

**CONTRACT AGREEMENT**

**BETWEEN**

**FINANCIAL CONSULTING SOLUTIONS  
GROUP, INC.**

Redmond Town Center  
7525 – 166<sup>th</sup> Ave. NE, Suite D-215  
Redmond, Washington 98052

**AND**

**CITY OF CAMAS**

616 NE Fourth Avenue  
P.O. Box 1055  
Camas, WA 98607

**PROJECT: Water, Sewer and Storm Utilities Rate & SDC Study and Solid Waste Peer Review**

**THIS AGREEMENT** combines all understandings between the Parties regarding professional services for the Project named above and supersedes all prior proposals, quotations, solicitations, negotiations, representations, agreements or understandings, whether written or oral.

The performance of the professional services herein described and authorized by **City of Camas**, as well as payment for such services, shall be in accordance with the terms and conditions presented in this Agreement and the following Sections and Exhibits which are attached and incorporated by reference which, taken together, shall constitute the whole Agreement.

- Section I** - **Relationship of the Parties**
- Section II** - **Contract Provisions**
- Exhibit A** - **Scope of Work and Task Plan**
- Exhibit B** - **Fee Schedule**

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**APPROVED:**

**FINANCIAL CONSULTING  
SOLUTIONS GROUP, INC.**

**APPROVED:**

**CITY OF CAMAS**

\_\_\_\_\_  
**Angie Sanchez Virnoche**  
Principal

Date: \_\_\_\_\_

\_\_\_\_\_  
**Name:**  
Title:

Date: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_

## **SECTION I: RELATIONSHIP OF THE PARTIES**

The **City of Camas** ("Client"), desires to **Water, Sewer and Storm Utilities Rate & SDC Study and Solid Waste Peer Review** ("Project"). In furtherance of the Project, the Client hereby contracts with **Financial Consulting Solutions Group, Inc.** ("FCS GROUP") to perform the professional services described in Exhibit A of this Agreement. All services shall be performed under the joint supervision of the Client's Representative, Steve Wall, or a designee or designees identified in writing to FCS GROUP by the Client's Representative.

This Agreement shall inure to the benefit of and be binding upon successors, assigns, and legal representatives of each of the Parties hereto. Any assignment or transfer of an interest in this Agreement by either Party without the written consent of the other shall be void.

## **SECTION II: CONTRACT PROVISIONS**

**1. Scope of Work:** FCS GROUP shall perform the service for the Client which as defined in Exhibit A of this Agreement.

**2. Time for Completion:** The Scope of Work for the conduct of the study as set forth above is anticipated to be completed by FCS GROUP within a time frame approximating that shown by the following schedule:

**Notice to Proceed:** Upon signature of contract agreement by both parties.

**Completion of Project:** On or before June 30, 2018.

FCS GROUP agrees to perform the work described in the Scope of Work according to the contract schedule. Any delays shall be agreed upon by FCS GROUP and Client prior to the due date. Changes in the schedule caused by Client delays may require additional compensation and a change order.

If FCS GROUP is delayed in the performance of services by conditions which are beyond their control, or by a change in the scope of work, the schedule showing time of performance may be revised. Any revision thereto shall be submitted in writing to the Client for review and approval by the Client Representative. If FCS GROUP's services are temporarily suspended by the Client in the interest of the Project and with written notice to FCS GROUP, and the suspensions last longer than 90 consecutive days, FCS GROUP shall be compensated for any additional labor and direct expenses incurred due to the interruption and resumption of services.

**3. Payment:** FCS GROUP will be paid by the Client on a time and materials basis as outlined below and in accordance with the standard billing rates attached hereto as Exhibit B. Direct expenses will be charged as identified in Exhibit B. FCS GROUP agrees to perform the services as set forth in Exhibit A at a cost not to exceed \$110,630. It is understood that FCS GROUP will not exceed this amount without the Client's prior written authorization.

Payment to FCS GROUP for services set forth in Exhibit A shall be: an amount equal to FCS GROUP's standard billing rates as set forth in Exhibit B multiplied by the actual hours worked. Should any unforeseen project delays, not caused by FCS GROUP, and/or any requested amendments to the original scope of work, cause this contract to extend more than 90 days past the original contracted schedule date, any work and/or amendments to the work shall be billed at the standard billing rates in effect for the period of time the work is being performed. If said change in billing rates will cause the project to exceed the amount stated in the preceding paragraph, a change order will be prepared and signed by both parties.

