



**Report to the City Council
Council Meeting of September 13, 2016**

Agenda Section: Consent

Subject: Consideration and proposed approval of the First Amendment to the Professional Service Agreement, with Hansford Economic Consulting to provide additional work outside the original Water and Waste Water Rate Study scope, increasing the contract amount by \$13,020 for a total contract of \$61,370; and authorizing a budget increase of \$13,020 split equally between accounts 561-4300-2130 and 571-4300-2130. Funds for 561 will be taken from the Water Enterprise Unrestricted Net Position and funds for 571 will be transferred from the Wastewater Capital Project Fund to the Wastewater Operating Fund identified above.

CEQA Status: Not a CEQA project

**Prepared By: Jennifer Tuell, Water Conservation Coordinator
Steven Palmer, PE, Director of Public Works/City Engineer**

Approved By: Jennifer Phillips, City Manager

BACKGROUND

In September 2015, staff issued a Request for Proposals and on October 9, 2015, the City received four proposals. A team of managers and an outside consultant reviewed the proposals. Hansford Economic Consulting was considered the top proposer. On September 26, staff conducted an interview with Catherine Hansford and contacted references for additional feedback. Based on the proposal, consultant's relevant experience, references and interview, staff has selected Hansford Economic Consulting.

On November 10, 2015 City Council approved Resolution No. 2015-136 awarding the contract to Hansford Economic Consulting to provide a Utility Rate Study for the Water and Wastewater Rates for a total not to exceed amount of \$48,350.

DISCUSSION

Staff spent considerable time extracting data and pertinent information from the City's customer and water use data base. This information was difficult to extract in a usable

format from the billing software. It took the consultant a significant amount of time to clean-up the data provided from staff. Additionally, as the consultant became more familiar with the circumstances in St. Helena both staff and the consultant determined that additional review and modeling work would need to be done. The additional work is related to standby changes, water agreements and a more in-depth review of peak water use months. The need for this additional work could not have been identified until staff and the consultant began to extract and analyze data, and begin preparation of the rate models.

The total additional work equates to \$13,020 for a total contract of \$61,370. The additional cost associated with the database clean-up equated to \$8,500 in additional work and the additional rate modeling work equated to \$4,630 in additional work.

The additional work is summarized below:

Task 2A – Additional Database Work

The City's customer and metered water use data was difficult to use as extracted from the billing software. As the building block on which the analysis is conducted it was critical that the data be accurate otherwise all the rate calculations would have been compromised. HEC and City staff both put in a lot of extra time working through the database to achieve a high confidence level in the base data for both the water and wastewater rate studies. HEC will be transferring an Excel database back to the City with coding as needed to implement the new rate studies. The additional cost associated with this work is \$8,400.

Task 8A – Additional Modeling

The rate modeling work was more extensive than anticipated when the original budget was developed. Certain City circumstances influence the financial models, and these have caused increased cost. These include standby charges, agreements with individual customers that complicated HEC's understanding of the Project, multiple water sources (also with associated use agreements) for which more than the typical amount of data had to be analyzed to determine appropriate rate structure, and more in-depth review of costs incurred during the peak water use months. The additional cost associated with this work is \$4,620.

FISCAL IMPACT

Funds for the original agreement in the amount of \$48,350 were budgeted in the FY 2015-16 Adopted Budget under 561-4300-2145 Other Contract Services and 571-4300-2145 Other Contract Services.

The additional \$13,020 in funding for this First Amendment to the Professional Services Agreement for the Water and Waste Water Rate Study will be funded from the Water Enterprise Unrestricted Net Position and from a transfer from the Wastewater Capital

Project Fund. The net position of the Water Enterprise Fund will remain unchanged at 70% (net position not including pension liability). The full cost of the Water and Waste Water Rate Study, including this increase, is eligible to be funded from the utility user rates.

RECOMMENDED ACTION

Adopt attached resolution authorizing the City Manager to execute the First Amendment to the Professional Services Agreement with Hansford Economic Consulting increasing the contract by \$13,020 for a total contract amount not to exceed \$61,370 for Water and Waste Water rate study; and authorizing a budget increase of \$13,020 split equally between accounts 561-4300-2130 and 571-4300-2130 from Water Enterprise Unrestricted Net Position and from a transfer from the Wastewater Capital Project Fund.

ATTACHMENTS

1. Letter from Hansford Economic Consulting Dated August 17, 2016
2. Resolution
3. First Amendment to the Professional Services Agreement
 - Exhibit A-1: Scope of Service and Schedule
 - Exhibit B-1: Cost Proposal

**HANSFORD ECONOMIC
CONSULTING**PO Box 10384
Truckee, CA 96162Phone: 530-412-3676
Email: catherine@hansfordecon.com

August 17, 2016

Jennifer Tuell, Project Manager
1480 Main St.
St. Helena, CA

Subject: City of St. Helena Water and Wastewater Rate and Fee Study

Dear Jennifer:

It has been a great privilege to work on the City of St. Helena (City) water and wastewater rate and fee study (the Project). The Project is nearing its completion and is on schedule for implementation of new rates in February 2017.

Hansford Economic Consulting (HEC) has worked to ensure that the updated rate schedules meet the City's short and long term financial goals, while equitably sharing costs to customers. The City Council approved a budget of \$48,350 for HEC's services in November 2015. As of August 10, 2016, \$45,431 (94%) of the total budget authorized has been exhausted; however, there remains a lot of work to be done to implement new rates. Costs have been greater than originally estimated and authorized for the following reasons:

1. The City's customer and metered water use data was difficult to use as extracted from the billing software. As the building block on which the analysis is conducted it was critical that the data be accurate otherwise all the rate calculations would have been compromised. HEC and City staff both put in a lot of extra time working through the database to achieve a high confidence level in the base data for both the water and wastewater rate studies. HEC will be transferring an Excel database back to the City with coding as needed to implement the new rate studies. *The additional cost associated with this work is \$8,400.*
2. The rate modeling work was more extensive than anticipated when the original budget was developed. Certain City circumstances influence the financial models, and these have caused increased cost. These include standby charges, agreements with individual customers that complicated HEC's understanding of the Project, multiple water sources (also with associated use agreements) for which more than the typical amount of data had to be analyzed to determine appropriate rate structure, and more in-depth review of costs incurred during the peak water use months. *The additional cost associated with this work is \$4,620.*

This letter respectfully requests an amendment to authorize an additional \$13,020 to complete the Project. HEC is not proposing any changes in billing rates, and will continue to bill direct expenses with no (\$0) markup. If approved, the total budget will increase from \$48,350 to \$61,370.

