

**CITY OF UPLAND
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of February 10, 2025 by and between the City of Upland, a public agency organized and operating under the laws of the State of California with its principal place of business at 460 N. Euclid Avenue, Upland, CA 91786 (“City”), and Raffelis Financial Consultants, Inc., a North Carolina Corporation, with its principal place of business at 227 W. Trade Street Suite 1400, Charlotte, NC 28202 (hereinafter referred to as “Consultant”). City and Consultant are sometimes individually referred to as “Party” and collectively as “Parties” in this Agreement.

RECITALS

A. City is a public agency of the State of California and is in need of professional services for the following project:

2025 Water and Recycled Water Rate Study (hereinafter referred to as “the Project”)

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the City with the services described in the Scope of Services attached hereto as Exhibit “A.”

2. Compensation.

a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit “B.”

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **\$100,120.00**. This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

c. The City Manager may approve Additional Work, as further defined in Section 3, up to ten percent (10%) of the amount of the Agreement or fifty thousand dollars (\$50,000.00). In no event shall the total sum of the agreement (original compensation amount and Additional Work) exceed **\$110,132.00**. Any additional work in excess of this amount shall be approved by the City Council.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the City by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by City.

5. Term

The term of this Agreement shall be from **February 10, 2025**, to **December 31, 2025**, unless earlier terminated as provided herein. The Parties may, by mutual, written consent, extend the term of this Agreement if necessary to complete the Project. Consultant shall perform its services in a prompt and timely manner within the term of this Agreement and shall commence performance upon receipt of written notice from the City to proceed ("Notice to Proceed"). The Notice to Proceed shall set forth the date of commencement of work.

Consultant shall perform its services in a prompt and timely manner and shall commence performance upon receipt of written notice from the City to proceed ("Notice to Proceed"). Consultant shall complete the services required hereunder within **324** calendar days. The Notice to Proceed shall set forth the date of commencement of work.

6. Delays in Performance.

a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; pandemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions at the location the services are provided. In providing the services hereunder, Consultant may rely on all data and information provided by or on behalf of City.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

a. PERS Eligibility Indemnification

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System ("PERS") to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

11. Insurance. Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the City.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability
- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Contractors Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the City, and provided that such deductibles shall not apply to the City as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the City.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status.

(iv) Subject to written approval by the City, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the City as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the City and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 combined single limit
Employer's Liability	\$1,000,000 per accident or disease
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the City evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the City at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the City at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the City or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to provide a waiver of subrogation in favor of the City, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the City

and shall not preclude the City from taking such other actions available to the City under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the City, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the City, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Consultant or City will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, City may cancel this Agreement.

(iii) The City may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the City nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the City that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the City as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, City may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel reasonably acceptable to City), indemnify and hold the City, its officials, officers, employees, and volunteers, free and harmless from all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, to the extent caused by the negligent acts, errors or omissions, or willful

misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in the performance of the Consultant's services, the Project or this Agreement. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers. Consultant shall have no obligation to indemnify the City or any other indemnified person against liability for claims by a third party for failure to comply with its obligations under Article XIII D of the California Constitution (Proposition 218) The indemnity obligations outlined in this Section shall not extend to claims arising out of the City's sole negligence or willful misconduct.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims to the extent caused by the negligence, recklessness, or willful misconduct of the Consultant, and Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered

Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. Reserved

Consultant is hereby made aware of the City's requirements regarding materials, as set forth in which are deemed to be a part of this Agreement.

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of San Bernardino, State of California.

17 Termination or Abandonment

a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed by Consultant for that portion of the work completed and/or being abandoned and intended by Consultant as a deliverable hereunder. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project by Consultant and intended by Consultant as a deliverable hereunder shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City. Nothing in this Agreement shall be deemed or construed

as a waiver, release, transfer, assignment or divestiture by Consultant of any of its intellectual property, know-how or trade secrets.

19. Organization

Consultant shall assign Sudhir Pardiwala Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

CITY:

City of Upland

460 N. Euclid Avenue

Upland, CA 91786

Attn: Environmental Compliance Programs
Manager, Public Works Department

CONSULTANT:

Raftelis Financial Consultants, Inc.

