANT**

By:   
Sudair Pardiwala  
Vice President

  
Date

APPROVED AS TO FORM  
~~Ariel Calonne, City Attorney~~  
Per A P & P 8.2

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# PROFESSIONAL SERVICES AGREEMENT

## The City San Buenaventura and Raftelis Financial Consultants Ventura Water Cost of Service and Rate Design Study

This Agreement, is entered in duplicate on the dates set forth below by and between the City of San Buenaventura, a municipal corporation of the State of California, (hereinafter referred to as "City"), and Raftelis Financial Consultants, Inc., a North Carolina corporation (hereinafter referred to as "Consultant").

By this Agreement, City agrees to engage the services of Consultant, and Consultant agrees to perform the services for City hereinafter described, for the compensation, during the term, and otherwise subject to the covenants and conditions hereinafter set forth.

### 1. Consultant's Services.

Consultant shall perform the tasks, obligations, and services set forth in the "Scope of Services" attached to and incorporated into this Agreement as Exhibit "A."

### 2. Compensation for Consultant's Services.

City shall pay Consultant for the services performed by Consultant pursuant to the terms of this Agreement the compensation set forth in the "Schedule of Compensation" attached hereto as Exhibit "B." The compensation shall be paid at the time and manner set forth in Exhibit "B."

### 3. Living Wage Requirements.

Consultant understands and agrees that this Agreement is subject to the provisions of Chapter 2.525 of the San Buenaventura Municipal Code entitled, "Living Wages and Benefits for City Services," a copy of which has been provided to Consultant. By reason thereof, during the term of this Agreement, Consultant will pay and/or provide the wages and/or benefits required therein to all of its employees engaged in whole or in part in performing the services provided for by this Agreement. Moreover, Consultant will require any of its successors, assigns, and subcontractors who receive any compensation or other emoluments arising out of the performance of the services provided for by this Agreement to similarly pay and/or provide such wages and/or benefits to all of their employees engaged in whole or in part in performing the such services. In addition, Consultant and any of its successors, assigns and sub-Consultants who received any compensation or other emoluments arising out of the performance of the services provided for by this Agreement will post the "Notice to Employees" and provide the other information required by Section 2.525.170 of Chapter 2.525 at the time in the manner provided for by that section.

Consultant also understands and agrees that any violation of Chapter 2.525 of the San Buenaventura Municipal Code will be deemed to be a material breach of this Agreement entitling City to suspend or terminate this Agreement and/or impose the civil penalties provided for by Section 2.525.400 of Chapter 2.525.

By initialing this Section, Consultant agrees that it has been provided with and read a copy of Chapter 2.525 of the San Buenaventura Municipal Code as well as this Section, and that Consultant understands Chapter 2.525 and this Section.

Consultant's initials: 

**4. Term of Agreement.**

The term of this Agreement shall be from August 1, 2011 to August 1, 2013.

**5. Commencement of Performance.**

Consultant shall not perform any work under this Agreement until: (i) Consultant furnishes proof of insurance as required under paragraph 11 of this Agreement, and (ii) City gives Consultant a written, signed, and numbered purchase order (which shall serve as a Notice to Proceed). All services required of Consultant under this Agreement shall be completed on or before the end of the term of the Agreement.

**6. Status of Consultant.**

The City and Consultant agree that Consultant, in performing the services herein specified, shall act as an independent Consultant and shall have control of all work and the manner in which it is performed. Consultant shall be free to contract for similar service to be performed for other employers while under contract with City. Consultant is not an agent or employee of City and is not entitled to participate in any pension plan, insurance, bonus, or similar benefits City provides for its employees.

**7. Designative Representative.**

(a) Name: Sudhir Pardiwala, PE  
Title: Vice President  
Address: 201 S. Lake Avenue, Suite 301  
City State Zip: Pasadena, CA 91101  
Email: spardiwala@raftelis.com

shall be the designated Consultant Representative and shall be responsible for job performance, negotiations, contractual matters, and coordination with the City Representative. Consultant's professional services shall be actually performed by, or shall be immediately supervised by, the Consultant Representative.

(b) Name: Shana Epstein  
Title: Ventura Water, General Manager  
Address: PO Box 99, 336 Sanjon Rd  
City State Zip: Ventura, CA 93002-0099  
Email: [sepstein@venturawater.net](mailto:sepstein@venturawater.net)

shall be the designated City Representative.

**8. Assignment.**

This Agreement is for the professional services of Consultant. Any attempt by Consultant to assign the benefits or burdens of this Agreement without written approval of City shall be prohibited and shall be null and void.

**9. Records and Inspections.**

The Consultant shall maintain full and accurate records with respect to all services and matters covered under this Agreement. The City shall have free access at all reasonable times to

such records, and the right to examine and audit the same and to make transcripts therefrom, and to inspect all program data, documents, proceedings and activities.

**10. Hold Harmless.**

Consultant shall hold City and City's officers, employees, agents, and volunteers harmless and free from any and all claims, liabilities or expenses, including attorney's fees, arising out of or relating to any negligent act, negligent omission, or wrongful conduct related in any way to Consultant's performance of its services pursuant to this Agreement. In the event City and/or any of City's officers, employees, agents or volunteers are named in any lawsuit, or should any claim be made against it or any of them by lawsuit or otherwise arising out of or relating to such negligent act, negligent omission or wrongful conduct, Consultant shall indemnify them for any judgment rendered against them for such negligent act, negligent omission or wrongful act, any sums paid out in settlement or otherwise, and all costs incurred by them in their defense, including, but not limited to attorney's fees.

Consultant also understands and agrees that it is being employed to perform the services provided for by this Agreement because of Consultant's professed expertise and experience in performing such services. In addition Consultant understands and agrees that while City or City's officers, employees, agents or volunteers may elect to do so, they have no duty to review, inspect, monitor, or supervise the work performed by Consultant pursuant to this Agreement except as otherwise expressly provided for by this Agreement. As a consequence, Consultant waives any right of contribution against City or any of City's officers, employees, agents, or volunteers arising out of such failure to inspect, review, monitor, or supervise the work performed by Consultant pursuant to this Agreement.