The scope of services includes ten tasks which are detailed in HEC's original proposal and budget estimate, and incorporated into the agreement for services. Since the authorization of the original scope of services, HEC has completed the first seven tasks. The status of each task follows:

- Task 1 – Project Initiation and Management: **COMPLETE**
- Task 2 – Cost Classification and Customer Profiling: **COMPLETE**
- Task 3 – CIP Financing Strategy and Connection Fee Calculations: **COMPLETE**
- Task 4 – Revenue Requirement Projections: **COMPLETE**
- Task 5 – Cost of Service Analysis: **COMPLETE**
- Task 6 – Rate Design Analysis: **COMPLETE WITH THE EXCEPTION OF MEADOWOOD SURCHARGE**
- Task 7 – Cash Flow Projections: **COMPLETE**
- Task 8 – Prepare Reports and Support Implementation: **ABOUT 30% COMPLETE**
- Task 9 – Stakeholder Group Participation: **ONE RATES COMMITTEE MEETING HELD; DRAFT REPORT AND ONE RATES COMMITTEE MEETING REMAINING**
- Task 10 – Presentations and/or Meetings: **FOUR MEETINGS HAVE BEEN HELD IN ST. HELENA TO DATE**

Table 1 summarizes the original authorized budget, budget expended to date, remaining budget, and estimated remaining costs to complete the Project. The total estimated additional cost to complete the Project is \$13,020.

Table 1
Budget Summary

Task	Original Budget	Invoices through July	Estimate of Costs 8/1 - 8/10	Remaining Budget	Estimated Remaining Costs	Estimated Total Cost
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = a-b-c</i>	<i>e</i>	<i>f = a+e-d</i>
1 Project Initiation & Management	\$3,050	\$3,050	\$0	\$0	\$0	\$3,050
2 Cost Classification and Customer Profiling	\$5,100	\$5,100	\$0	\$0	\$0	\$5,100
<i>Additional / Unanticipated Database Costs</i>	\$0	\$8,400	\$0	<i>(\$8,400)</i>	\$0	\$8,400
3 Financing Strategy	\$2,370	\$2,370	\$0	\$0	\$0	\$2,370
4 Revenue Requirement Projections	\$2,850	\$2,850	\$0	\$0	\$0	\$2,850
5 Cost of Service Analysis	\$3,650	\$3,650	\$0	\$0	\$0	\$3,650
6 Rate Design Analysis	\$4,930	\$4,930	\$0	\$0	\$665	\$5,595
7 Cash Flow Projections	\$3,300	\$3,300	\$0	\$0	\$0	\$3,300
8 Prepare Reports & Support Implementation	\$4,420	\$0	\$3,270	\$1,150	\$9,440	\$12,710
9 Stakeholder Group Participation	\$3,300	\$1,650	\$0	\$1,650	\$2,110	\$3,760
10 Presentations / Meetings (9)	\$12,940	\$4,263	\$1,438	\$7,239	\$2,790	\$8,491
Subtotal Staff Costs	\$45,910	\$39,563	\$4,708	\$1,640	\$15,005	\$59,276
Reimbursable Costs	\$2,440	\$616	\$544	\$1,280	\$935	\$2,095
Total Cost [1]	\$48,350	\$40,179	\$5,251	\$2,919	\$15,940	\$61,370
Additional Budget Authorization Request (f-a)						\$13,020

[1] HEC reserves the right to move budget between tasks as necessary to complete the scope of work up to the authorized budget amount.

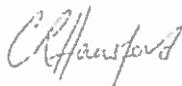
Table 2 provides the estimate of remaining cost to complete the scope of services.

Table 2
Remaining Cost Estimate

Remaining Work	HEC Staff				Total Cost
	Catherine \$160	Rachel \$115	Zach \$90	Admin \$75	
Staff Expense					
Complete Model (25% of time for Meadowood)	8	12	0	0	\$2,660
Prepare Draft & Final Reports	14	22	10	5	\$6,045
Assist with public hearing notice & staff reports	3	8	0	0	\$1,400
Prepare for 2nd Rates Committee Meeting	6	10	0	0	\$2,110
Ad Hoc Mtg & Council Mtg & Public Hearing	9	0	0	18	\$2,790
Total Staff Expense	40	52	10	23	\$15,005
Direct Expense					
Hotel (2 nights)					\$330
Mileage (3 trips)					\$605
Meals					\$0
Total Direct Expense					\$935
Estimated Remaining Costs					\$15,940

HEC looks forward to continuing to work with the City to ensure that the Project is successful. Please review this request and call with any questions or comments.

Sincerely,



Catherine R. Hansford
HANSFORD ECONOMIC CONSULTING

**CITY OF ST. HELENA
RESOLUTION NO. 2016-**

RESOLUTION APPROVING THE FIRST AMENDMENT TO THE AGREEMENT WITH HANSFORD ECONOMIC CONSULTING TO PROVIDE ADDITIONAL WORK ON THE WATER AND WASTEWATER RATE STUDY, AUTHORIZE CITY MANAGER TO EXECUTE THE AMENDMENT, AND APPROVE BUDGET INCREASE OF \$13,020 SPLIT EQUALLY BETWEEN ACCOUNTS 561-4300-2130 AND 571-4300-2130 FROM THE WATER ENTERPRISE UNRESTRICTED NET POSITION AND FROM A TRASFER FROM THE WASTEWATER CAPITAL PROJECT FUND

RECITALS

- A. The City conducted its most recent utility rate study in 2011 and as a result, water rates were increased 2.8% in 2013, and 2.5% in 2014 and 2.6% in January 2015. Wastewater rates were increased 2.8% in 2013, and 2.5% in 2014 and 2.6% in January 2015; and
- B. In September 2015, staff issued a Water and Waste Water Rate Study Request for Proposals; and
- C. On November 10, 2015 City Council approved Resolution No. 2015-136 awarding the contract to Hansford Economic Consulting to provide a Utility Rate Study for the Water and Wastewater Rates for a total not to exceed amount of \$48,350; and
- D. The data and pertinent information from the City's customer and water use data base information was difficult to extract in a usable format and it took the consultant a significant amount of time to clean-up the data provided from staff; and
- E. As the consultant became more familiar with the circumstances in St. Helena both staff and the consultant determined that additional review and modeling work would need to be done.

RESOLUTION

The City Council of the City of St. Helena hereby resolves as follows:

1. Amendment No. 1 to the agreement with Hansford Economic Consulting, increasing the contract amount by \$13,020 for a total not to exceed amount of \$61,370 is approved.
2. The City Manager is authorized to execute the agreement on behalf of the City.
3. Budged increase of \$13,020 split equally between accounts 561-4300-2130 and 571-4300-2130 from Water Enterprise Unrestricted Net Position and a transfer from the Wastewater Capital Project Fund is approved.

Approved at a Regular Meeting of the St. Helena City Council on September 13, 2016,
by the following vote:

Mayor Galbraith: _____

Vice Mayor White: _____

Councilmember Crull: _____

Councilmember Dohring: _____

Councilmember Pitts: _____

APPROVED:

ATTEST:

Alan Galbraith, Mayor

Cindy Black, City Clerk

**FIRST AMENDMENT
TO PROFESSIONAL SERVICES AGREEMENT
WITH HANSFORD ECONOMIC CONSULTING**

This First Amendment to Professional Services Agreement ("Agreement") dated November 10, 2015 ("Agreement") is made as of this 13th day of September 2016 by and between the City of St. Helena, a municipal corporation ("City"), and Hansford Economic Consulting ("Consultant").

