

RESOLUTION NO. 2561

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH FINANCIAL CONSULTING SERVICES GROUP (FCSG) TO UNDERTAKE A WATER AND SEWER RATE AND SYSTEM DEVELOPMENT CHARGE (SDC) STUDY.

WHEREAS, it has been several years since the City undertook a water and sewer rate study or a study of its system development charges; and

WHEREAS, the City is adopting updated water and sewer comprehensive plans which warrant and anticipate a review of current rates and charges in order to assure the fiscal integrity of these utilities; and

WHEREAS, FSC Group has served as the City's consultant in this area for many years, and is well qualified and experienced to undertake the work;

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Bonney Lake, Washington, does hereby authorize the Mayor to sign the attached agreement with Financial Consulting Services Group (FCSG) to undertake a water/sewer rate and SDC study for the City.

PASSED BY THE CITY COUNCIL this 8th day of November, 2016.



Neil Johnson, Jr., Mayor

AUTHENTICATED:



Harwood T. Edvalson, City Clerk

APPROVED AS TO FORM:



Kathleen Haggard, City Attorney

PROFESSIONAL SERVICES AGREEMENT

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is made and entered into this 8th day of November, 2016, by and between the City of Bonney Lake (“ City”) and FCS Group (“ Consultant”).

The parties hereby agree as follows:

1. **Scope of Work.** The Consultant shall perform all work and provide all materials described in the Scope of Work set out in Exhibit A attached hereto and incorporated herein by this reference. Such work shall be performed using facilities, equipment and staff provided by Consultant, and shall be performed in accordance with all applicable federal, state and local laws, ordinances and regulations. The Consultant shall exercise reasonable care and judgment in the performance of work pursuant to this Agreement. The Consultant shall make minor changes, amendments or revisions in the detail of the work as may be required by the City, such work not to constitute Extra Work under this Agreement.

2. **Ownership of Work Product.** Documents, presentations and any other work product produced by the Consultant in performance of work under this Agreement shall be tendered to the City upon completion of the work, and all such product shall become and remain the property of the City and may be used by the City without restriction; *provided*, that any such use by the City not directly related to the particular purposes for which the work product was produced shall be without any liability whatsoever to the Consultant.

3. **Payment.** The Consultant shall be paid by the City for completed work and services rendered under this Agreement pursuant to the rates and charges set out in Exhibit A (page 4), attached hereto and incorporated herein by this reference. Such payment shall be full compensation for work performed or services rendered and for all labor, materials, supplies, equipment, and incidentals necessary to complete the work. All billings for compensation for work performed under this Agreement shall list actual time and dates during which the work was performed and the compensation shall be figured using the rates set out in Exhibit A; *provided*, that payment for work within the Scope of Work (Exhibit A, Pages 1-3) shall not exceed the fee/hour estimate set out in Exhibit A without written amendment to this Agreement, agreed to and signed by both parties.

Acceptance of final payment by the Consultant shall constitute a release of all claims, related to payment under this Agreement, which the Consultant may have against the City unless such claims are specifically reserved in writing and transmitted to the City by the Consultant prior to acceptance of final payment. Final payment shall not, however, be a bar to any claims that the City may have against the Consultant or to any remedies the City may pursue with respect to such claims.

The Consultant and any sub-consultants shall keep available for inspection, by the City, for a period of three years after final payment, the cost records and accounts pertaining to this Agreement and all items related to, or bearing upon, such records. If any litigation, claim or audit is started before the expiration of the three-year retention period, the records shall be retained until all

litigation, claims or audit findings involving the records have been resolved. The three-year retention period shall commence when the Consultant receives final payment.

4. **Changes in Work.** The Consultant shall make all revisions and changes in the work completed under this Agreement as are necessary to correct errors, when required to do so by the City, without additional compensation.

5. **Extra Work.** The City may desire to have the Consultant perform work or render services in addition to or other than work provided for by the expressed intent of the Scope of Work. Such work will be considered Extra Work and will be specified in a written supplement which will set forth the nature and scope thereof. Work under a supplement shall not proceed until authorized in writing by the City. Any dispute as to whether work is Extra Work or work already covered by this Agreement shall be resolved before the work is undertaken. Performance of the work by the Consultant prior to resolution of any such dispute shall waive any claim by the Consultant for compensation as Extra Work.