FCS GROUP will invoice Client monthly and payment shall be made within 30 days of receipt of invoice.

**4. Supplemental Agreements:** Supplemental Agreements may be entered into upon mutual written agreement that would increase or decrease the scope and associated costs and payment.

**5. Work to be Accomplished:** All work accomplished will be performed under the direction of the Client Representative or his/her Designee.

**6. Termination:** This contract may be terminated by the Client by giving FCS GROUP written notice of such termination no fewer than fifteen (15) days in advance of the effective date of said termination. FCS GROUP shall be entitled to terminate this agreement only in the case of a material breach by the Client, and upon failure of the Client to remedy said breach within fifteen (15) days of said notice. In the event that the contract is terminated before completion, FCS GROUP shall be paid for the services to date on the basis set forth in Paragraph 3, plus 10% of the total compensation earned to time of termination to compensate for FCS GROUP's rescheduling adjustments, reassignment of personnel, and related costs incurred due to termination. The Client shall notify FCS of termination or abandonment in writing.

**7. Indemnity:** FCS GROUP shall comply with all Federal Government, State and local laws and ordinances applicable to the work to be done under this Agreement.

FCS GROUP hereby agrees to hold the Client harmless from and shall process and defend at its own expense, specific claims, demands or suits at law or equity, arising from FCS GROUP's negligent performance of the provisions of this Agreement; provided that if the Client and FCS GROUP are concurrently negligent, FCS GROUP shall be required to indemnify and defend only in proportion to negligence of FCS GROUP. These indemnity provisions shall not require FCS GROUP to defend or indemnify the Client against any action based solely on the alleged negligence of the Client.

**8. All Work Produced is Joint Property of FCS GROUP and the Client:** Subject to the public disclosure laws of the State of Washington, of which client is subject, the materials, computer programs, reports, calculations, analyses, etc., generated by FCS GROUP under this contract including the final report shall be the joint property of the Client and FCS GROUP. FCS GROUP may retain copies thereof for work paper documentation and their own use unless specifically restricted in writing by the Client as to use.

Computer models use generally available software, such as Microsoft Excel (TM), and FCS GROUP does not intend or imply any warranty of those programs.

**9. Financial Forecasts:** Neither FCS GROUP's name nor the report and its financial projections may be referred to or included in any prospectus or as a part of any offering or representation made in connection with the sale of securities or participation interests to the public, whether through a public or private offering.

The information used in developing the forecast assumptions will be derived from published information and other sources FCS GROUP considers appropriate. However, FCS GROUP cannot assume responsibility for the accuracy of such material. Moreover, forecasts are subject to many uncertainties as to the future; therefore, FCS GROUP cannot represent that the projected financial statements will be representative of the results that actually occur. FCS GROUP will endeavor to include appropriate comments drawing the readers' attention to these matters.

**10. Integrated Agreement:** This agreement together with attachments or addenda, represents the entire and integrated agreement between the Client and FCS GROUP supersedes all prior negotiations, representations, or agreements written or oral. This agreement may be amended by written instrument signed by both the Client and FCS GROUP.

**11. Independent Contractor:** The parties intend that an independent Contractor/Client relationship will be created by this agreement. No agent, employee, or representative of FCS GROUP shall be deemed to be an agent, employee, or representative of the Client for any purpose. FCS GROUP shall be solely responsible for all acts of its agents, employees, representatives, and subcontractors during the performance of this contract.

**12. Equal Opportunity:** FCS GROUP is committed to the principles of providing equal employment opportunities for all employees. The performance and diversity of our employees will help us meet the challenges of the present and the future in serving our clients. This policy statement is a reaffirmation of our long-standing commitment to provide equal opportunity on the basis of individual merit and personal qualifications to employees and applicants for employment without regard to race, color, religious creed, sex, sexual orientation or preference, gender identity, genetic characteristics or information of employee or family, age, national origin, ancestry, marital status, citizenship, the presence of sensory, mental, or physical disability, pregnancy/childbirth or related condition, medical condition, membership in the military service, veteran's status, political ideology or any other basis protected by applicable federal, state, or local laws.