RECITALS

- A. On November 10, 2015 the City and Consultant entered into the Agreement for Consultant to provide a Utility Rate Study for a total amount not to exceed \$48,350 per Resolution No. 2015-136; and
- B. The data and pertinent information from the City's customer and water use data base information was difficult to extract in a usable format and it took the consultant a significant amount of time to clean-up the data provided from staff; and
- C. As the consultant became more familiar with the circumstances in St. Helena both staff and the consultant determined that additional review and modeling work would need to be done; and
- D. The First Amendment shall not exceed \$13,020, and the total to be paid to the Consultant shall not exceed \$61,370; and
- E. The Contract period shall extend until the time new rates are implemented, and the rate study is complete.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and of the mutual covenants and agreements herein contained, for good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree to amend the Agreement as follows:

1. Section 1. Basic Services

Exhibit A to the Agreement is replaced with the attached Exhibit A-1.

2. Section 4. Compensation and Method of Payment

Exhibit B to the Agreement is replaced with the attached Exhibit B-1.

Section 4.A is amended to increase the total compensation payable to Consultant under

the Agreement by \$13,020 to read as follows:

"Subject to any limitations set forth in this Agreement, City agrees to pay consultant the amount specified in Exhibit B-1, "Compensation," attached hereto and made a part hereof. Total compensation shall not exceed \$61,370, unless additional compensation is approved in accordance with Section 2."

All other terms of the Agreement shall remain in full force and effect.

Entered as of the day and year first above stated.

CONSULTANT:

Hansford Economic Consulting
PO Box 10384
Truckee, CA 96162

CITY OF ST. HELENA
a Municipal Corporation

By: _____

Jennifer Phillips, City Manager

Signatures of Authorized Persons:

By: _____

Director, _____ Department

Print Name: _____

Title: _____

Title: _____

APPROVED AS TO FORM:

Thomas B. Brown, City Attorney

ATTEST:

Cindy Black, City Clerk

Attachments:

- Exhibit A-1, "Scope of Services and Schedule"
- Exhibit B-1, "Cost Proposal"

Scope of Services and Schedule

Scope of Services

The rate studies will be built in Microsoft Excel, giving the ability to test various key assumptions such as operating reserve levels and rate structures. All assumptions used in the model will be clearly defined, and tables will be presented in an easily understandable format. A baseline scenario will be developed, which will serve to evaluate the impact of changes from alternative rate structures, changing City policies, and/or measure the impact of rate increases.

The Study will be conducted in ten tasks. Each task is detailed below.

Task 1: Project Initiation and Management

Under this task, HEC will coordinate with staff to collect the base data necessary to conduct the study. HEC will provide the City with a list of data information and needs. HEC will work with staff to ensure good quality data is used in the rate studies. Upon receipt and review of the data HEC will meet with staff to discuss key factors driving the need for rate adjustments for each utility including regulatory requirements, water supply and/use pattern changes, City policies, and legislative mandates. Financial goals and policy objectives, such as asset replacement and funding, of the City's utility enterprise funds will be reviewed as they will shape the development of the financial models and recommendations of the Study.

This task also includes time for project management from inception to completion of the Study.

Meetings: (1) Staff meeting & tour of facilities

Deliverables: Data and information List

Task 2: Cost Classification and Customer Profiling

HEC will review the current cost classifications used by the City and may make suggestions to change the methodology or may recommend continued use of the current methodology. Cost allocation is based on use characteristics of customers and will be determined by customer usage profiling. HEC will use historical demand and billing data as well as industry standard factors to provide customer usage profiles by customer type. The current rates schedules will be examined for alignment with current City goals and objectives and fit with customer usage patterns.

Task 2A – Additional Database Work

The City's customer and metered water use data was difficult to use as extracted from the billing software. As the building block on which the analysis is conducted it was critical that the data be accurate otherwise all the rate calculations would have been compromised. HEC and City staff both put in a lot of extra time working through the database to achieve a high confidence level in the base data for both the water and wastewater rate studies. HEC will be transferring an Excel database

back to the City with coding as needed to implement the new rate studies. The additional cost associated with this work is \$8,400.

Meetings: (0)

Deliverables: None

Task 3: Financing Strategy

Through the capital improvements planning process the City identifies projects that will likely need to be constructed over the next five years. Under this task, HEC will summarize the CIPs as provided by the City and will present a financing strategy to ensure the facilities are completed in a timely fashion, while minimizing the impact to rate payers and the development community such that economic competitiveness is not harmed. HEC will rely on information from the City's engineers to allocate cost of the CIP between existing and future customers. The Excel models will be able to evaluate the impact of several funding options (such as low interest loans, bond sales and so forth) for capital improvements.

Meetings: (0)

Deliverables: None

Task 4: Revenue Requirement Projection

The projected revenue requirement is the revenue necessary to fully cover all expenditures net of other operating and non-operating revenues. A projection of revenue deficiency will be conducted by comparing the existing level of operating and non-operating revenues with projected annual expenditures. Operation and maintenance expenses may be projected using historical annual percentage increases, or some other index, such as a consumer price index; projection methodology will be discussed with staff. Expense item categories, such as utility costs and labor costs, will be projected independently. Projected annual costs may also include other non-operating cost considerations, such as an operating reserve, rate stabilization fund, or additional funds to meet debt service coverage requirements.

Non-operating revenues, such as interest revenue, connection charges, and other miscellaneous revenue sources, will be included as credits in the analysis so that the revenue requirement is not over-estimated.

Meetings: (0)

Deliverables: None

Task 5: Cost of Service Analysis

Once the projected revenue requirement is established, it is allocated to user groups based on cost classification (collection or treatment plant costs for wastewater, customer or demand costs for water) and customer usage characteristics (flow and load for wastewater, and water demand patterns for average and peak usage). The customer usage factors are determined based on the customer profiling exercise. HEC incorporates the effect of price-elasticity into the future water and wastewater use projection.

The cost allocation analysis leads to a calculation of monthly user rates for the enterprise funds such that they are adequately funded for existing and projected future costs and that the rates are based on the demand for service by each customer type. By establishing a basis and relation between the cost of service and the demand for service by each customer type, the requirements of Proposition 218 will be fully met.

Meetings: (1)

Deliverables: Progress meeting with staff

Task 6: Rate Design Analysis

The current rate structure will be assessed and alternative rate structures examined. New and/or alternative customer classifications, and proportion of charges collected as flat rate versus variable rate will be recommended if appropriate to fit with City objectives. The recommended rate structure will be determined with input from staff and a stakeholder group (potentially) given the City's billing system capabilities, public understanding of utility bills, and other stakeholder concerns.

Considerable time will be spent in this task evaluating the effect of different rate structures on developed policy objectives for water and wastewater, including operations, water conservation, recent legal interpretations of Proposition 218, the bill impacts to different customer groups, and the economic effect / hardship on low-income households.