227 West Trade Street, Suite 1400

Charlotte, NC 28202

Attn: Sudhir Pardiwala

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated

herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. City's Right to Employ Other Consultants

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

[SIGNATURES ON FOLLOWING PAGE]

**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN CITY OF UPLAND
AND RAFTELIS FINANCIAL CONSULTANTS, INC.**

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

CITY OF UPLAND

Approved By:

By: _____
Michael Blay
City Manager

ATTEST:

By: _____
Keri Johnson
City Clerk

APPROVED AS TO FORM:

By: _____
Best Best & Krieger LLP
City Attorney

Raftelis Financial Consultants, Inc.

By: _____

Its: Executive Vice President

Printed Name: _____

By: _____

Its: Vice President

Printed Name: _____

EXHIBIT A

Scope of Work

TASK 1 – PROJECT MANAGEMENT AND INITIATION (KICK-OFF MEETING)

Task 1.1 – Ongoing Project Management and Quality Assurance/Quality Control Process

The proposed project approach entails several different yet interrelated work efforts that will require effective coordination between City staff and the Raftelis Team. Our management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives to ensure that all deadlines and objectives are met in a timely and efficient manner. We believe in a no-surprises approach so that the client is aware of the status of the project at all times. This task includes general administrative duties, including client communication, billing, project documentation, and overall project administration. **We assumed that staff meetings are virtual and City Council meetings are in person.** We can have in-person meetings if preferred. Both the Project Manager and Technical Reviewer will perform QA/QC on the model results and our recommendations to ensure they are consistent with industry standards and the current rate-setting environment.

Task 1.2 – Project Initiation and Data Collection

The kick-off meeting provides a solid foundation for the project and serves as a forum in which City staff can provide input on the project's objectives, approach, work plan, scheduling, and priorities. Raftelis will develop a kick-off meeting package that contains the meeting agenda, and a broad list of questions related to the City's water and recycled water system operations. This kick-off meeting will also serve as a forum for Raftelis to develop an understanding of the City's pricing objectives, financial goals, and other important utility issues.

Raftelis will review the rate study report previously prepared to understand the City's current rate structure development. A detailed data request list is submitted prior to the kick-off meeting so that the City can assemble the appropriate data in the required format. The Raftelis team studies the data to understand revenue streams, operating and capital expenses, and customer counts and use patterns. In addition, Raftelis will review the current reserve structure and propose reserve recommendations that are consistent with industry standards as well as the City's risk management tolerance to maintain financial stability.

MEETINGS

- One kick-off meeting with City staff

DELIVERABLES

- Data request list and kick-off meeting summary memorandum

TASK 2 – DATA COLLECTION AND REVIEW

The purpose of this task is to gather and review the relevant information, documents, and analyses that will be required to conduct the rate study. As part of this task, a detailed data request list will be prepared and submitted to City staff upon notice to proceed so all appropriate data can be forwarded to Raftelis before the kick-off meeting, where the data can be reviewed and any questions answered.

DELIVERABLES

- Data request list and kick-off meeting summary memorandum

TASK 3 – QUALITY ASSURANCE (QA) AND QUALITY CONTROL (QC) PROCESS

The QA/QC process ensures that all work performed by Raftelis on this project will be accurate and of the highest quality. Steve Gagnon, PE, will be the lead Technical Reviewer for this project, ensuring it meets both Raftelis' and industry standards. The QA/QC reviewer's primary responsibility is to review the work effort for consistency, accuracy, and validity and ensure that the cost of service and rate models are functioning properly and based on sound rate-making principles and standard industry practice. The reviewer also ensures that the report produced is comprehensive, consistent with the results, and meets the high-quality standards of Raftelis. The QA/QC process is accomplished through periodic reviews of the models throughout the course of their development.

TASK 4 – FINANCIAL PLAN DEVELOPMENT

The financial plan is a cash flow modelling exercise that ascertains the additional revenue needed to ensure the financial integrity of the utility. It does so by projecting existing rate revenue, other operating and non-operating revenues, debt service payments, and operating and capital expenses over a 10-year period. Existing rate revenue is based on anticipated water sales and the number of customers served by the utilities. We will make prudent water sales and customer growth assumptions with input from City staff.