**13. Notices:** Notices to the Client shall be sent to the following address:

**City of Camas**  
Attention: Steve Wall, Public Works Director  
616 NE Forth Avenue  
P.O. Box 1055  
Camas, WA 98607

Notices to FCS GROUP shall be sent to the following address:

**Financial Consulting Solutions Group, Inc.**  
Attention: Angie Sanchez Virnoche, Principal  
Redmond Town Center  
7525 – 166<sup>th</sup> Ave. NE, Suite D-215  
Redmond, Washington 98052

## **EXHIBIT A: SCOPE OF WORK AND TASK PLAN**

The following work tasks have been developed to complete a Comprehensive Rate Study and SDC Update for the City of Camas's Water, Sewer and Storm utilities as well as a Solid Waste Rate Study Peer Review. The City's study needs were discussed with Steve Wall, Public Works Director on January 26, 2017. 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. All tasks will be performed for each utility unless noted otherwise.

### Task 1 | Kick-Off Meeting

A project kickoff meeting will be scheduled before the commencement of the project with the consultant and City project teams. 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. *Bi-weekly standing meetings will be scheduled to review the status of the project and deliverables at regular intervals with the project team.*

### Task 2 | Data Collection

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

### Task 3 | Rate Model Toolset Architecture

The rate model forms the framework and foundation of the rate study analysis. As a project deliverable, the City requested the rate study models with the capability to run sensitivity analyses for revenue requirements and review assumptions between rate studies. Based on prior work completed for the City we have a base modeling toolset available for the Water, Sewer, Storm and Solid Waste utilities. There are improvements and added functionality to the toolset that have been incorporated to the rate study approach since the last rate study completed. This task is intended to conceptualize the architecture of the model toolset with the project team. The objective of the model should improve transparency, functionality, flexibility and usability such that it can inform how proposed changes may impact rates and the financial requirements of each system. We will discuss how the City would like to use the models, what answers need to be generated by the tools and what user interface may be most effective. This task will incorporate the changes and updates to the model based on discussions with the City project team.

### Task 4 | Customer Statistics Validation

A detailed customer billing statistics validation will be completed for the water, sewer and storm utilities. Individual customer data including; number of accounts, meter size, equivalent service units and billed usage patterns (annual use, winter use and summer use) will be evaluated and validated against actual revenue collections. This revenue reconciliation will identify anomalies to be corrected prior to developing future projections of customer counts and use/demand under "normal" conditions. Validation of the customer statistics data set with customer demands and revenue generation is critical

to the rate study as it establishes the foundation for all of the major analytical phases (revenue requirement, cost-of-service analysis, rate design). The process has also proven beneficial in uncovering anomalies in data that can impact forecast revenue and cost allocation.

## Task 5 | Revenue Requirement Analysis

This task establishes a sustainable, multi-year (5-20 year) financial management plan that meets the projected total financial needs of the water, sewer and storm utility through generation of sufficient, sustainable revenue. Annual cash flow needs will be analyzed by identifying expenses incurred to operate and manage each system including:

- Cost increases resulting from staffing changes, enhanced programs or initiatives.
  - Additional staffing required to operate the water utility's slow sand treatment plant.
  - Additional staffing and equipment required to increase the sewer utility's Septic Tank Effluent Pump (STEP) maintenance level of service.
  - Additional cost impacts to the storm utility of the City taking over maintenance of Home Owner Association (HOA) owned facilities.
- Capital project needs (renewal/replacement, upgrades and expansion) identified in the most recent System Comprehensive Plans and condition assessments.
- 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.
  - Fiscal policies established in the rate study will form the foundation for the official utility policies the City is planning to present to Council for adoption.

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 the water, sewer and storm utility.

The resulting revenue requirement and multi-year rate strategy developed will meet the City's specified financial metrics, goals and objectives and deliver a self-sustaining, individual utility financial planning toolset.