Meetings: (1)

Deliverables: Progress meeting with staff

Task 7: Cash Flow Projections

Cash flows for each enterprise fund will be presented to ensure sufficiency of funding through the plan period, demonstrating adequate debt service coverage and reserve levels are met. Minimum reserve levels will be recommended for each utility.

HEC will explain how the model works to staff at an interactive meeting where the model is displayed on a large screen.

Meetings: (1)

Deliverables: Model review with staff

Task 8: Prepare Reports and Support City Implementation of Rates

HEC will prepare a joint water and wastewater rate study report unless one utility study moves ahead of the other, or it becomes impractical to put both studies in one report, in which case separate reports will be prepared. The report(s) will include the methodologies used, detailed calculations of rates, findings and recommendations. Draft and final reports of each study will be provided to the City electronically. Hard copies of the final report will be provided on request.

HEC will support the City's implementation of revised rate schedules by assisting with drafting the public hearing notice(s), conducting a public workshop, attending the public hearing(s), and reviewing drafting resolutions.

Task 8A – Additional Modeling

The rate modeling work was more extensive than anticipated when the original budget was developed. Certain City circumstances influence the financial models, and these have caused increased cost. These include standby charges, agreements with individual customers that complicated HEC's understanding of the Project, multiple water sources (also with associated use agreements) for which more than the typical amount of data had to be analyzed to determine appropriate rate structure, and more in-depth review of costs incurred during the peak water use months. The additional cost associated with this work is \$4,620.

Meetings: (3) – Public Workshop, Presentation of Report, and Public Hearing
Deliverables: Draft and Final Reports

Task 9: Stakeholder Group Participation

It has been HEC's experience that the more involvement customers have in the process, the greater the likelihood of timely implementation of revised rate schedules.

Under this task a stakeholder group representing different customer classes would be formed. The stakeholder group would be apprised of project progress and be asked for input and feedback on issues that directly affect them. For example, discussion and input from this group would be particularly useful in determining the percentage of revenue requirement to be collected through fixed versus variable charges; whether new customer classes might be warranted, and in ensuring proportionality within the context of Proposition 218 is achieved.

Meetings: (2)
Deliverables: Meeting materials

Task 10: Presentations / Meetings

Materials necessary for presentations and meetings will be prepared under this task. Materials may include PowerPoint, handouts, and so forth. This scope of services provides for up to nine (9) meetings at the City over the course of the project, not necessarily in this order:

1. Data review with staff (Task 1)
2. Progress meeting with staff (Task 5)
3. Progress meeting with staff (Task 6)
4. Stakeholder meeting (Task 9)
5. Stakeholder/ Task Force meeting (Task 8)
6. Model review with staff (Task 7)
7. One Public Workshop/Task Force meeting (Task 8)
8. Presentation of Draft Report (task 8)
9. Public Hearing (Task 8)

Meetings: (9) Total All Tasks
Deliverables: Power Point Presentations

Schedule

The schedule provides for a draft study or studies (if water and wastewater are prepared separately) completed in September 2016. The schedule assumes that both water and wastewater studies are completed concurrently and solid engineering estimates for capital improvements are ready. Following completion of the study are the public workshops, presentation of the study to City Council for action, and a 45-day public noticing period. An aggressive timeframe would be to have rates adopted in early 2017.

Cost Proposal

The estimated manpower and associated costs provided herein assume that HEC conducts the sewer and water studies concurrently and that the City reaps the benefits of efficiencies and cost savings associated with conducting the studies in this manner.

Estimated Budget

The estimated cost for this project was **\$45,910** plus **\$2,440** for reimbursable expenses. The original cost proposal of **\$48,350** was based on an estimate of staff time by task as shown in **Table 1** on the following page. Reimbursable expenses include any travel-related expenses such as mileage reimbursement and parking, postage or delivery charges, meals and lodging if necessary, and report printing.

With the addition of Task 2A – Additional Database Work in the amount of \$8,400 and Task 8A – Additional Modeling from Exhibit A-1 in the amount of \$4,620, the original cost proposal of \$48,350 will be increased by \$13,020, for a total project cost of \$61,370. Reimbursable expenses are charged with no markup and are included in monthly invoices.

Fee Schedule

Staff hourly rates are \$160 per hour for Catherine Hansford, \$115 per hour for Rachel Kirkpatrick, \$90 per hour for Zach Gustafson, and \$75 per hour for clerical support and travel time. HEC hourly rates are valid until project completion.

HEC charges for services on a cost not-to-exceed basis; therefore, you will only be billed for the work completed up to the authorized budget amount. Invoices are issued monthly with a brief description of services performed in the period, and are due on receipt.

HEC reserves the right to move budget between tasks, should one task be completed under the estimated amount, and another task be completed over the estimated amount. If additional work is requested by the City that is beyond the original scope of services, HEC will request authorization for additional budget.

Table 1
Original Cost Estimate for St. Helena Water and Wastewater Rate Study

Task/Item Description <i>Hourly Billing Rates</i>	HEC		Total Estimated Cost
	Hansford \$160	Admin \$75	
1 Project Initiation & Management	12	15	\$3,050
2 Cost Classification and Customer Profiling	30	4	\$5,100
3 Financing Strategy	12	6	\$2,370
4 Revenue Requirement Projections	15	6	\$2,850
5 Cost of Service Analysis	20	6	\$3,650
6 Rate Design Analysis	28	6	\$4,930
7 Cash Flow Projections	15	12	\$3,300
8 Prepare Reports	22	12	\$4,420
9 Stakeholder Group Participation	15	12	\$3,300
10 Presentations / Meetings (9)	45	77	\$12,940
Subtotal Staff Costs	214	156	\$45,910
Reimbursable Costs			\$2,440
Total Cost Proposal [1]			\$48,350

[1] HEC reserves the right to move budget between tasks as necessary to complete the scope of work up to the authorized budget amount.

Table 2
Updated Cost for St. Helena Water and Wastewater Rate Study

Task/Item Description <i>Hourly Billing Rates</i>	Total Estimated Cost
1 Project Initiation & Management	\$3,050
2 Cost Classification and Customer Profiling	\$5,100
2A Additional Database Work	\$8,400
3 Financing Strategy	\$2,370
4 Revenue Requirement Projections	\$2,850
5 Cost of Service Analysis	\$3,650
6 Rate Design Analysis	\$4,930
7 Cash Flow Projections	\$3,300
8 Prepare Reports & Support Implementation	\$4,420
8A Additional Modeling	\$4,620
9 Stakeholder Group Participation	\$3,300
10 Presentations / Meetings (9)	\$12,940
Subtotal Staff Costs	\$58,930
Reimbursable Costs	\$2,440
Total Cost Proposal [1]	\$61,370

[1] HEC reserves the right to move budget between tasks as necessary to complete the scope of work up to the authorized budget amount.

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT, made and entered into on November 10, 2015 by and between the City of St. Helena, located in the County of Napa, State of California (City), and Hansford Economic Consulting (Consultant).