Raftelis will develop a 10-year cash flow analysis to determine revenue adjustments. We will also review reserve policies to recommend appropriate reserve balances (operating, capital, rate stabilization, etc.) that are consistent with industry standards as well as the City's risk tolerance. The financial plan will be presented in an easy-to-understand format on an interactive dashboard that shows the impacts of various assumptions so that informed decisions regarding revenue adjustments, capital financing through rates or debt, and reserve balances can be made efficiently.

Several features of the model dashboards include the ability to show or indicate:

1. Revenue adjustments required over the planning horizon to meet debt coverage, fund capital projects, and achieve reserve targets
2. Reserve balances and reserve targets as well as debt service coverage ratios (days cash on hand, reserve funding levels)
3. Projected operating costs and revenue streams
4. Operating cost breakdown (O&M, water purchases, debt service payments, pay-as-you-go (PAYGO) capital, etc.)
5. Different capital funding sources such as PAYGO (rate funding), debt financing, or grant funding

We will work with City staff to determine the most appropriate financial plan and rate design. Raftelis models are designed to be user-friendly while being flexible enough to show the City's sensitivity to various assumptions, allowing both City staff and City Council to make informed decisions.

MEETINGS

- Two webinars to review the results of the financial plan

DELIVERABLES

- Financial plan model in Excel

TASK 5 – COST-OF-SERVICE ANALYSIS

The annual costs of providing services will be allocated among customer classes commensurate with their service requirements – i.e., how they use the system. Costs are identified and allocated to cost components and distributed to respective customer classes according to the industry standards provided in the *AWWA M1 Manual*.

Throughout the cost allocation process, Raftelis will incorporate the City’s policy considerations, as well as current federal, state, and local rules and regulations such as Proposition 218. We will liaise with the City’s legal counsel on rates to ensure proposed cost allocations bases and cost recovery rationale is consistent with Proposition 218, recent case law, and overall defensibility of rates.

The water and recycled water cost-of-service analyses will be based on industry standards and methodologies approved by the AWWA and described in their *Manual M1 Principles of Water Rates, Fees and Charges* (co-authored by Raftelis staff). Cost allocations among customer classes for water and recycled water will likely be based on the AWWA-approved Base-Extra Capacity approach which focuses on the different usage patterns (or peaking characteristics) demonstrated by each customer class. During the cost of service analysis Raftelis will evaluate the City’s distinct customer classes, if warranted. Based on the revenue requirement identified in the financial plan, water expenses, such as the purchase, treatment, and distribution of water, are allocated to cost causation components, including supply, delivery, capacity-related costs, meter-related costs, customer costs, conservation costs, and other direct and indirect costs consistent with industry standards.

MEETINGS

- Webinars if needed

DELIVERABLES

- Cost-of-service analyses in Excel

TASK 6 – Design Rates

Properly designed rates support and optimize a blend of various utility objectives, such as affordability for essential needs, fairness and equity, revenue stability, and ease of implementation. Raftelis will develop comparable rate alternatives according to the City’s objectives, with consideration of industry standards and defensibility considering recent legal challenges and Proposition 218.

Task 6.1 Develop Rate Design Options

Raftelis will develop rate models with the flexibility to evaluate alternative rate structures including options such as inclining tiers, seasonal rates, and a uniform rate. The model will have the capability to examine the different rate structure scenarios to enhance revenue stability, fully fund operations and capital projects through rates, further promote rate affordability, and address fairness of rates within each class. Raftelis will examine the water utility’s current three-tier Single Family Residential (SFR) rate structure, uniform class rates, and the recovery of fixed and volumetric revenues based on fixed and volumetric costs.

Tiered Water Rates

In today’s rate-setting environment, it is imperative to show the nexus between the cost to serve water and the rate charged for service in each tier. For any tiered structure, Raftelis will calculate and demonstrate the nexus between

costs and rates by tabulating the tiered rates to show each unit cost component individually. These cost components may include water supply costs, system delivery costs, capacity or peaking costs, meter servicing costs, customer service costs, and conservation costs, among others. This rate derivation will communicate to customers the cost drivers behind the rate in each tier and each class. An example of our build-up of “rate components” to final commodity rates is shown in the table below. The five rate components, derived from the cost of service, are summed to derive the final commodity rates.