## Task 6 | 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 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	Storm Functions
Base capacity (average demand)	Flow (includes inflow and infiltration)	Base (costs that do not vary)
Peak capacity (peak demand)	Strength (BOD/TSS)	Use (variable; possible credits)
Fire	Customer	
Customer		

This analytical exercise will identify the cost to serve each customer class of the water, sewer and storm systems. 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 7 | Rate Design

Rate design considers both the level (amount of revenue that must be generated) and structure (how the revenue will be collected or bill assessed). Each 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. Further, we will identify the portion of revenues anticipated to be collected from the fixed and volume rate components to provide for an appropriate balance of revenue stability and the ability of customers to control their bill by changing behavior. The rate designs proposed will be consistent with the City's fiscal policies, billing system capabilities and objectives.

This scope of services includes the following rate design options:

- “Across the board” increases for water, sewer and stormwater rates. The increases for each utility will be applied equally to both fixed and variable (where applicable) components.
- Modified fixed and variable rate increase for water and sewer utility rates. This alternative will evaluate modifying the fixed charges proportionally higher than the volume charges, or vice versa. This type of rate design would allow the City to address goals such as revenue stability or impacts of price elasticity.
- Evaluate consolidation of existing classes of service for the water utility to simplify the existing rate schedule.

## Task 8 | System Development Charge (SDC) Update

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 is calculated based on the intent and structure of the Revised Code of Washington (RCW) statute for Water-Wastewater Cities (RCW 35.092.025). In general, each connection shall bear a proportional share of the cost of the system capacity required.

This task will focus on updating the City's existing SDCs for the water and sewer utilities, as well as developing an SDC for the storm utility, which currently does not assess the charge to new development. SDCs developed for each system shall reflect an updated inventory of existing system

assets, the most recent approved capital improvement program costs related to growth and current expectations for future population/customer growth. The sewer utility will evaluate alternative methodology options to simplify the existing high strength commercial charges.

## Task 9 | Solid Waste Peer Review

The City is currently in the process of a Comprehensive Plan development for its Solid Waste utility. As part of the Comprehensive Plan, Chris Bell with Bell & Associates, Inc., is performing the Solid Waste rate study. The City has requested FCS GROUP to perform a peer review and coordinate with Chris to maintain continuity with historical analyses performed by FCS GROUP as well as the existing work for the water, sewer and storm utilities.

This task will review the methodology used in the calculation of the proposed rates in the Comprehensive Plan. The review will focus on two components: revenue requirements and cost of service. As discussed above in Tasks 5 and 6, revenue requirements identify the overall needs of the Solid Waste utility, while the cost of service calculates the unit costs of providing solid waste system services.

## Task 10 | 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 four (4) internal review meetings at key milestones with City staff to review key assumptions and outcomes:

- One (1) meeting to review revenue requirement and cost of service tasks for the water, sewer and storm utilities (onsite);
- One (1) meeting to review rate design alternatives for water, sewer and storm utilities as well as the results of the solid waste utility peer review (Ring Central);
- One (1) meeting to review SDC analysis (Ring Central); and
- One (1) meeting to review the recommended water, sewer and storm rate proposals and SDCs to bring forward to the City Council (Ring Central).

In addition to the review meetings, we anticipate four (4) City Council workshops/presentations.

- One (1) City Council workshop to share results of the water, sewer and storm utilities revenue requirement and incorporate input into final recommendations;
- One (1) City Council workshop to share results of the water, sewer and storm cost of service analysis and incorporate input into final recommendations; and
- One (1) City Council workshop to share results of the SDC update and incorporate input into final recommendations;
- One (1) City Council workshop or meeting to present final recommendations.

We are happy to accommodate any additional meetings and presentations the City feels are necessary. Additional meetings will be billed based on time and materials.

## Task 11 | 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 modeling tool for each utility.

## Project Administration

Perform miscellaneous project set up activities, work paper documentation, internal scheduling/workload planning, invoicing, ongoing client correspondence and other miscellaneous administrative/project management activities throughout the study.