**11. Insurance.**

Prior to commencing performance of the services required by this Agreement, and at all other times this Agreement remains in effect, the Consultant shall procure and maintain in full force and effect all of the insurance required by Exhibit "C" attached hereto and by this reference incorporated herein.

**12. Covenants and Conditions.**

Each term and each provision of this Agreement to be performed by Consultant shall be construed to be both a covenant and a condition.

**13. Termination.**

At any time, with or without cause, the City shall have the right, in its sole discretion, to terminate this Agreement by giving written notice to Consultant pursuant to Paragraph 20 of this Agreement. There shall be no period of grace after giving the notice of termination. Termination shall become effective immediately upon the giving of notice as provided in Paragraph 20 of this Agreement.

**14. Effect of Termination.**

Upon termination as stated in Paragraph 13 of this Agreement, City shall be liable to Consultant only for work done by Consultant up to and including the date of termination of this Agreement unless the termination is for cause, in which event Consultant need be compensated only to the extent required by law.

**15. Ownership of Consultant's Work Product.**

City shall be the owner of any and all computations, plans, correspondence, and/or other pertinent data and information gathered or prepared by Consultant in performance of this Agreement and shall be entitled to immediate possession of the same upon completion of the work under this Agreement, or at any earlier or later time when the same may be requested by City.

**16. Taxpayer Identification Number.**

Consultant shall provide City with a complete Request for Taxpayer Identification Number and Certification, Form W-9 (Rev. 2000), as issued by the Internal Revenue Service.

**17. Non-Appropriation of Funds.**

Payments due and payable to Consultant for current services are within the current budget and within an available, unexhausted and unencumbered appropriation of the City. In the event the City has not appropriated sufficient funds for payment of Consultant services beyond the current fiscal year, this Agreement shall cover only those costs incurred up to the conclusion of the current fiscal year.

**18. Modification of Agreement.**

The tasks described in this Agreement and all other terms of this Agreement may be modified only upon mutual written consent of City and Consultant.

**19. Use of the term "City."**

Reference to "City" in this Agreement includes City Manager or any authorized representative acting on behalf of City.

**20. Notices.**

All notices given or required to be given pursuant to this Agreement shall be in writing and may be given by personal delivery or by mail. Notice sent by mail shall be addressed to each party's designated representative as set forth above. When addressed in accordance with this paragraph, such notice shall be deemed given upon deposit in the United States mail, postage prepaid. In all other instances, notices shall be deemed given at the time of actual delivery. Changes may be made in the names or addresses of persons to whom notices are to be given by giving notice in the manner prescribed in this paragraph.

**21. Permits and Licenses.**

Consultant, at its sole expense, shall obtain and maintain during the term of this Agreement, all appropriate permits, licenses, and certificates that may be required in connection with the performance of services under this Agreement.

**22. Waiver.**

A waiver by the City of any breach of any term, covenant, or condition contained in this Agreement shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained in this Agreement whether of the same or different character.

**23. Governing Law.**

The terms of this Agreement shall be interpreted according to the laws of the State of California. Should litigation occur, venue shall be in the Superior Court of Ventura County.

**24. Integrated Agreement.**

This Agreement represents the entire Agreement between the City and the Consultant and all preliminary negotiations and agreements are deemed a part of this Agreement. No verbal agreement or implied covenant shall be held to vary the provisions of this Agreement. This Agreement shall bind and inure to the benefit of the parties to this Agreement and any subsequent successors and assigns.

In witness whereof, the parties have signed this agreement on the dates set forth below.

**CITY OF SAN BUENAVENTURA**

By: Mabi Covarrubias Plesky  
for Rick Cole  
City Manager

8.9.11  
Date

**CONSULTANT**

By: Sudhira  
Sudhir Pardiwala  
Vice President

7-26-11  
Date

By: Diane Adams  
Diane Adams  
Chief Financial Officer

7/25/11  
Date

APPROVE AS TO FORM  
Ariel Pierre Calonne, City Attorney  
By: M. Rebeca Mendoza  
M. Rebeca Mendoza  
Assistant City Attorney

ATTEST AS TO FORM:  
By: [Signature]

Ventura Water Budget and Account No. 52302-63160-63160100-52

**EXHIBIT A**  
**STANDARD FORM PROFESSIONAL SERVICE AGREEMENT**  
**(City of San Buenaventura and Raftells Financial Consultants, Inc.)**

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**SCOPE OF WORK**  
**DESCRIPTION**

The following sections outline the tasks to complete a three-phase comprehensive Cost of Service and Rate Design Study (Study) for Ventura Water.

The first phase is to prepare long-term financial plans for the water and wastewater enterprises that ensure financial sufficiency to cover the operations and capital costs and provide prudent reserves. Consultant will also conduct a rate and charges workshop with Ventura Water to engage the stakeholders in the rate structure design process and to prioritize pricing objectives, which will be used in the design and evaluation of different alternative rate structures.

In the second phase, the Consultant will review, evaluate and perform cost-of-service analyses for Ventura Water. As a result of the analyses, the Consultant will recommend changes to current water and wastewater rate structures to enhance equity, revenue stability, and defensibility consistent with the policy decisions and pricing objectives in Phase 1.

The last phase of the Study is Rate Adoption. Consultant will assist Ventura Water with presenting the results of the Study to the City Council, and the Consultant will prepare the report summarizing the results to address the requirements of Proposition 218.

The tasks in the three phases are shown below. While tasks are listed consecutively, elements of tasks may be conducted concurrently with other tasks.

**Phase 1: Financial Plan for Water and Wastewater Enterprise Funds**

**Task 1: Project Initiation, Management and Data Collection**

The Project Initiation task will begin the Study so that it progresses in an efficient and deliberate manner. Task 1 includes the collection and review of all relevant data and documents, a kick-off meeting, project management, and a quality assurance/quality control process.