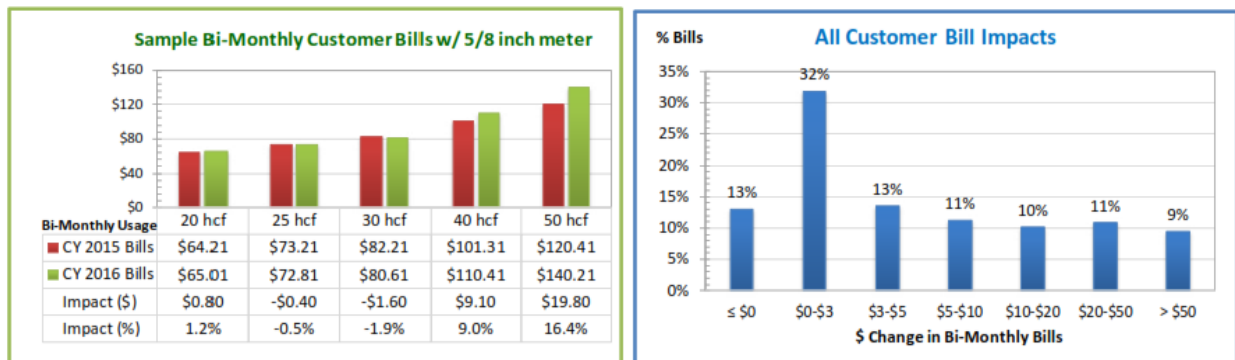
	Water Supply	Delivery	Peaking	Conservation	Revenue Offset	Proposed Rates
Residential						
Tier I	\$1.82	\$1.96	\$0.92	\$0.00	(\$0.32)	\$4.39
Tier II	\$4.04	\$1.96	\$1.22	\$0.00	(\$0.32)	\$6.91
Tier III	\$6.45	\$1.96	\$1.91	\$0.10	\$0.00	\$10.43

During our analyses, we will examine how the current tiers and tier breakpoints serve the utility’s objectives and discuss any recommended revisions. We design our rate models to allow for multiple rate scenario analyses to show:

1. Different rate structures based on achieving different policy and rate philosophy objectives
2. Different levels of water use - for example an optimistic, most likely, and pessimistic scenario
3. Varying breakpoints for tiered water rates

Task 6.2 Comparison of Alternative Rate Design Structures

Rate adjustments stem from a change in the total rate revenue needs and/or a change in the rate structure. The total rate adjustment can sometimes cause “rate shock” to certain customer groups. In our impact analysis graphics, we calculate estimated monthly bills at each level of usage assuming the proposed rate structure was already in place to determine the true impact of the new rate structure. The customer impact analysis will include a series of tables and figures that show projected rate impacts by customer class at various levels of usage. Understanding customer impacts, and taking corrective action, if necessary, allows us to design public outreach strategies for generating customer buy-in and successful rate implementation. As an example, the customer impact illustration shown below- left indicates that a customer with a 5/8-inch meter using 20 hcf per billing period will see a \$0.80, or 1.2%, increase in the bimonthly bill. We also calculate the bill impacts in aggregate to be able to appreciate how different rate proposals and structures impact classes in aggregate. This visual has proved powerful in discussions with staff and elected officials when entertaining changes to rate structures.



Proposed rates will be designed to be defensible and to fall within regulatory and legal requirements. While Raftelis is not a law firm, we have helped numerous agencies throughout the State develop rates and rate structures that are

defensible and meet Proposition 218 requirements. Raftelis assisted the Sweetwater Authority, City of San Juan Capistrano, and Soquel Creek Water District with revised rates after recent legal challenges. We will work with the City's legal counsel on water rates throughout the study to ensure legal counsel, staff, and the Raftelis Project Team agree prior to presenting any modifications to or new rate structures in a public forum.

Raftelis will discuss preliminary results with staff during two webinars and one in-person meeting. In the meetings, we will discuss the benefits and challenges of each rate structure and each scenario and refine the options that will be presented to City Council.