## SCHEDULE

Comprehensive rate studies for multiple utilities generally require a nine to twelve month timeframe for completion. This includes the time required to gather data, complete the technical analysis, and to accommodate City review time and scheduling of Council presentations. The project schedule is based on a variety of issues include timeliness of receipt of requested data/information; quality of data; ability to schedule meetings in a timely manner; and the ability of the City to provide policy direction for the study to move forward at key study milestones. A specific project schedule will be developed during the kick-off meeting.

**EXHIBIT B: FINANCIAL CONSULTING SOLUTIONS GROUP, INC. FEE SCHEDULE**

TASK	Principal	Project Manager	Senior Analyst	Admin. Support	Total Estimated Hours	Total Budget
<i>Hourly Billing Rates:</i>	\$255	\$185	\$140	\$80		
<b>Water Utility</b>						
Task 2   Data collection			2		2	\$ 280
Task 3   Rate model toolset architecture	1	2	4		7	1,185
Task 4   Customer statistics validation		6	22		28	4,190
Task 5   Revenue requirement analysis	4	8	20		32	5,300
Task 6   Cost of service analysis	4	6	16		26	4,370
Task 7   Rate design	4	6	12		22	3,810
Task 8   System Development Charges	6	8	18		32	5,530
<b>Subtotal Water Utility</b>	<b>19</b>	<b>36</b>	<b>94</b>	<b>0</b>	<b>149</b>	<b>\$ 24,665</b>
<b>Sewer Utility</b>						
Task 2   Data collection			2		2	\$ 280
Task 3   Rate Model Toolset Architecture	1	2	4		7	1,185
Task 4   Customer statistics validation		6	20		26	3,910
Task 5   Revenue requirement analysis	4	8	20		32	5,300
Task 6   Cost of service analysis	4	6	16		26	4,370
Task 7   Rate design (no structure changes)	2	4	8		14	2,370
Task 8   System Development Charges	6	8	18		32	5,530
<b>Subtotal Sewer Utility</b>	<b>17</b>	<b>34</b>	<b>88</b>	<b>0</b>	<b>139</b>	<b>\$ 22,945</b>
<b>Storm Utility</b>						
Task 2   Data collection			2		2	\$ 280
Task 3   Rate Model Toolset Architecture	1	2	4		7	1,185
Task 4   Customer statistics validation		2	16		18	2,610
Task 5   Revenue requirement analysis	2	6	16		24	3,860
Task 6   Cost of service analysis	2	4	12		18	2,930
Task 7   Rate design (no structure changes)	1	2	4		7	1,185
Task 8   System Development Charges	4	6	14		24	4,090
<b>Subtotal Storm Utility</b>	<b>10</b>	<b>22</b>	<b>68</b>	<b>0</b>	<b>100</b>	<b>\$ 16,140</b>
<b>Task 9   Solid Waste Peer Review</b>						
Revenue requirement methodology review	5	10			15	\$ 3,125
Cost of service methodology review	7	14			21	4,375
<b>Subtotal Solid Waste Peer Review</b>	<b>12</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>\$ 7,500</b>
<b>TOTAL TECHNICAL</b>	<b>58</b>	<b>116</b>	<b>250</b>	<b>0</b>	<b>424</b>	<b>\$ 71,250</b>
<b>PROCESS TASKS</b>						
Task 1   Kick off meeting (Ring Central)	2	2	2		6	\$ 1,160
Task 10   Meetings/Presentations						
Internal milestone review meetings (1 on-site)	8	8			16	\$ 3,520
Internal milestone review meetings (3 Ring Central)	6	6	6		18	3,480
City Council workshop w/ presentation material (4 on-site)	32	32	12		76	15,760
Task 11   Documentation	4	16	40	4	64	9,900
Project Administration	16			6	22	4,560
<b>TOTAL PROCESS TASKS</b>	<b>68</b>	<b>64</b>	<b>60</b>	<b>10</b>	<b>202</b>	<b>\$ 38,380</b>
Expenses (mileage 5 round trips)						\$1,000
<b>TOTAL LABOR BUDGET</b>	<b>126</b>	<b>180</b>	<b>310</b>	<b>10</b>	<b>626</b>	<b>\$ 110,630</b>

**DIRECT EXPENSES**

Direct Expenses will not be charged for ordinary project-related expenses. For any client-requested extraordinary expenses, specific terms will be established prior to expenditure and billing.