**Task 1.1: Data Collection and Kick-off Meeting with City Staff**

Prior to the kick-off meeting, the Consultant will submit a detailed data request list to Ventura Water so all appropriate data in the required format can be collected efficiently. This electronic data will include, at a minimum, several years of historical customer billing data and financial information such as approved budgets, financial statements, official statement for debt, and water and wastewater master plans.

The Consultant will conduct a kick-off meeting to provide a solid foundation for the project and serve as a forum for Ventura Water and other City staff to provide input on the project approach, work plan, schedule, and priorities. The meeting's focus is to ensure that project participants are in mutual agreement as to the project goals and expectations. Consultant shall prepare a kick-off meeting package that contains the meeting agenda and presentation materials to guide the discussion.

*Meeting(s)/Conference(s): One (1) kick-off meeting*  
*Deliverable(s): Data request list and meeting minutes*

### **Task 1.2: Ongoing Project Management**

Consultant shall provide consistent and competent project management to ensure project success and adherence to timelines and budgets. This task involves multiple interrelated work efforts that will require effective coordination between Ventura Water and City staff, Consultant project team, and City Council. Consultant will meet project objectives through effective communication, teamwork, objectivity, and accountability. Project management components will include adoption of procedures for regular and open communication between the project team members and City staff; preparation of regular progress reports to track schedule and budget and to identify potential problems, challenges, and solutions; and coordination of project activities between Consultant and City staff to develop and present project recommendations and deliverables.

Consultant will also be responsible for general administrative duties such as client correspondence, billing, project documentation and administration of the study control plan.

*Meeting(s)/Conference(s): One (1) kick-off meeting*  
*Deliverable(s): Data request list and meeting minutes*

### **Task 2: Financial Plan Framework Development**

This task involves performing bill frequency analysis to determine the usage patterns, usage block sizes and seasonal usage differentials for different customer groups, and evaluation of the City's financial situation. In addition, this task will include development of specifications for a customized financial planning and rate model for financial projections and policy issues associated with the implementation of the proposed water and wastewater rate structure and future rate adjustments.

#### **Task 2.1: Perform Bill Frequency Analysis**

To help the City gain a better understanding of the consumption trends, Consultant will examine the usage patterns of the different customer classes and the associated usage peaks. By analyzing billing consumption trends, the Consultant shall identify customer groups to allow better decision-making regarding rate design and analysis of customer impacts. Based on this historical usage analysis and planning data, the Project Team will develop projections of future water consumption.

#### **Task 2.2: Review and Evaluate Current Financial Information and Recommend Financial Policies and Programs**

As part of this task, Consultant shall evaluate the City's operating and capital reserve requirements, financial and rate policies and recommend appropriate changes to the existing policies that will allow the Water and Wastewater Enterprises to most effectively meet financial goals. These financial policy requirements will include identifying appropriate target reserve levels for each enterprise's operating and capital programs; when these reserves can be used; infrastructure replacement funding from operations; debt funding of Capital Improvement Program (CIP), if needed; and debt service coverage designed to allow the City to meet its financial objectives and goals while achieving improved rate stability and revenue sufficiency.

### **Task 2.3: Develop Model Specifications**

Consultant shall develop a user-friendly, flexible Model that the City can use for future financial planning and rates development. The rate Model will include the following features:

- Ability to create, save and compare different financial scenarios for ease of understanding impacts.
- Modeling multiple rate structures for different customer classes;
- Providing flexibility to change various assumptions by year;
- Calculating rates for multiple years and updating rates annually with ease;
- Flagging errors and problematic results such as failure to meet debt coverage, reserves below target levels, etc.;
- Performing sensitivity analyses and running various scenarios so that impacts can be viewed in real-time with built-in screen graphics; and
- Providing forms for easy input, report printing, update, understanding, and administration.

Consultant shall customize the Model to fit the specific needs and unique characteristics of the City. The Model shall contain a variety of user-friendly features including report generation, scenario analysis and Dashboard functionality. The Dashboard is a custom-built analytical tool that allows the model users to make changes to critical variables and see the resulting impacts instantly on the various elements of the City's financial plan. The Dashboard is especially useful during the decision-making process so that Boards and Councils can evaluate the impacts of different rate scenarios instantly.

*Meeting(s)/Conference(s): At least one (1) phone conference and one (1) on-site meeting with City staff*

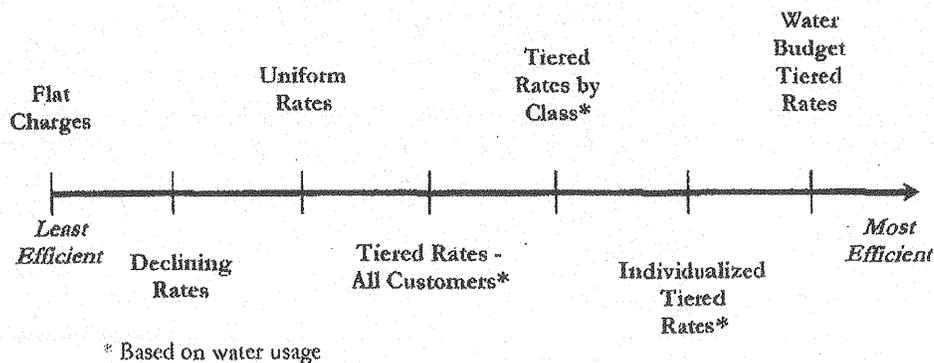
*Deliverable(s): Bill Frequency Analysis and Model Specifications*

### **Task 3: Conduct Pricing Objectives Workshop**

Consultant will develop pricing objectives and assist City staff and/or stakeholders to prioritize pricing objectives so that the Consultant can efficiently evaluate and recommend rate structure alternatives. A partial list of pricing objectives may include:

- Revenue Sufficiency - Rates should generate revenues sufficient to meet revenue requirements despite fluctuations in flows, usage, variability in treatment costs, loadings, etc.
- Conservation - Rates should be designed to send a signal for conservation
- Defensibility - Rates should be designed according to standard industry practice and in accordance with applicable law such that rate disputes are avoided
- Simplicity and Ease of Implementation - Rates should be readily understandable by customers and be able to be implemented using existing staff and the existing billing and collection infrastructure with only minor modifications, and
- Rate Stability - Rate structure should minimize dramatic rate increases or decreases over the planning period.