6. **Employment.** Any and all employees of Consultant, while engaged in the performance of any work or services required by the Consultant under this Agreement, shall be considered employees of the Consultant only and not of the City, and any and all claims that may or might arise under the Workman's Compensation Act on behalf of said employees, while so engaged; any and all taxes arising out of Consultant's or Consultant's employees' work under this Agreement; and any and all claims made by a third party as a consequence of any acts, errors, or omissions on the part of the Consultant's employees, while so engaged, shall be the sole obligation and responsibility of the Consultant. The Consultant's relation to the City shall at all times be as an independent contractor.

7. **Nondiscrimination and Legal Compliance.** Consultant agrees not to discriminate against any client, employee or applicant for employment or for services because of race, creed, color, national origin, marital status, gender, age or handicap except for a bona fide occupational qualification with regard to, but not limited to, the following: employment upgrading; demotion or transfer; recruitment or any recruitment advertising; layoff or termination; rates of pay or other forms of compensation; selection for training; and rendition of services. The contractor represents and warrants that it is in compliance with and agrees that it will remain in compliance with the provisions of the Immigration Reform and Control Act of 1986, including but not limited to the provisions of the Act prohibiting the hiring and continued employment of unauthorized aliens and requiring verification and record keeping with respect to the status of each of its employees' eligibility for employment. The contractor shall include a provision substantially the same as this section in any and all contracts with subcontractors performing work required of the contractor under this contract. The contractor agrees to indemnify and hold the City harmless from any and all liability, including liability for interest and penalties, the City may incur as a result of the contractor failing to comply with any provisions of the Immigration Reform and Control Act of 1986. Consultant understands and agrees that if it violates this section, this Agreement may be terminated by the City, and that Consultant shall be barred from performing any services for the City in the future unless and until a showing is made satisfactory to the City that discriminatory practices have terminated and that recurrence of such action is unlikely.

8. **Term.** This Agreement shall become effective upon the day of its execution by both parties, and shall terminate upon completion of the work and delivery of all materials described in Exhibit A.

9. **Termination by City.** The City may terminate this Agreement at any time upon not less than ten (10) days written notice to Consultant, subject to the City's obligation to pay Consultant in accordance with subsections A, B, and C below.

A. In the event this Agreement is terminated by the City other than for fault on the part of the Consultant, a final payment shall be made to the Consultant for actual cost of work complete at the time of termination of the Agreement. In addition, the Consultant shall be paid on the same basis as above for any authorize Extra Work completed. No payment shall be made for any work completed after ten (10) days following receipt by the Consultant of the termination notice. If the accumulated payment(s) made to the Consultant prior to the termination notice exceeds the total amount that would be due as set forth in this subsection, then no final payment shall be due and the Consultant shall immediately reimburse the City for any excess paid.

B. In the event the services of the Consultant are terminated by the City for fault on the part of the Consultant, subsection A of this section shall not apply. In such event the amount to be paid shall be determined by the City with consideration given to the actual costs incurred by the Consultant in performing the work to the date of termination, the amount of work originally required which was satisfactorily completed to date of termination, whether that work is in a form or of a type which is usable by the City at the time of termination, the cost to the City of employing another person or firm to complete the work required and the time which may be required to do so, and other factors which affect the value to the City of the work performed at the time of termination. Under no circumstances shall payment made under this subsection exceed the amount which would have been made if subsection A of this section applied.

C. In the event this Agreement is terminated prior to completion of the work, the original copies of all work products prepared by the Consultant prior to termination shall become the property of the City for its use without restriction; *provided*, that any such use by the City not directly related to the particular purposes for which the work product was produced shall be without any liability whatsoever to the Consultant.

10. **Termination by Consultant.** Consultant may terminate this Agreement only in response to material breach of this Agreement by the City, or upon completion of the work set out in the Scope of Work and any Extra Work agreed upon by the parties.

11. **Applicable Law; Venue.** The law of the State of Washington shall apply in interpreting this Agreement. Venue for any lawsuit arising out of this Agreement shall be in the Superior Court of the State of Washington, in and for Pierce County.

12. **Indemnification / Hold Harmless.**

Consultant shall defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney

fees, arising out of or resulting from the negligent acts, errors or omissions of the Consultant in performance of this Agreement, except for injuries and damages caused by the sole negligence of the City.

Insurance

The Consultant shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

A. Minimum Scope of Insurance

Consultant shall obtain insurance of the types described below:

1. Automobile Liability insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.
2. Commercial General Liability insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors and personal injury and advertising injury. The City shall be named as an insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City.
3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.
4. Professional Liability Insurance appropriate to the project.

B. Minimum Amounts of Insurance

Consultant shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident.
2. Commercial General Liability insurance shall be written with limits no less than \$1,000,000 each occurrence, \$2,000,000 general aggregate.
3. Professional Liability insurance shall be written with limits no less than \$1,000,000 per claim and \$1,000,000 policy aggregate limit.

C. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions for Automobile Liability, Professional Liability and Commercial General Liability insurance:

1. The Consultant's insurance coverage shall be primary insurance as respect the City. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.
2. The Consultant's insurance 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.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.

E. Verification of Coverage

Consultant shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Consultant before commencement of the work.

13. **Subletting or Assigning.** The Consultant shall not sublet or assign any of the work covered by this Agreement without the express written consent of the City.

14. **Entire Agreement.** This Agreement represents the entire Agreement between the parties. No change, termination or attempted waiver of any of the provisions of the Agreement shall be binding on any party unless executed in writing by authorized representatives of each party. The agreement shall not be modified, supplemented or otherwise affected by the course of dealing between the parties.

15. **Waiver.** Failure by any party to this Agreement to enforce any provision of this Agreement or to declare a breach shall not constitute a waiver thereof, nor shall it impair any party's right to demand strict performance of that or any other provision of this Agreement any time thereafter.

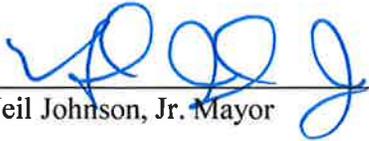
16. **Severability.** If any provision of this Agreement or its application is held invalid, the remainder of the Agreement or the application of the remainder of the Agreement shall not be affected.

17. **Execution and Acceptance.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original having identical legal effect. The Consultant hereby ratifies and adopts all statements, representations, warranties, covenants, and agreements contained in the supporting materials submitted by the Consultant, and does hereby accept the Agreement and agrees to all of the terms and conditions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY OF BONNEY LAKE

FCS GROUP

By:  _____
Neil Johnson, Jr. Mayor

By:  _____

Attachments: Exhibit A (Scope of Work and Budget/Rates)

CITY OF BONNEY LAKE

WATER AND SEWER COST OF SERVICE RATE STUDY AND SYSTEM DEVELOPMENT CHARGE UPDATE

The following work tasks have been developed to complete a Cost of Service Rate Study and System Development Charge update for the City of Bonney Lake Water and Sewer Utilities. As defined in the task plan, we follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient and results-oriented manner. The result of this study will establish a blueprint for self-supporting, financially sustainable utilities.

Task 1 | Kick-Off Meeting

A project kickoff meeting will be scheduled before the commencement of the project with the consultant and City project team. This meeting will establish the goals and objectives of the overall project and focus the efforts of the project team. The items covered at the meeting include review of the scope of work, identify project objectives, expectations and deliverables, outline the project schedule and key milestone review points and discuss appropriate lines of communication.

Task 2 | Data Collection and Validation

FCS GROUP will provide a data needs list encompassing historical and projected financial, operational, billing and planning information. The provided data will be reviewed, analyzed and validated for inclusion in the study process. Validation of the customer statistics data with customer demands and revenue generation is critical to the cost of service rate study. This approach offers consistency throughout the rate study process by using one validated data set to develop revenue, cost projections, allocation factors and rate designs. The process has proven beneficial in uncovering anomalies in data that can impact forecast revenue and cost allocation.

Task 3 | Revenue Requirement Analysis

This task establishes a sustainable, multi-year (5-20 year) financial management plan that meets the projected total financial needs of each utility through generation of sufficient, sustainable revenue.

This task analyzes annual cash flow needs by identifying expenses incurred to operate and manage the system including:

- Cost increases resulting from staffing changes, enhanced programs or initiatives.
- Existing contract cost arrangements.
- Capital project needs identified in the most recent System Comprehensive Plans.
- New and existing debt repayment obligations
- Fiscal policy achievement related to operating and capital reserve targets, system reinvestment

funding or rate funded capital, and coverage requirements.

Projected revenue will consider the sensitivities of changes in economic, weather and demand trends in order to mitigate volatility and stabilize revenue. Rate implementation scenarios will be generated to evaluate the impact of changes to key variables such as funding sources, growth rates, capital project need and timing, or others identified by the City. The budget includes three (3) alternative scenarios for each utility.

The resulting revenue requirement and rate strategy developed will meet City specified financial metrics, goals and objectives.

Task 4 | Cost of Service Analysis (COSA)

The cost of service analysis establishes a defensible basis for assigning “cost shares” and establishing “equity” for system customers based on industry standard methodologies that are tailored to the City’s unique water and sewer systems and customer characteristics.