PLANNED MEETINGS:

- Two (2) meetings with City staff to discuss rate options and one (1) meeting with City staff to discuss the comparison of alternative rate structures

DELIVERABLES:

- Rate model and customer bill impacts in Microsoft Excel

Task 7 - Develop Drought Rates

Raftelis will provide drought rates derived from the underlying existing rate structure. In order to simulate drought conditions, the rate Model will reduce revenue associated with a drop in consumption, but at the same time it will reduce any variable costs related to water production. Based on the usage analysis, we can identify where drought rates need to be set in order to ensure all revenue requirements are met during a period of reduced consumption. Penalty rates can also be set for multiple years and will be ready to implement as soon as conditions warrant, so that valuable time is not lost.

TASK 8 – PRESENTATION TO CITY COUNCIL

Raftelis will present the study process and results to the City Council. With luck, we would get City Council approval to proceed with the Public Notice at the first City Council presentation. However, sometimes the City Council would like to see different rate adjustments or have other input before providing direction. We have assumed one City Council presentation and have provided a price for an additional City Council presentation.

MEETINGS

- One presentation to City Council (presentation materials will be provided to City staff prior to the presentation for review)

DELIVERABLES

- Graphics and/or charts in PowerPoint

TASK 9 – REPORT PREPARATION

The last step of the rate-making process, and in part to comply with Proposition 218 requirements, documents the study results in a study report to inform the public about the proposed changes, the rationale and justifications behind the changes, and their anticipated financial impacts in lay terms. The study report serves as part of the City's administrative record to justify the proposed rates.

Task 9.1 Draft Report

The draft report will include an executive summary highlighting the major issues addressed, decisions reached, and recommended rates developed during the study. The main body of the report will include brief physical descriptions of the system and City characteristics, details of the financial plan and reserve policies, cost of service analysis, rate design details, and the proposed rates. They will also contain discussions on rate structure selection and rate design assumptions. The methodology describing the cost of service, rate calculations, and proposed five-year rates will be described in detail so that the nexus between costs and rates is clearly defined and understandable. Raftelis will provide a draft report to staff and external legal counsel for review. Raftelis will complete a draft report in time for City Council meetings where the Council will select their preferred rates. Any changes, comments, and feedback will be incorporated into the final models and final reports.

Task 9.2 Final Report

Recent legal challenges and court decisions have emphasized the importance of a thorough administrative record and defensible methodology of the final rates for service. To ensure that the study includes a thorough administrative record, the final report will include exhibits listing all assumptions and methodologies used to develop the financial plan, allocate costs to serve customers, and derive rates. The report will lead the reader from the adopted budgets through final rates and customer impacts, with the ability to do the math along the way. Raftelis will incorporate changes, comments, and edits from City staff, legal counsel, and City Council when completing the final reports.

MEETINGS:

- One (1) meeting with City staff and legal counsel to discuss and review the draft report

DELIVERABLES:

- Presentation materials
- Draft and final study reports in Microsoft Word and Adobe PDF

TASK 10 - PROPOSITION 218 PUBLIC HEARING PRESENTATION

Raftelis will present the study results at a Proposition 218 hearing, during which we will address the City Council and the public's questions and comments. Presentation materials will be provided to City staff for review before the Proposition 218 presentation.

MEETINGS

- One Proposition 218 presentation

DELIVERABLES

- Graphics and/or charts in PowerPoint

OPTIONAL TASK 11 – PROPOSITION 218 NOTICE

Raftelis will prepare the Proposition 218 Notice for review by the City's Attorney. The notice will outline the proposed rate changes, will explain the right to challenge the rates, and will meet and comply with the noticing requirements of Proposition 218.

MEETINGS

- Web meeting to discuss the Proposition 218 Notice

DELIVERABLES

- Proposition 218 Notice

OPTIONAL TASK 12 – ADDITIONAL CITY COUNCIL MEETINGS

Should additional City Council meetings be required, we have shown the cost per meeting.