Consultant will provide a comprehensive list of pricing objectives to be prioritized by staff. The first figure below shows the different rate structure alternatives that the City may evaluate.



The figure below shows a sample pricing objectives scorecard to be provided by the Consultant.

Classification	Rank Total	Objective	Current Rate Structure	Modified Structure
Most Important	1	Financial Sufficiency	A	A-
	2	Revenue Stability	A-	B+
	3	Rate Stability	B+	B
Very Important	4	Equitable Contrib from New Customers	A	A
	5	Defensibility	C+	A-
	6	Cost of Service Based Allocations	C	A-
Important	7	Conservation/Demand Management	C	A-
	8	Minimization of Customer Impacts	A	B
	9	Base of Implementation	A	B+
	10	Simple to Understand and Update	A	B+
Least Important	11	Affordability to Disadvantaged Customers	C	B
	12	Economic Development	B	B
<b>OVERALL SCORE</b>			<b>B+</b>	<b>A-</b>

*Meeting(s)/Conference(s): One (1) on-site meeting with City staff and City Council*

*Deliverable(s): Workshop materials and handouts*

#### **Task 4: Develop Long-Term Financial Plan**

The objective of this task is to develop a forecast of revenue requirements for a ten-year planning horizon. This will include forecasting annual operating and maintenance (O&M) expenses, reserve contributions, review of the master plans to identify capital outlays, pay-as-you-go capital items, and annual debt service. Also, as part of this task, the Consultant will develop cash flow analysis including a profit and loss statement and recommend reserve levels.

##### **Task 4.1: Develop Revenue Requirements**

This task will include the projections of budget items, such as annual costs related to sources of water supply, labor, power, materials, capital expenditures, plant investment, operating and maintenance (O&M) expenses, reserve contributions, and debt service using assumptions based on

different economic factors and growth trends. Consultant shall review the City's existing three water sources as well as explore the potential to increase its portfolio of available water resources including recycled water. As part of this task, the Consultant will prepare a financial analysis for future alternative water resource strategies and their associated impacts.

Consultant shall recommend a pass-through funding mechanism for water supply and power cost increases that are outside of the City's direct control. Consultant will also review the City's 2% Public Art requirement policy and right of way calculation.

Consultant will develop a forecast of water and wastewater revenue requirements over the 10-year planning horizon. This will include an estimate of revenues based on current rates, usage characteristics, and other non-operating revenues. Revenue requirements will be projected over the rate-setting period based on historical results, the current budget, capital improvement plans, existing debt service, other obligations and current economic trends. Capital cost financing from rates, debt, low interest SRF loans, grants, taxes, or infrastructure bank loans will be provided as options. Projecting revenue adjustments over a long planning horizon can illustrate future rate impacts and potential challenges to the City's financial situation. This will allow the City to make adjustments to expenses, reserve balances or schedule capital projects to smooth rate impacts and maintain financial stability.

Of particular concerns are the significant capital expenditures related to various options to remove effluent from the Santa Clara River Estuary, including an expansion of the reclaimed water system, which is expected to be in the tens of millions of dollars. Consultant will evaluate and analyze all possible options, related costs and funding mechanisms. Consultant will also review and make recommendations regarding the current relationship with Saticoy Country Club Water System.

#### **Task 4.2: Develop 10-Year Cash Flow Analysis and Recommend Reserve Balances**

Consultant will develop a multi-year cash flow analysis to determine the revenue adjustments needed to meet projected revenue requirements for the planning period, minimizing sharp rate fluctuations. The cash flow worksheet incorporates revenues generated from different sources, expenses needed to maintain the water and wastewater systems, any transfers in and out of the enterprise funds, as well as the coverage needed to meet current and proposed debt service requirements. A profit and loss statement will be included. Consultant will also review reserves policies to recommend appropriate reserves balances, such as operating, capital, rate stabilization, etc., consistent with industry standards and the City's risk management practice. The model will be capable of projecting beyond the ten-year planning period.

*Meeting(s)/Conference(s): At least two (2) GoToMeeting web conferences and one (1) on-site meeting with City staff*

*Deliverable(s): 10-year Financial Plan Model and Proposed Revenue Adjustment Schedule*

### **Phase 2: Cost of Service Analysis for Water and Wastewater Enterprises**

#### **Task 5: Cost of Service Analysis**

Consultant shall conduct a cost of service study based on industry standards and methodologies approved by the AWWA M1 Rate Manual and the SWRCB and WEF. The cost of service allocations will focus on appropriate service functions, allocating the cost of service (revenue requirements) to the service functions, determining how those services are used by each customer class, and developing the cost allocation components of the models. Cost allocations among customer classes for the water enterprise will likely be based on the AWWA approved Base-Extra Capacity approach which focuses on the different usage patterns (or peaking factors) demonstrated by each customer class as well as Best Management Practices from the California Urban Water

Conservation Council (CUWCC). Wastewater rates will comply with the SWRCB guidelines to ensure that the City will qualify for potential grants and low interest loans.

Throughout the cost allocation process, the Consultant will comply with City policy considerations, procedures, and currently known federal, state, and local rules, regulations, and guidelines. Additionally, the Consultant will ensure that all proposed rates are in compliance with Proposition 218.