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

Water Functions	Wastewater Functions
Base capacity (average demand)	Flow (includes inflow and infiltration)
Peak capacity (peak demand)	Strength (BOD/TSS)
Fire	Customer
Customer	

This analytical exercise will identify the cost to serve each customer class of the water and sewer system. The results will identify any warranted shifts in cost burden that could improve equity between customers from the existing rate structure. The cost of service will identify the required revenue to collect from each customer class to cover their individual costs. Unit costs by functional component will be calculated to support the rate design process.

Task 5 | Rate Design

Rate design determines how the target level of revenue will be generated (fixed v. variable charges) from each customer class.

Rate design considers both the level (amount of revenue that must be generated) and structure (how the revenue will be collected or bill assessed). To align the rate structures with the priorities and objectives of the City. Each developed rate design alternative is developed to generate sufficient revenue to meet the revenue requirement forecast and begin to address any material inequities identified in the COSA findings. In addition, rate designs will be consistent with the City’s fiscal policies, billing system capabilities, goals and will be easy to administer and understand. Evaluation of two (2) alternative rate design structures, for each utility, is included in the proposed budget.

Monthly bill impacts for low, medium and high users will be calculated for comparison. A comparative survey will be performed with up to five (5) neighboring utilities.

Task 6 | System Development Charge (SDC)

An SDC is a one-time charge imposed as a condition of service on new development or on expanded connection to the system. The charge represents a prorated share of the capital investment made to provide system capacity.

The SDC study component will be based on the intent and structure of the Revised Code of Washington (RCW) statute for Water-Wastewater Cities (RCW 35.92.025). In general, the SDC study will analyze what each connection should bear as a proportional share of the cost of the system capacity required. The SDC charges developed for each system will reflect an updated inventory of existing system assets, the most recent approved capital improvement program related to growth, and current expectations for future population/customer growth. The SDC study will also include a review of the current Fennel Creek Lift Station project to establish an appropriate SDC component therefore.

Task 7 | Meetings/Presentations

The success of a rate study relies on an open and involved process for informing and educating the staff, City Council, and ratepayers on the rate study process and to clearly define the cost basis for the fees imposed on customers by linking the financial requirements to costs.

This proposal includes three (3) internal review meetings at key milestones with City staff to go over key assumptions and outcomes:

- One (1) meeting to review revenue requirement and cost of service tasks (onsite);
- One (1) meeting to review rate design alternatives and SDC update (interactive conference call); and
- One (1) meeting to review the recommended rate and SDC strategy to bring forward to the City Council (interactive conference call).

In addition to the review meetings, we anticipate two (2) City Council workshops/presentations.

- One (1) City Council workshop to share results of study and incorporate input into final recommendations;
- One (1) City Council workshop or meeting to present final recommendations.

Task 8 | Documentation

A written report documenting the rate study process, methodology, key assumptions, results and recommendations will be provided. All technical exhibits will be included in the report technical appendix. Five (5) bound copies of the report will be provided to the City. Included will be one (1) electronic copy of the report and model.

BUDGET

The total proposed level of effort to complete the Water and Sewer Cost of Service Rate Study and SDC Update is summarized below. Our normal billing practice is to bill based on time and materials actually expended, not to exceed the total budget.

TASK	Principal	Project Manager	Senior Analyst	Admin. Support	Total Estimated Hours	Total Budget
<i>Hourly Billing Rates:</i>	\$260	\$180	\$140	\$80		
TECHNICAL TASKS						
Task 1 Kick-off meeting (on-site)	8	8			16	\$ 3,520
Task 2 Data collection & validation			4	2	6	720
Customer statistics evaluation (water and sewer)		8	60		68	9,840
Task 3 Revenue requirement (water and sewer)	8	16	54		78	12,520
Task 4 Cost of service (water and sewer)	12	28	48		88	14,880
Task 5 Rate design	8	8	24		40	6,880
Task 6 System Development charges (water and sewer)	16	20	45		81	14,060
TOTAL TECHNICAL	52	88	235	2	377	\$ 62,420
PROCESS TASKS						
Task 7 Meetings/Presentations						
Internal Milestone Review 1 (on-site)	5	5			10	\$ 2,200
Internal Milestone Review 2 & 3 (GoTo meeting)	4	4	4		12	2,320
City Council workshops w. presentation (2 on-site)	12	12	3	2	29	5,860
Task 8 Documentation	6	0	36	4	46	6,920
TOTAL PROCESS TASKS	27	21	43	6	97	\$ 17,300
Expenses						\$250
TOTAL LABOR BUDGET	79	109	278	8	474	\$ 79,970

City of Bonney Lake, Washington
City Council Agenda Bill (AB)

Department/Staff Contact: Executive / Don Morrison	Meeting/Workshop Date: 8 November 2016	Agenda Bill Number: AB16-126
Agenda Item Type: Resolution	Ordinance/Resolution Number: Res. 2561	Councilmember Sponsor: Lewis

Agenda Subject: Water/Sewer Rate and SDC Study

Full Title/Motion: A Resolution Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, Authorizing A Professional Services Agreement With FSCG To Undertake A Water/Sewer Rate And SDC Study For The City.