MEETINGS

- As needed

DELIVERABLES

- Graphics and/or charts in PowerPoint format

OPTIONAL TASK 13 – CAPITAL IMPROVEMENT PLAN & OPERATING BUDGET SERVICES

Financial forecasting and determining water rates are only as good as the operating and capital costs that go into them. If there is uncertainty in operating or capital costs, asset management costs, or opportunities to reduce costs, those can have direct impacts on the finances and rates of the utility. We can also help you make your master plans and asset management plans an actionable capital improvement plan that can provide a high level of service while maintaining rates as low as good service will permit. **We offer capital improvement program and operating budget review services compared to utility best practices to help our clients make sure they have the right amount of capital, asset management, and operating costs in their budgets and look for ways to increase efficiencies, reduce costs, and align their budgets with utility best practices.** This service could potentially reduce your cost of service, reduce or eliminate any needed rate increases, and find some ways to help deliver your CIP or Operations more efficiently depending on your exact needs. It could also help you justify increases to the CIP and rates to address ongoing asset management needs or needed facility/equipment improvements consistent with utility best practices. This type of review also offers an independent third party review of your budgets compared to utility best practices which we have found is beneficial to our clients as rates are developed, proposed, and ultimately approved.

We can include this utility best practice review in our scope of work to review your CIP and Operations Budgets as we work with you to perform the rate study.

MEETINGS

- As needed

DELIVERABLES

- CIP and/or Operating Budget reviews with improvement recommendations in Word and/or Excel format

EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice City on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform City regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract.

Fee

The table below shows the hourly rates, hours, and total estimated fee for this project. At the bottom we show a per meeting cost should additional City Council meetings be required.

Fee

The table below shows the hourly rates, hours, and total estimated fee for this project. At the bottom we show a per meeting cost should additional City Council meetings be required.

Tasks	Meetings		Hours							Total Fees & Expenses
	Virtual	In Person	Sudhir Pardiwala	Steve Gagnon	Consultant	Brandon Vatter	Graphic Designer	Admin	Total Hours	
1. Project Management and Initiation (Kick-Off Meeting)	1		10	2	4			2	18	\$6,300
2. Data Collection and Review	1		2		8				10	\$2,790
3. Quality Assurance (QA) and Quality Control (QC) Process			2	8					10	\$3,950
4. Financial Plan Development	2		10		40				50	\$13,950
5. Cost of Service Analysis			10		24				34	\$10,110
6. Design Rates	2		10		24				34	\$10,110
7. Develop Drought Rates			4		16				20	\$5,580
8. Presentation to City Council		1	8		8				16	\$5,510
9. Report Preparation	1		10	2	50			2	64	\$17,340
10. Proposition 218 Public Hearing Presentation		1	8		8			2	18	\$5,730
Total Meetings / Hours	7	2	74	12	182	0	0	6	274	-
Hourly Billing Rates	-	-	\$425	\$375	\$230	\$340	\$170	\$100	-	-
Total Professional Fees	-	-	\$31,450	\$4,500	\$41,860	\$0	\$0	\$600	-	\$78,410
									Travel Expenses	\$210
									Technology Fee	\$2,740
									Total Expenses	\$2,950
									Total Fees & Expenses	\$81,360
11. Optional - Proposition 218 Notice	1		2		8		6		16	\$3,870
12. Optional - Additional City Council Meetings		1.	8		8				16	\$5,620
13. Optional - Capital Improvement Plan & Operating Budget Services	2		2			24			26	\$9,270
Total Optional Tasks										\$18,760

EXHIBIT C
Activity Schedule

Schedule

Raftelis proposes to complete the study by November 2025 as shown below:

Schedule

Raftelis proposes to complete the study by November 2025 as shown below:

TASKS	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025
1. Project Management and Initiation (Kick-Off Meeting)	●									
2. Data Collection and Review	●									
3. Quality Assurance (QA) and Quality Control (QC) Process										
4. Financial Plan Development					●	●				
5. Cost of Service Analysis										
6. Design Rates										
7. Develop Drought Rates										
8. Presentation to City Council								●		
9. Report Preparation										
10. Proposition 218 Public Hearing Presentation										●
11. Optional - Proposition 218 Notice										
12. Optional - Additional City Council Meetings.										
13. Optional - Capital Improvement Plan & Operating Budget Services.										

● Meetings