RECITALS:

A. City desires to employ Consultant to furnish professional services in connection with the project described as Utility Rate Study.

B. Consultant has represented that Consultant has the necessary expertise, experience, and qualifications to perform the required duties.

NOW, THEREFORE, in consideration of the mutual premises, covenants, and conditions herein contained, the parties agree as follows:

SECTION 1 – BASIC SERVICES

Consultant agrees to perform the services and work (together, "services") set forth in Exhibit A, "Scope of Services" and made part of this Agreement.

SECTION 2 – ADDITIONAL SERVICES

Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to or outside of those set forth in this Agreement or Exhibit A, "Scope of Services", unless such additional services and compensation are authorized in advance and in writing by the City Council or City Manager of the City.

SECTION 3 – TIME FOR COMPLETION

The time for completion of services shall be as identified in Exhibit A, "Scope of Services".

SECTION 4 – COMPENSATION AND METHOD OF PAYMENT

A. Subject to any limitations set forth in this Agreement, City agrees to pay consultant the amount specified in Exhibit B, "Cost Proposal", attached hereto and made a part hereof. Total compensation shall not exceed \$48,350.00 unless additional compensation is approved in accordance with Section 2.

B. Consultant shall furnish to City an original invoice for all services performed and expenses incurred during the preceding month. The invoice shall detail charges by the following categories if applicable: labor (by sub-category), travel, materials, equipment, supplies, subconsultant contracts, and miscellaneous expenses. City shall independently review each invoice submitted to determine whether the services performed and expenses incurred are in compliance with the provisions of this Agreement. If no charges or expenses are disputed, the invoice shall be approved and City will use its best efforts to cause Consultant to be paid within

30 days of receipt of invoice. If any charges or expenses are disputed by City, the original invoice shall be returned by City to Consultant for correction and resubmission. If the City reasonably determines, in its sole judgment, that the invoiced charges and expenses exceed the value of the services performed to date and that it is probable that the Agreement will not be completed satisfactorily within the Agreement price, City may retain all or a portion of the invoiced charges and expenses. Within thirty (30) days of satisfactory completion of the project, City shall pay the retained amount, if any, to Consultant. In no event shall City be obligated to pay late fees or interest, whether or not such requirements are contained in Consultant's invoice.

C. Payment to the Consultant for services performed pursuant to this Agreement shall not be deemed to waive any defects in services performed by Consultant.

SECTION 5 – STANDARD OF PERFORMANCE

Consultant represents and warrants that it has the qualifications, experience and facilities necessary to properly perform the services required under this Agreement in a thorough, competent and professional manner. Consultant shall at all times faithfully, competently and to the best of its ability, experience and talent, perform all services described herein. In meeting its obligations under this Agreement, Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing services similar to those required of Consultant under this Agreement.

SECTION 6 – INSPECTION AND FINAL ACCEPTANCE

City may inspect and accept or reject any of Consultant's services under this Agreement, either during performance or when completed. City shall reject or finally accept Consultant's services within sixty (60) days after submitted to City, unless the parties mutually agree to extend such deadline. City shall reject services by a timely written explanation, otherwise Consultant's services shall be deemed to have been accepted. City's acceptance shall be conclusive as to such services except with respect to latent defects and fraud. Acceptance of any of Consultant's services by City shall not constitute a waiver of any of the provisions of this Agreement including, but not limited to, the sections pertaining to indemnification and insurance.

SECTION 7 – INSURANCE REQUIRED

Consultant shall procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the services hereunder by the Consultant, its agents, representatives, or employees, as indicated:

- A. **Minimum Scope of Insurance.** Coverage shall be at least as broad as:
1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
 2. Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).
 3. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

B. Minimum Limits of Insurance. Consultant shall maintain limits no less than:

1. **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury and property damage including operations, products and completed operations, as applicable. If Commercial General Liability Insurance or other form with a General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage.
3. **Employer's Liability:** \$1,000,000 per accident for bodily injury or disease.

C. Professional Liability Insurance. When Consultant under this Agreement is duly licensed under California Business and Professions Code as an architect, landscape architect, professional engineer, or land surveyor ("design professional"), Consultant shall maintain at least \$2,000,000 of professional liability insurance.

D. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions of \$25,000 or greater must be declared to and approved by the City.

E. Other Insurance Provisions. The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its agent, officers, officials, employees, and volunteers are to be covered as additional insured as respects: liability arising out of services or operations performed by the Consultant or Consultant's subconsultants; or automobile owned, leased, hired or borrowed by the Consultant.
2. For any claims related to Consultant's conduct while performing the services of this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its agents, officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its agents, officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.
4. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subsection (b) of Section 2782 of the Civil Code.

F. Waiver of Subrogation. The workers compensation policy is to be endorsed with a waiver of subrogation. The insurance company, in its endorsement, agrees to waive all rights of subrogation against the City, its agents, officers, officials, employees and volunteers for losses paid under the terms of this policy which arises from the services performed by the named insured for the City.

G. The Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII, unless otherwise acceptable to the City.

H. Verification of Coverage. Consultant shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the City or on forms that conform to City requirements. All certificates and endorsements are to be received and approved by the City before services commence. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

SECTION 8 – INDEMNIFICATION

A. Consultant shall indemnify and hold harmless City, its agents, officers, officials, employees, and volunteers from any and all claims, demands, suits, loss, damages, injury, and/or liability (including any and all costs and expenses in connection therewith), incurred by reason of any negligent or otherwise wrongful act or omission of Consultant, its officers, agents, employees and subcontractors, or any of them, under or in connection with this Agreement; and Consultant agrees at its own cost, expense and risk to defend any and all claims, actions, suits, or other legal proceedings brought or instituted against City, its agents, officers, officials, employees and volunteers, or any of them, arising out of such negligent or otherwise wrongful act or omission, and to pay and satisfy any resulting judgments.

B. When Consultant under this Agreement is a design professional, the provisions of this section regarding Consultant's duty to defend and indemnify apply only to claims that arise out of or relate to the negligence, recklessness, or willful misconduct of the design professional.

C. If any action or proceeding is brought against Indemnitees by reason of any of the matters against which Consultant has agreed to indemnify Indemnitees as provided above, Consultant, upon notice from City, shall defend Indemnitees at Consultant's expense by counsel acceptable to City, such acceptance not to be unreasonably withheld. Indemnitees need not have first paid for any of the matters to which Indemnitees are entitled to Indemnification in order to be so indemnified. The insurance required to be maintained by Consultant shall ensure Consultant's obligations under this section, but the limits of such insurance shall not limit the liability of Consultant hereunder. The provisions of this section shall survive the expiration or earlier termination of this Agreement.

D. The provisions of this section do not apply to claims to the extent occurring as a result of the City's sole negligence or willful acts or misconduct.

SECTION 9 – INDEPENDENT CONTRACTOR STATUS

A. Consultant is and shall at all times remain a wholly independent contractor and not an officer, employee or agent of City. Consultant shall have no authority to bind City in any manner, nor to incur an obligation, debt or liability of any kind on behalf of or against City, whether by contract or otherwise, unless such authority is expressly conferred under this Agreement or is otherwise expressly conferred in writing by City.

B. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City, nor any elected or appointed boards, officers, officials, employees or agents of City, shall have control over the conduct of Consultant or any of Consultant's officers, employees or agents, except as

set forth in this Agreement. Consultant shall not at any time or in any manner represent that Consultant or any of Consultant's officers, employees or agents are in any manner officials, officers, employees or agents of City.

C. Neither Consultant, nor any of Consultant's officers, employees or agents, shall obtain any rights to retirement, health care or any other benefits which may otherwise accrue to City's employees. Consultant expressly waives any claim Consultant may have to any such rights.

SECTION 10 – CONFLICTS OF INTEREST

A. Consultant covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, which would conflict in any manner with the interests of City or which would in any way hinder Consultant's performance of services under this Agreement. Consultant further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent, or subcontractor without the express written consent of the City Manager. Consultant agrees to at all times avoid conflicts with the interests of City in the performance of this Agreement.

B. City understands and acknowledges that Consultant is, as of the date of execution of this Agreement, independently involved in the performance of non-related services for other governmental agencies and private parties. Consultant is aware of any stated position of City relative to such projects. Any future position of City on such projects shall not be considered a conflict of interest for purposes of this section.

SECTION 11 – OWNERSHIP OF DOCUMENTS

A. All original maps, models, designs, drawings, photographs, studies, surveys, reports, data, notes, computer files, files and other documents discovered or obtained by Consultant in the course of providing any services pursuant to this Agreement shall become the sole property of City and may be used, reused or otherwise disposed of by City without the permission of the Consultant. In addition, Consultant's final work product prepared or developed in the course of providing services pursuant to this Agreement shall become the sole property of City and may be used, reused or otherwise disposed of by City without the permission of the Consultant. Consultant's notes and drafts prepared or developed in the course of providing any services pursuant to this Agreement shall remain Consultant's sole property. When requested by City, but no later than three years after project completion, Consultant shall deliver to City all such original maps, models, designs, drawings, photographs, studies, surveys, reports, data, notes, computer files, files and other documents discovered or obtained by Consultant in the course of providing any services pursuant to this Agreement.

B. All copyrights, patents, trade secrets, or other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, improvements, developments, works of authorship, or other products developed or created by Consultant during the course of providing services (collectively the "Work Product") shall belong exclusively to City. The Work Product shall be considered a "work made for hire" within the meaning of Title 17 of the United States Code. Without reservation, limitation, or condition, Consultant hereby assigns, at the time of creation of the Work Products, without any requirement of further consideration, exclusively and perpetually, any and all right, title, and interest Consultant may have in the Work Product

throughout the world, including without limitation any copyrights, patents, trade secrets, or other intellectual property rights, all rights of reproduction, all rights to create derivative works, and the right to secure registrations, renewals, reissues, and extensions thereof.

SECTION 12 - CONFIDENTIAL INFORMATION: RELEASE OF INFORMATION

A. All information gained or Work Product produced by Consultant in performance of this Agreement shall be considered confidential, unless such information is in the public domain or already known to Consultant. Consultant shall not release or disclose any such information or Work Product to persons or entities other than City without prior written authorization from the City Manager, except as may be required by law.

B. Consultant, its officers, employees, agents or subcontractors, shall not, without prior written authorization from the City Manager or unless requested by the City Attorney of City, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the services performed under this Agreement. Response to a subpoena or court order shall not be considered "voluntary" provided consultant gives City notice of such court order or subpoena.

C. If Consultant, or any officer, employee, agent or subcontractor of Consultant, provides any information or Work Product in violation of this Agreement, then City shall have the right to reimbursement and indemnity from Consultant for any damages, costs and fees, including attorneys fees, caused by or incurred as a result of Consultant's conduct.

D. Consultant shall promptly notify City should Consultant, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the services performed thereunder. City retains the right, but has no obligation, to represent Consultant or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with City and to provide City with the opportunity to review any response to discovery requests provided by Consultant. However, this right to review any such response does not imply or mean the right by City to control, direct, or rewrite such response.

SECTION 13 - SUSPENSION OF SERVICES

City may, at any time, by ten (10) days written notice suspend further performance by Consultant. All suspensions shall extend the time schedule for performance in a mutually satisfactory manner and Consultant shall be paid for services performed and reimbursable expenses incurred prior to the suspension date.

SECTION 14 - COMPLIANCE WITH LAW

Consultant shall keep itself informed of and comply with all applicable federal, state and local laws, statutes, codes, ordinances, regulations and rules in effect during the term of this Agreement. Consultant shall obtain any and all licenses, permits and authorizations necessary to perform the services set forth in this Agreement. Neither City, nor any elected or appointed

boards, officers, officials, employees or agents of City, shall be liable, at law or in equity, as a result of any failure of Consultant to comply with this section.

SECTION 15 – COMPLIANCE WITH CIVIL RIGHTS

During the performance of this Agreement, Consultant agrees as follows:

A. **Equal Employment Opportunity.** In connection with the execution of this Agreement, Consultant shall not discriminate against any employee or applicant for employment because of race, religion, color, ancestry, age, sexual orientation, physical handicap, medical condition, marital status, sex, or national origin. Such actions shall include, but not be limited to, the following: employment, promotion, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training including apprenticeship.

B. **Nondiscrimination Civil Rights Act of 1964.** Consultant will comply with all federal regulations relative to nondiscrimination to federally-assisted programs.

C. **Solicitations for Subcontractors including Procurement of Materials and Equipment.** In all solicitations, either by competitive bidding or negotiations, made by Consultant for services to be performed under a subcontract, including procurement of materials or leases of equipment, each potential subcontractor, supplier, or lessor shall be notified by Consultant of Consultant's obligations under this Agreement and the regulations relative to nondiscrimination.

SECTION 16 – RECORDS

A. Records of Consultant's direct labor costs, payroll costs, and reimbursable expenses pertaining to this project covered by this Agreement will be kept on a generally recognized accounting basis and made available to City if and when required for a period of up to 3 years from the date of Consultant's final invoice.

B. Consultant's records and design calculations will be available for examination and audit if and as required. The cost of any reproductions shall be paid by City.

SECTION 17 – COOPERATION BY CITY

All public information, data, reports, records, and maps as are existing and available to City as public records, and which are necessary for carrying out the services as outlined in the Exhibit A, "Scope of Services", shall be furnished to Consultant in every reasonable way to facilitate, without undue delay, the services to be performed under this Agreement.

SECTION 18 – NOTICES

All notices required or permitted to be given under this Agreement shall be in writing and shall be personally delivered, or sent by facsimile or first class mail, addressed as follows:

To City: City Manager
1480 Main Street
St. Helena, California 94574

To Consultant: Hansford Economic Consulting
Catherine Hansford
P.O. Box 10384
Truckee, CA 96162
530-412-3676
Catherine@hansfordecon.com

Notice shall be deemed effective on the date personally delivered or transmitted by facsimile, or, if mailed, three (3) days after deposit in the custody of the U.S. Postal Service.