Administrative Recommendation: Approve

Background Summary: It has been several years (2009) since the City has undertaken a formal water and sewer rate study, including a review of system development charges. The City is adopting updated water and sewer comprehensive plans which warrant and anticipate a review of current rates and charges in order to assure the fiscal integrity of these utilities and a fair distribution of system development charges. FCSG has served as the City's consultant in this area for many years, and is well qualified and experienced to undertake the work. The cost of the study is included in the proposed 2017-2018 biennial budget, and there are remaining 2016 utility professional service or special project funds that can cover any project costs that may be expended in 2016.

Attachments: Resolution No. 2561, Agreement with Attachment

BUDGET INFORMATION				
Budget Amount	Current Balance	Required Expenditure	Budget Balance	Fund Source
\$80,000 (2017 Anticipated)		\$79,970		<input type="checkbox"/> General <input checked="" type="checkbox"/> Utilities <input type="checkbox"/> Other
Budget Explanation:				

COMMITTEE, BOARD & COMMISSION REVIEW				
Council Committee Review:	Finance Committee	<i>Approvals:</i>	Yes	No
	Date: 10/25/16	Chair/Councilmember McKibbin	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Councilmember Swatman	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Councilmember Watson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Forward to: 11/8/2016 Meeting	Consent Agenda:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Commission/Board Review:				
Hearing Examiner Review:				

COUNCIL ACTION	
Workshop Date(s):	Public Hearing Date(s):
Meeting Date(s): 11/8/2016	Tabled to Date:

APPROVALS		
Director:	Mayor:	Date Reviewed by City Attorney: (if applicable)



P.O. Box 7380 • Bonney Lake, WA 98391
(253) 862-8602

November 9, 2016

Angie Sanchez Virnoche
Financial Consulting Services Group (FCSG)
Redmond Town Center
7525 166th Ave. NE, Suite D-215
Redmond, WA 98052

Re: Professional Services Agreement between FCSG and the City of Bonney Lake To
Undertake a Water and Sewer Rate and System Development Charge (CDC) Study

Dear Ms. Sanchez-Virnoche,

On November 8, 2016, the Bonney Lake City Council approved Resolution 2561, authorizing a Professional Services Agreement between FCSG and the City of Bonney Lake To Undertake a Water and Sewer Rate and System Development Charge (CDC) Study.

Enclosed are two originals of the Agreement, both of which have been signed by the City of Bonney Lake. On behalf of FCSG, please have the authorized representative of FCSG execute both originals; keep one original for your files, and return the other original to the City of Bonney Lake, via my attention.

Please feel free to contact the City Administrator Don Morrison at (253) 447-4307 or staff in the City Clerk's office at (253) 862-8602 if you have any questions about the enclosures.

Sincerely,

Renee Cameron
Administration Specialist II

Enclosures

Justice & Municipal Center:
9002 Main Street East
Bonney Lake, WA 98391
Fax (253) 862-8538

Public Safety Building:
18421 Veterans Memorial Dr E
Bonney Lake, WA 98391
Fax (253) 863-2661

Public Works Center:
19306 Bonney Lake Blvd.
Bonney Lake, WA 98391
Fax (253) 826-1921

Senior Center:
19304 Bonney Lake Blvd.
Bonney Lake, WA 98391
Fax (253) 862-8538

TO: **Renee Cameron, Administrative Specialist II** DATE: November 15, 2016
City of Bonney Lake
9002 Main Street E, P.O. Box 7380
Bonney Lake, WA 98391
253.862.8602

FROM: **Angie Sanchez Virnoche** *ASV*

REGARDING: **Professional Services Agreement**

TRANSMITTED as checked below:

- For approval For your use As requested For review & comment by
 Approved as submitted Approved as noted Returned for corrections
 Resubmit no. copies for approval Submit no. copies for distribution
 For Proposal or Report: due

REMARKS: Enclosed please find one fully executed Professional Services Agreement for the Water and Sewer Rate and SDC Study. We look forward to working with the City on this project. Thank you.