#### **Task 5.1: Review Customer Class Usage Patterns and Recommend Customer Classifications**

Consultant shall review and analyze historical water consumption, revenue records, and billing summaries to determine water usage and peaking characteristics by customer class or subclass. For the wastewater utility, the Consultant will examine items such as annual flow and strength and perform a mass balance comparing plant influent to the estimated wastewater generated by the City's users including infiltration and inflow. This analysis will allow the Consultant to appropriately identify loadings from each customer class. This analysis will be based on billing summary data, other locally available data which may be applicable, and the Consultant's experience with other utilities exhibiting similar usage characteristics and patterns. It will provide the basis for equitable cost allocations to each customer class or subclass.

#### **Task 5.2: Allocate Costs to Functional Cost Categories**

During the next step, the Consultant will allocate the cost of service to the various cost components that constitute a functional classification of the different types of service the City provides. Functional cost components for water will include base commodity costs, extra capacity costs, private fire protection costs, customer service and other indirect costs. Functional cost components for wastewater include flow, chemical oxygen demand (COD) and suspended solids (SS). These will represent the revenue requirements from these cost components to be met from charges and fees over the study period.

#### **Task 5.3: Allocate Functional Costs to Customer Classes**

Next, the costs associated with the functional components will be allocated to the various customer classifications on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of units of service for each customer classification and the application of unit costs of service to the respective units.

*Meeting(s)/Conference(s): None*

*Deliverable(s): Cost of Service Analysis, Cost Allocation by Customer Class*

### **Task 6: Calculate Water and Wastewater Rates**

#### **Task 6.1: Calculate Rates**

After conducting the cost allocation analysis, the water and wastewater rates will be calculated for the current and proposed rate structures. During the design process, the Consultant will work within the broad industry guidelines and practices as well as federal, state, and local rules and regulations, particularly the consent decree and Proposition 218 requirements, in order to meet the strategic financial objectives of the City.

Consultant shall develop rate calculation modules to incorporate and evaluate alternative rate structures. The water rate model will have the flexibility to change the tier widths based on customer class and/or meter size. Changes to tiers and rates, as well as changes to water demand, can be done through the scenario analysis options readily to view impacts. The Model will determine the required rate for each tier to collect the required revenue.

In addition, Consultant will review the existing wastewater rate structure and propose alternatives to simplify and provide equity amongst user classes. The industrial users' rates will also be calculated based upon their flow, COD, and SS, as well as all administrative costs related to providing service. All residential and non-residential rates, including parks and/or community gardens rates, will be calculated based on cost of service and will comply with all regulatory requirements, especially Proposition 218. Consultant will also review and evaluate the relationship between existing fixed fire line charges and connection fees.

#### **Task 6.2: Calculate Outside City Rates**

The City currently provides water service to County or outside City customers as well as wastewater service to McGrath State Beach Park and the North Coast Communities (Ventura County Service Area 29). Consultant will review and calculate the outside City rates consistent with cost of service principles. Some factors to consider in developing outside City rates include, but are not limited to, the following:

1. Utility approach
2. General Fund provided services
3. Incremental costs of providing service
4. Risk factors such as liabilities, switching to other providers, etc.

Additionally, the Consultant will review the current agreements with McGrath and Area 29 and make recommendations to revise those agreements to ensure full cost recovery to the City. Additionally, the Consultant will review the costs of serving Saticoy Country Club Water System.

#### **Task 6.3: Calculate Customer Impacts**

Consultant shall determine the potential financial impacts on customers that may result from the proposed rates. The model will include a series of tables and figures that show projected rate impacts on different types of customers at different level of usage.

#### **Task 6.4: Conduct Rate Survey**

Consultant shall conduct a rate survey comparing the recommended rates for all customer classes with those of five (5) neighboring and comparable agencies. Comparing rates with other representative agencies can provide insights into a utility's pricing policies related to service. However, based on the Consultant's experience, the Consultant shall also identify community-specific factors that affect the cost of providing services to provide a wider perspective on pricing differences. Some of these factors may include geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology.

#### **Task 6.5: Review and Calculate Miscellaneous Fees**

As part of this task, the Consultant will review the City's current miscellaneous fees schedule and calculate the cost of providing those additional services to its customers, such as turn on, turn off fees, late charges, cross connections administrative fees, meter and service installation fees, etc. Consultant shall utilize the City's fully burdened hourly rate schedule and work with the City in estimating the time it takes to complete these tasks. Consultant will seek to identify all of the costs associated with a service provided to ensure that all costs are recovered from those benefiting from the services. The updated fee schedule will be provided to the City as part of this task.

*Meeting(s)/Conference(s): At least two (2) web conferences with City staff*

*Deliverable(s): Draft copy of Water and Wastewater Rate Model in Microsoft Excel® 2007, Rate Survey, and Miscellaneous Fees schedule*

### **Phase 3: Rate Adoption**

The goal of this task is to present final recommendations to City staff and City Council and prepare reports detailing the results of the study. Consultant shall present at the Public Hearing and also discuss guidelines for staff training and customer service issues related to implementation.

#### **Task 7: Report Preparation**

##### **Task 7.1: Draft Report**

The process for developing the financial plan and proposed rate structures along with preliminary rate recommendations will be described by the Consultant in a preliminary report of findings and recommendations. This preliminary report will include an executive summary highlighting the major issues, results, and recommendations of the study. A comprehensive section will include all key assumptions used in the study and methodologies used to develop the user rate calculations and financial planning.

##### **Task 7.2: Final Report**

Comments and changes from City staff will be incorporated by the Consultant into the Final Report, which will be refined to reflect appropriate issues or concerns raised by staff. The final report will be submitted to the City and will include appropriate supporting data from the Model to address the requirements of Proposition 218.