SECTION 19 – TERMINATION

A. City may terminate this Agreement, with or without cause, at any time by giving ten (10) days written notice of termination to Consultant. If such notice is given, Consultant shall cease immediately all services in progress.

B. If either Consultant or City fail to perform any material obligation under this Agreement, then, in addition to any other remedies, either Consultant, or City may terminate this Agreement immediately upon written notice.

C. Upon termination of this Agreement by either Consultant or City, all property belonging to City which is in Consultant's possession shall be delivered to City. Consultant shall furnish to City a final invoice for services performed and expenses incurred by Consultant, prepared as set forth in this Agreement.

SECTION 20 – ATTORNEY FEES

If litigation or other proceeding is required to enforce or interpret any provision of this Agreement, the prevailing party in such litigation or other proceeding shall be entitled to an award of reasonable attorneys' fees, costs and expenses, in addition to any other relief to which it may be entitled. In addition, any legal fees, costs and expenses incurred to enforce the provisions of this Agreement shall be reimbursed to the prevailing party.

SECTION 21 – ENTIRE AGREEMENT

This Agreement, including the attached Exhibits, is the entire, complete, final and exclusive expression of the parties with respect to the matters addressed therein and supersedes all other agreements or understandings, whether oral or written, or entered into between Consultant and City prior to the execution of this Agreement. No statements, representations or other agreements, whether oral or written, made by any party which are not embodied herein shall be valid and binding unless in writing duly executed by the parties or their authorized representatives.

SECTION 22 – SUCCESSORS AND ASSIGNS

This Agreement shall be binding on the heirs, executors, administrators, successors and assigns of the parties. However, this Agreement shall not be assigned by Consultant without written consent of the City.

SECTION 23 – CONTINUITY OF PERSONNEL

Consultant shall make every reasonable effort to maintain the stability and continuity of Consultant's staff assigned to perform the services required under this Agreement. Consultant shall notify City of any changes in Consultant's staff assigned to perform the services required under this Agreement, prior to any such performance.

SECTION 24 – DEFAULT

In the event that Consultant is in default under the terms of this Agreement, the City shall not have any obligation or duty to continue compensating Consultant for any services performed after the date of default and may terminate this Agreement immediately by written notice to Consultant.

SECTION 25 – WAIVER

Waiver by any party to this Agreement of any term, condition, or covenant of this Agreement shall not constitute a waiver of any other term, condition, or covenant. Waiver by any party of any breach of the provisions of this Agreement shall not constitute a waiver of any other provision, nor a waiver of any subsequent breach or violation of any provision of this Agreement. Acceptance by City of any work or services by Consultant shall not constitute a waiver of any of the provisions of this Agreement.

SECTION 26 – LAW TO GOVERN; VENUE

This Agreement shall be interpreted, construed and governed according to the laws of the State of California. In the event of litigation between the parties, venue in state trial courts shall lie exclusively in the County of Napa. In the event of litigation in a U.S. District Court, venue shall lie exclusively in the Northern District of California, in San Francisco.

SECTION 27 – SEVERABILITY

If any term, condition or covenant of this Agreement is declared or determined by any court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall not be affected thereby and the Agreement shall be read and construed without the invalid, void or unenforceable provision(s).

SECTION 28 -- SPECIAL PROVISIONS

This Agreement is subject to the following special provisions: none.

IN WITNESS WHEREOF, the parties hereto have accepted, made, and executed this Agreement upon the terms, conditions, and provisions above stated, the day and year first above written.

Consultant:

City:

By: _____
Name: _____
Title: _____

By: _____
Name: Jennifer Phillips
Title: City Manager

Approved as to Form:

By: _____
Name: Thomas B. Brown
Title: City Attorney

SECTION 28 - SPECIAL PROVISIONS

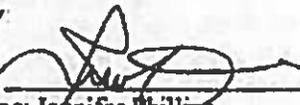
This Agreement is subject to the following special provisions none.

IN WITNESS WHEREOF, the parties hereto have accepted, made, and executed this Agreement upon the terms, conditions, and provisions above stated, the day and year first above written.

Consultant

By: 
Name: CATHERINE HANSFORD
Title: PRINCIPAL

City

By: 
Name: Jennifer Phillips
Title: City Manager

Approved to Form:

By: 
Name: Thomas B. Brown
Title: City Attorney

Scope of Services and Schedule

Scope of Services

The rate studies will be built in Microsoft Excel, giving the ability to test various key assumptions such as operating reserve levels and rate structures. All assumptions used in the model will be clearly defined, and tables will be presented in an easily understandable format. A baseline scenario will be developed, which will serve to evaluate the impact of changes from alternative rate structures, changing City policies, and/or measure the impact of rate increases.

The Study will be conducted in ten tasks. Each task is detailed below.

Task 1: Project Initiation and Management

Under this task, HEC will coordinate with staff to collect the base data necessary to conduct the study. HEC will provide the City with a list of data information and needs. HEC will work with staff to ensure good quality data is used in the rate studies. Upon receipt and review of the data HEC will meet with staff to discuss key factors driving the need for rate adjustments for each utility including regulatory requirements, water supply and/use pattern changes, City policies, and legislative mandates. Financial goals and policy objectives, such as asset replacement and funding, of the City's utility enterprise funds will be reviewed as they will shape the development of the financial models and recommendations of the Study.

This task also includes time for project management from inception to completion of the Study.

Meetings: (1) Staff meeting & tour of facilities

Deliverables: Data and Information List

Task 2: Cost Classification and Customer Profiling

HEC will review the current cost classifications used by the City and may make suggestions to change the methodology or may recommend continued use of the current methodology. Cost allocation is based on use characteristics of customers and will be determined by customer usage profiling. HEC will use historical demand and billing data as well as industry standard factors to provide customer usage profiles by customer type. The current rates schedules will be examined for alignment with current City goals and objectives and fit with customer usage patterns.

Meetings: (0)

Deliverables: None

Task 3: Financing Strategy

Through the capital improvements planning process the City identifies projects that will likely need to be constructed over the next five years. Under this task, HEC will summarize the CIPs as provided by the City and will present a financing strategy to ensure the facilities are completed in a timely fashion, while minimizing the impact to rate payers and the development community such that economic competitiveness is not harmed. HEC will rely on information from the City's engineers to allocate cost of the CIP between existing and future customers. The Excel models will be able to evaluate the impact of several funding options (such as low interest loans, bond sales and so forth) for capital improvements.

Meetings: (0)

Deliverables: None

Task 4: Revenue Requirement Projection

The projected revenue requirement is the revenue necessary to fully cover all expenditures net of other operating and non-operating revenues. A projection of revenue deficiency will be conducted by comparing the existing level of operating and non-operating revenues with projected annual expenditures. Operation and maintenance expenses may be projected using historical annual percentage increases, or some other index, such as a consumer price index; projection methodology will be discussed with staff. Expense item categories, such as utility costs and labor costs, will be projected independently. Projected annual costs may also include other non-operating cost considerations, such as an operating reserve, rate stabilization fund, or additional funds to meet debt service coverage requirements.