*Meeting(s)/Conference(s): At least one (1) phone conference with City staff*

*Deliverable(s): 10 bound copies, 1 unbound copy, and 1 electronic copy of the Final Report*

#### **Task 8: Rate Adoption**

##### **Task 8.1: Proposition 218 Notice Requirement**

Consultant shall work with City Counsel to assist the City in preparing appropriate language for the City's Municipal Code and policy documents to reflect any proposed changes to the rates and/or rate structures as well as reviewing the Proposition 218 notice. The notice is required to be sent out to property owners/customers at least 45 days prior to public hearings. Proposition 218 dictates that an agency cannot collect revenue beyond what is necessary to provide service and that the amount of fee may not exceed the proportional cost of service to the parcel.

##### **Task 8.2: Public Hearing**

Consultant shall attend and assist staff to present at one (1) public hearing meeting with City Council on the adoption of the new rate structure.

##### **Task 8.3: Update City Codes**

Consultant shall assist City to update the Ventura Municipal Code and other City policy documents to reflect all financial, policy or rate modifications, as needed to be in compliance with new findings.

*Meeting(s)/Conference(s): One (1) public hearing meeting*

*Deliverable(s): Presentation materials for public hearing meeting*

##### **Task 9: Implementation Assistance**

As part of this task, the Consultant will assist the City in addressing different implementation issues and strategies for successfully adopting the proposed rate structures.

### **Task 9.1: Public Outreach Meetings**

Due to the sensitivity of utilities rates, the Consultant shall support the City as it engages the community in a collaborative process. The Consultant will attend up to four (4) community meetings, including the City Council and possibly the Finance, Audit, and Budget Committee or Advisory Committee, to both share and receive information regarding the purpose and need for the rate adjustments and potentially new rate structures for water and wastewater services.

Consultant will provide information, both verbally and in written forms, to educate the public about the study, its purpose and need, desired outcome, and timeline in an easy-to-understand format for distribution at community meetings. Any formal presentations will be facilitated by the Consultant to provide technical assistance, answer questions regarding the study, and make presentations about the rates and the associated impacts.

*Meeting(s)/Conference(s): Up to four (4) on-site public outreach meetings*  
*Deliverable(s): Presentation materials and hand-outs*

### **Task 9.2: Model Training and Manual**

At the end of the study, the Consultant will provide training and assistance to City staff on the use, update, and maintenance of the model, especially on the use of the pass-through water costs. The training session will include working through realistic sample scenarios to fully prepare the staff to independently use the model for future analyses. Additionally, the session will provide training to allow periodic updates to the cost of service allocations and annual updates to the operating and financial forecasts and adjustments to the rates in compliance with Proposition 218.

Consultant will also provide an operating manual to City staff detailing the required data inputs, a description of the overall functions of each major component of the model, and a description of the procedures necessary to successfully operate the model, conduct "what-if" analysis, and adjust the model annually to account for changes in users, revenue requirements and other financial parameters. As part of this task, the Consultant will spend half a day with City staff to address any questions and comments that may arise out of the training session. The model will be turned over to the City at the conclusion of the study.

*Meeting(s)/Conference(s): One (1) meeting to train City staff on the use of the model*  
*Deliverable(s): Model and Training Manual*

### **Task 10 – Economic Impact of Groundwater Enhancement Facilities**

The City is required by the California Department of Public Health (DPH) to reduce the total dissolved solids (TDS) in potable water to meet secondary standards. CDPH will allow the City to continue delivering water with levels of TDS exceeding secondary standards, if it is determined that customers are not willing to pay higher rates to fund additional treatment costs. The City desires to calculate the financial impacts to customers resulting from the capital and operating costs of additional groundwater treatment processes and/or facilities. Consultant shall review the existing reports related to construction and operational costs of the treatment facilities and determine possible rate increases to customers. The City intends to poll customers to determine their willingness to fund the higher costs. The Consultant will incorporate the resultant costs, if any, into the cost of service analysis.

## Optional Task(s)

### Task 11: Stakeholder Meetings

Consultant shall conduct up to six stakeholder meetings with a representative group of customers. Stakeholders will be provided input on the rate study process from beginning to end. The purpose of these meetings is to ensure that stakeholder viewpoints are evaluated and responded to as revenue programs are crafted. The Consultant will prepare presentations for each meeting and provide presentation to staff before each meeting for comment and incorporation into presentations. The Consultant will assist in preparing the final presentation by the stakeholders to City Council. This task incorporates two incremental meetings along with four from Task 9.1.

*Meeting(s)/Conference(s): Total of Six stakeholder meetings (Task 9.1 4 meetings + 2 additional meetings)*

*Deliverable(s): Presentations for each meeting*

### Task 12: Water Budget Rates

Development and implementation of a successful water budget rate structure requires buy-in from policy makers. Since water budgets are developed for each individual customer, there is extensive data compilation and analysis. If the City determines that a water budget rate structure is the best option for implementation, Consultant shall perform the following additional tasks:

#### Task 12.1: Policy Workshop

Consultant shall present several policy options and the objectives associated with each policy to the City Council or stakeholders.

Shown below is an example of the objectives associated with different options for estimating landscape areas: measured by GIS, 30 percent of lot size, or varying percentage of lot size by lot size bins. The objectives associated with estimating landscape areas include low administrative

#### OPTIONS FOR ESTIMATING LANDSCAPE AREAS

Option	Low Cost to Administer	Low Administrative Burden	Scientific Method	Rewarding Past Outdoor Conservation
GIS	★	★★★★	★★★★	★
30% of Lot Size	★★★★ / ★	★	★	★★★★
% by Lot Size Bin	★	★★	★★	★★★★

cost, individualized needs, scientific method, and rewarding past outdoor conservation. If administrative cost and rewarding past outdoor conservation are considered the most important, then 30 percent of lot size option should be recommended. Similar exercises will be completed

for all of the policy options. Consultant shall work closely with the City to identify the policy options that need Council/stakeholder buy-in. This approach will facilitate informed decision making and ensure early buy-in.

Consultant shall summarize the outcome of the Workshop and the recommended water budget framework that best fits the City's needs. A concise memo will be provided that contains an explanation of all of the components of the proposed allocation factors for the associated tiers.

*Meetings/Conferences: One (1) on-site meeting with City Council/Stakeholders*

*Deliverables: Workshop materials, handouts, and Rate Structure Framework Memo*

### **Task 12.2: Develop Water Budget Rates Model and Rates**

Based on the conservation framework developed, Consultant shall develop a Conservation Rate Model (Model) that will calculate rates and conduct revenue and customer impact analyses. The Model will utilize representative consumption data provided by the City and the associated landscape area for each account.

The water budget rate model (Model) will have the following standard features:

- **Parameters for Water Budget.** The ability to change the default values for the water budget parameters, such as gallons per capita per day or ET adjustment factors.
- **Methodology to Estimate Landscape Area.** The ability to choose different methodologies of estimating irrigable landscape area including percentage of lot size, or percentage of lot size less building footprint or landscape area with ability to apply landscape area caps for large residential lots to preclude mega water budgets. City will provide RFC the lot size and/or landscape area for residential and irrigation properties to be charged under this rate structure.
- **Rates and Tiers.** The Model calculates the commodity rates based on the required revenue requirement components and projected usage in each tier. The usual components include water supply cost, City's unrecovered fixed cost, conservation program costs, and any other water program costs such as desalinated water, recycled water, etc. The Model will provide the flexibility to evaluate different policy options regarding the recovery of the City's unrecovered fixed costs and conservation program costs. In addition, the Model will be able to easily update tiered rates based on the required future revenue requirements.

*Deliverable: Water Budget Rate Model*

# SCHEDULE

**PROJECT SCHEDULE**

Phase	Task No.	Task Description	No. of Milestones	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12			
1	1	Project Initiation, Management and Data Collection	1	[Gantt bar]												
	2	Financial Plan Framework Development	1	[Gantt bar]												
	3	Pricing Objectives Workshop	1	[Gantt bar]												
	4	Develop Long-Term Financial Plan	1	[Gantt bar]												
2	5	Cost of Service Analysis		[Gantt bar]												
	6	Calculate Water and Wastewater Rates		[Gantt bar]												
3	7	Report Preparation		[Gantt bar]												
	8	Rate Adoption	1	[Gantt bar]												
	9	Implementation Assistance	3	[Gantt bar]												
	10	Economic Impact of Desalination Facilities		[Gantt bar]												
	11	Stakeholder Meetings (Task 9 or 11)		[Gantt bar]												
	12	Final Budget Rates (optional)		[Gantt bar]												

-  Represents a Task Commenced with City's Staff via Contract Funding
-  Represents a Stakeholder Meeting
-  Represents Meetings with City Staff
-  Represents Presentations to City Council or Workshop
-  Represents Council Meetings, Public Outreach, etc.

**EXHIBIT B**  
**STANDARD FORM PROFESSIONAL SERVICE AGREEMENT**  
**(City of San Buenaventura and Raffelis Financial Consultants, Inc.)**  
**SCHEDULE OF COMPENSATION**

**MAXIMUM COMPENSATION**

Consultant shall complete all the work and tasks described in Exhibit A (Task 1 through 12) for a total amount of compensation, including out-of-pocket expenses, that does not exceed \$165,000.

TASKS	Cost
1: Project Initiation, Management and Data Collection	17,520
2: Financial Plan Framework Development	6,420
3: Pricing Objectives Workshop	4,940
4: Develop Long-Term Financial Plan	21,020
5: Cost of Service Analysis	13,880
6: Calculate Water and Wastewater Rates	17,100
7: Report Preparation	21,500
8: Rate Adoption	6,180
9.1: Public Outreach	19,260
9.2: Model Training and Manual	6,640
10: Economic Impact of Groundwater Treatment	7,440
11: Stakeholder Meetings (optional)	13,100
12: Water Budget Rates (optional)	10,000
<b>CONTRACT NOT-TO-EXCEED</b>	<b>\$165,000</b>

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**BILLING**

Consultant will invoice City based on the percent complete of each task, not more than once monthly to following address:

City of Ventura  
Attn: Accounts Payable  
P.O. Box 99  
Ventura, CA 93002-0099  
Fax (805) 648-1809

**TIME OF PAYMENT**

Payment to Consultant shall be made within thirty (30) days after submittal of Consultant's invoice and approval by City.

**EXHIBIT "C"**  
**STANDARD FORM PROFESSIONAL SERVICES AGREEMENT**  
**(City of San Buenaventura and Raffelis Financial Consultants, Inc.)**

**INSURANCE REQUIREMENTS**

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1. **Types and Amounts of Insurance Coverage.** Consultant shall provide the following types of insurance designated in this section by a check mark that includes coverage limits complying, at a minimum, with the limits set forth herein:

<u>Type of Insurance</u>	<u>Limits (comb. single)</u>
<input checked="" type="checkbox"/> Errors and omissions	\$2,000,000
<input checked="" type="checkbox"/> Commercial gen. Liability	\$2,000,000
<input checked="" type="checkbox"/> Business auto liability	\$1,000,000
<input checked="" type="checkbox"/> Workers comp.	Statutory Limit

2. **Insurance Policy Forms and Provisions.** The insurance policies provided by Consultant in compliance with the requirements of this section shall conform to all of the following requirements regarding policy forms and provisions, including reference to the Agreement Number, project name, and / or description of the scope of services.

(a) Commercial Liability Insurance shall be provided on ISO-CGL Form No. CG 00 01 11 85 or 88. Aggregate limit endorsements shall be evidenced on either ISO Form No. CG 25 03 11 85 or ISO Form No. CG 25 04 11 85. City and all of City's officers, employees, agents, and volunteers shall be named as additional insureds under such insurance coverage using the City's standard form endorsement or ISO Form No. CG 20 10 11 85 (in no event with an edition date later than 1990).