Non-operating revenues, such as interest revenue, connection charges, and other miscellaneous revenue sources, will be included as credits in the analysis so that the revenue requirement is not over-estimated.

Meetings: (0)

Deliverables: None

Task 5: Cost of Service Analysis

Once the projected revenue requirement is established, it is allocated to user groups based on cost classification (collection or treatment plant costs for wastewater, customer or demand costs for water) and customer usage characteristics (flow and load for wastewater, and water demand patterns for average and peak usage). The customer usage factors are determined based on the customer profiling exercise. HEC incorporates the effect of price-elasticity into the future water and wastewater use projection.

The cost allocation analysis leads to a calculation of monthly user rates for the enterprise funds such that they are adequately funded for existing and projected future costs and that the rates are based on the demand for service by each customer type. By establishing a basis and relation between the cost of service and the demand for service by each customer type, the requirements of Proposition 218 will be fully met.

Meetings: (1)

Deliverables: *Progress meeting with staff*

Task 6: Rate Design Analysis

The current rate structure will be assessed and alternative rate structures examined. New and/or alternative customer classifications, and proportion of charges collected as flat rate versus variable rate will be recommended if appropriate to fit with City objectives. The recommended rate structure will be determined with input from staff and a stakeholder group (potentially) given the City's billing system capabilities, public understanding of utility bills, and other stakeholder concerns.

Considerable time will be spent in this task evaluating the effect of different rate structures on developed policy objectives for water and wastewater, including operations, water conservation, recent legal interpretations of Proposition 218, the bill impacts to different customer groups, and the economic effect / hardship on low-income households.

Meetings: (1)

Deliverables: *Progress meeting with staff*

Task 7: Cash Flow Projections

Cash flows for each enterprise fund will be presented to ensure sufficiency of funding through the plan period, demonstrating adequate debt service coverage and reserve levels are met. Minimum reserve levels will be recommended for each utility.

HEC will explain how the model works to staff at an interactive meeting where the model is displayed on a large screen.

Meetings: (1)

Deliverables: *Model review with staff*

Task 8: Prepare Reports and Support City Implementation of Rates

HEC will prepare a joint water and wastewater rate study report unless one utility study moves ahead of the other, or it becomes impractical to put both studies in one report, in which case separate reports will be prepared. The report(s) will include the methodologies used, detailed calculations of rates, findings and recommendations. Draft and final reports of each study will be provided to the City electronically. Hard copies of the final report will be provided on request.

HEC will support the City's implementation of revised rate schedules by assisting with drafting the public hearing notice(s), conducting a public workshop, attending the public hearing(s), and reviewing drafting resolutions.

Meetings: (3) – *Public Workshop, Presentation of Report, and Public Hearing*

Deliverables: *Draft and Final Reports*

Task 9: Stakeholder Group Participation

It has been HEC's experience that the more involvement customers have in the process, the greater the likelihood of timely implementation of revised rate schedules.

Under this task a stakeholder group representing different customer classes would be formed. The stakeholder group would be apprised of project progress and be asked for input and feedback on issues that directly affect them. For example, discussion and input from this group would be particularly useful in determining the percentage of revenue requirement to be collected through fixed versus variable charges; whether new customer classes might be warranted, and in ensuring proportionality within the context of Proposition 218 is achieved.

Meetings: (2)

Deliverables: Meeting materials

Task 10: Presentations / Meetings

Materials necessary for presentations and meetings will be prepared under this task. Materials may include PowerPoint, handouts, and so forth. This scope of services provides for up to nine (9) meetings at the City over the course of the project, not necessarily in this order:

1. Data review with staff (Task 1)
2. Progress meeting with staff (Task 5)
3. Progress meeting with staff (Task 6)
4. Stakeholder meeting (Task 9)
5. Stakeholder meeting (Task 9)
6. Model review with staff (Task 7)
7. One Public Workshop (Task 8)
8. Presentation of Draft Report (task 8)
9. Public Hearing (Task 8)

Meetings: (9) Total All Tasks

Deliverables: Power Point Presentations

Schedule

The preliminary schedule provides for a draft study or studies (if water and wastewater are prepared separately) within four months. The schedule assumes that both water and wastewater studies are completed concurrently and solid engineering estimates for capital improvements are ready. Following completion of the study are the public workshop, presentation of the study to City Council for action, and a 45-day public noticing period. An aggressive timeframe would be to have rates adopted seven to eight months from commencement of work.

Cost Proposal

The estimated manpower and associated costs provided herein assume that HEC conducts the sewer and water studies concurrently and that the City reaps the benefits of efficiencies and cost savings associated with conducting the studies in this manner.

Estimated Budget

The total estimated cost for this project is \$45,910 plus \$2,440 for reimbursable expenses. The total cost proposal of \$48,350 is based on an estimate of staff time by task as shown in Table 1 on the following page. Reimbursable expenses include any travel-related expenses such as mileage reimbursement and parking, postage or delivery charges, meals and lodging if necessary, and report printing.

Cost Estimate Assumptions

- HEC will negotiate an authorized budget with the City upon award of work.
- The cost estimate includes up to nine meetings. Additional meetings, workshops or presentations will be billed on a time and materials basis.
- Reimbursable expenses are charged with no markup and are included in monthly invoices.

Fee Schedule

Staff hourly rates are \$160 per hour for Catherine Hansford and \$75 per hour for clerical support and travel time. HEC hourly rates are valid until project completion.

HEC charges for services on a cost not-to-exceed basis; therefore, you will only be billed for the work completed up to the authorized budget amount. Invoices are issued monthly with a brief description of services performed in the period, and are due on receipt.

HEC reserves the right to move budget between tasks, should one task be completed under the estimated amount, and another task be completed over the estimated amount. If additional work is requested by the City that is beyond the original scope of services, HEC will request authorization for additional budget.

Table 1
Estimated Cost for St. Helena Water and Wastewater Rate Study

Task/Item Description <i>Hourly Billing Rates</i>	HEC		Total Estimated Cost
	Hansford \$160	Admin \$75	
1 Project Initiation & Management	12	15	\$3,050
2 Cost Classification and Customer Profiling	30	4	\$5,100
3 Financing Strategy	12	6	\$2,370
4 Revenue Requirement Projections	15	6	\$2,850
5 Cost of Service Analysis	20	6	\$3,650
6 Rate Design Analysis	28	6	\$4,930
7 Cash Flow Projections	15	12	\$3,300
8 Prepare Reports	22	12	\$4,420
9 Stakeholder Group Participation	15	12	\$3,300
10 Presentations / Meetings (9)	45	77	\$12,940
Subtotal Staff Costs	214	156	\$45,910
Reimbursable Costs			\$2,440
Total Cost Proposal [1]			\$48,350

[1] HEC reserves the right to move budget between tasks as necessary to complete the scope of work up to the authorized budget amount.