Coverage shall apply on a primary non-contributing basis in relation to any other insurance or self-insurance, primary or excess, available to City or any officer, employee, agent, or volunteer of City.

Coverage shall not be limited to the vicarious liability or supervisory role of any additional insured. There shall be no cross liability exclusion and no Consultant limitation endorsement. In addition, there shall be no endorsement or modification limiting the scope of coverage for liability arising from pollution, explosion, collapse, underground property damage, or employment-related practices, except for a provision or endorsement limiting liability arising from pollution to liability caused by sudden or accidental pollution.

Any umbrella liability insurance over primary insurance provided to meet primary limits shall apply to bodily injury, personal injury and property damage, at a minimum. Coverage shall be as broad as any required underlying primary coverage, and shall include a "drop down" provision providing primary coverage for liability not covered by primary policies but covered by the umbrella

policy. Coverage shall be provided with defense costs payable in addition to policy limits. Coverage shall have starting and ending dates concurrent with the underlying coverages.

(b) Errors and Omissions Insurance shall be provided covering liability for professional malpractice. Such coverage shall be on an "occurrence basis" if such coverage is available, or on a "claims made" basis if not available. When coverage is provided on a "claims made" basis, Consultant shall continue to maintain the insurance in effect for a period of three (3) years after this Agreement expires or is terminated (hereinafter the "extended insurance"). Such extended insurance shall have the same coverage and limits as the policy that was in effect during the term of this Agreement, and shall cover Consultant for all claims made by City arising out of any errors or omissions of Consultant, or the officers, employees or agents of Consultant during the time this Agreement was in effect.

(c) Business Auto Coverage shall be provided on ISO Business Auto Coverage Form No. CA 00 01 06 92 including symbol 1 (any auto). As in the case of general liability insurance requirement, City and all of City's officers, employees, agents, and volunteers shall be named as additional insureds under such insurance coverage using City's Standard form endorsement or ISO Form No. CG 20 10 11 85 (in no event with an edition date later than 1990). The insurance policy providing such coverage shall be scheduled as underlying insurance to any umbrella policy required above meeting general liability insurance requirements.

(d) Workers' Compensation/Employer's Liability Coverage shall provide workers' compensation statutory benefits as required by law. Unless otherwise agreed, this policy shall be endorsed to waive any right of subrogation as respects to the City and City's officers, employees, agents, and volunteers. Employer's liability coverage provided by such insurance shall be scheduled under any primary or umbrella policy described above to meet general liability insurance requirements.

**3. Additional Insurance Requirements.** Consultant agrees to comply with the following additional requirements with respect to the insurance provided pursuant to this section:

(a) Unless otherwise approved by the City, Consultant's insurance shall be written by insurers authorized to do business in the State of California, and with a minimum "Best's" Insurance Guide rating of "A:VII." Self-insurance will not be considered to comply with these insurance specifications.

(b) Consultant shall provide evidence of the insurance required herein, satisfactory to City, consisting of certificate(s) of insurance evidencing all of the coverages required, copies of the insurance policies themselves or any portions thereof, and any required endorsements. Certificate(s) are to reflect that the insurer will provide 30 days notice of any cancellation of coverage. Consultant shall require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word "endeavor" with regard to any notice provisions.

(c) Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only and is not intended by any party to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. Coverage shall not be limited to the specific location, individual, or entity designated as the address of the project or services provided for by this Agreement.

(d) Consultant shall ensure that coverage provided to meet these requirements is applicable separately to each insured, and that there will be no cross liability exclusions that

preclude coverage for suits between Consultant and City, between Consultant and any other named insureds or additional insureds under the insurance policy, or between City and any party associated with City or City's officers, employees, agents, or volunteers.

(e) All general or auto liability insurance coverage provided pursuant to this Agreement, or any other agreements pertaining to the performance of this Agreement, shall not prohibit Consultant, and Consultant's employees or agents, from waiving the right of subrogation prior to a loss. By these presents, Consultant waives its right of subrogation against the City.

(f) Any failure on the part of City or any other additional insured under these requirements to obtain proof of insurance required under this Agreement in no way waives any right or remedy of City or any other additional insured in this or any other regard.

(g) In the event any policy of insurance required under this Agreement does not comply with these requirements or is canceled and not replaced, City has the right, but not the duty, to obtain the insurance it deems necessary to meet the requirements of this Agreement, and any premium paid by City for such insurance will be promptly reimbursed by Consultant, or, if not promptly reimbursed, deducted from any compensation to be paid by City to Consultant pursuant to this Agreement.

(h) Consultant will provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least 72 hours before expiration of coverage.

(i) Consultant shall require all sub-Consultants or other parties hired by Consultant to perform any part of the services required by this Agreement to purchase and maintain all of the insurance specified above and all such commercial general liability insurance and business automobile insurance shall name as additional insureds all parties to this Agreement. Consultant shall obtain certificates evidencing such coverage and make reasonable efforts to ensure that such coverage is provided as required herein. No contract used by any Consultant, or contracts Consultant enters into on behalf of City, will reserve the right to charge back to City the cost of insurance required by this Agreement. When requested, Consultant shall provide City with all agreements with sub-Consultants or others with whom Consultant contracts with on behalf of City, and with all certificates of insurance obtained in compliance with this paragraph. Failure of City to request copies of such documents will not impose any liability on City, or its employees.

(j) Consultant shall provide immediate notice to City of any claim against Consultant or any loss involving Consultant that could result in City or any of City's officers, employees, agents, or volunteers being named as a defendant in any litigation arising out of such claim or loss. City shall not incur any obligation or liability by reason of the receipt of such notice. However, City shall have the right, but not the duty, to monitor the handling of any such claim or loss that is likely to involve City.

(k) In the event of any loss that is not insured due to the failure of Consultant to comply with these requirements, Consultant will be personally responsible for any and all losses, claims, suits, damages, defense obligations, and liability of any kind attributed to City, or City's officers, employees, agents, or volunteers as a result of such failure.