

**CITY OF HALLANDALE BEACH
2009 AGREEMENT**

**HAZEN AND SAWYER, PC
WORK AUTHORIZATION No. 32**

Water and Wastewater Rate Study

*In accordance with Article 12 of the AGREEMENT between City of Hallandale Beach, Florida (**CITY**) and Hazen and Sawyer, P.C. (**CONSULTANT**) for TRANSPORTATION PLANNING AND ENGINEERING, TRAFFIC STUDIES, UTILITIES, ROADWAYS, GEOTECHNICAL CONSULTING AND TESTING SERVICES, the following scope of services is provided as requested by the **CITY**. Compensation shall be on a maximum amount not-to-exceed basis for salary costs and reimbursables as set forth in the original agreement.*

Background

CONSULTANT shall provide the following services through Public Resources Management Group, Inc. for the preparation of a water and wastewater user rate, miscellaneous charge and impact fee study (the "Rate Study") for the **CITY**. The Rate Study shall include a financial forecast that will estimate the water and wastewater systems' financial operations over the five-year period beginning with the fiscal year ending September 30, 2014. The cost of service and rate analysis shall reflect the allocation of water and wastewater system costs based on a cost recovery strategy to be established in conjunction with the **CITY** staff.

TASK 1 – Data Request and Data Gathering

CONSULTANT shall prepare a written data request for the collection of financial, customer billing, operating, engineering, and planning data necessary to conduct the rate and impact fee study. Information requested shall include, but is not limited to, financial statements, existing rate schedules, operating budgets and capital work plans, existing debt service schedules, summaries of fixed assets including utility plant investment, detailed accounting records, cost estimates and detailed customer billing data. The initial data request shall be as comprehensive as possible; however, based on review the **CITY**'s initial response it is contemplated that follow up data requests may be required during the course of the study. This task shall also include attendance at an initial project meeting to confirm study goals and objectives, establish a project schedule, and review the study's data requirements.

TASK 2 - Identification of Fiscal Policies and Objectives

This task shall include the review of existing City Ordinances, financial policy and loan agreements associated with outstanding loan obligations. Based on this review **CONSULTANT** shall meet with the **CITY** staff to identify goals related to financial performance indicators, capital funding practices and reserve fund policies to provide financial guidelines and support for the rate and fee setting process.

TASK 3 - Customer and Sales Forecast

CONSULTANT shall prepare a five-year forecast of customer and usage requirements based on detailed customer accounting information provided by the **CITY** for the water and wastewater systems. This task shall include review of historical customer and usage statistics by rate classification and development of a forecast of customers and sales based on the best available information about future growth. This task also includes preparing a profile of billing determinants for a historical "Test Year" and the projected period included in the financial forecast. The profile of billing statistics shall consider existing customer classes and rate schedules and reflect appropriate rate structure criteria. The task shall involve the development of bill frequency reports based on detailed billing records and the reporting capabilities of the **CITY's** billing system. The first step of this task shall be to work with **CITY** staff to specify the billing data to be provided. Once the customer and usage data and reports are provided it shall be assembled for use in the five-year financial forecast, cost of service and rate analysis.

TASK 4 - Review of Capital Improvements Program

This task shall involve the development of a capital finance plan to fund the **CITY's** water and wastewater system capital improvements program (the "CIP"). In addition to reviewing the **CITY's** current CIP, this activity shall also include identification of available funding sources and fund balances and development of a capital funding strategy for the capital projects based on project timing and the analysis of alternative funding sources. These capital funding sources typically include the potential issuance of debt; grants, non ad valorem tax assessments and funds generated internally from rates and impact fees. It is recognized that the initial funding strategy developed in conjunction with the **CITY** staff may need to be modified during the course of the rate study in order to achieve the **CITY's** goals with respect to the level and timing of proposed rate adjustments. These modifications or alternative capital funding strategies shall ensure that the capital finance plan supports the overall cost recovery strategy deemed to be appropriate by the **CITY**.

TASK 5 - Development of Projected Revenue Requirements

CONSULTANT shall prepare a five-year financial forecast and revenue requirement analysis based on the **CITY's** current water and wastewater operating budget and CIP. This task shall include analysis of operations and maintenance expenses, capital expenditures and funding criteria, and other non-operating costs such as debt service, renewal and replacement funding requirements and general fund transfers. The cost information shall be compiled in a detailed manner such that costs can be summarized and classified by utility function or service. Costs shall be classified into the traditional ratemaking categories such as customer-related costs, fixed or capacity-related costs and variable or flow-related costs. The cost classification task is done to facilitate the allocation of costs among customer classes or types (such as residential single family, residential multifamily, general service or commercial services). The cost classification step also serves to guide the rate design process in developing the individual rate structure components such as monthly customer charges and usage charges for each class of service.

This task shall also include the development of a forecast of revenues and income including utility rate revenues, other operating revenues from miscellaneous service charges and other income such as interest income on fund balances. The forecast of utility rate revenue shall be based on applying the existing rate schedules to the customer and sales forecast and detailed profile of water and wastewater billing determinants developed in Task 3. The final step in this task shall be to compare

the projected revenues from existing rates with the projected revenue requirements in order to estimate the adequacy of current rate levels. Based on this summary of the adequacy of rates, **CONSULTANT** shall recommend overall water and wastewater system rate adjustments and develop an appropriate cost recovery strategy in conjunction with the **CITY** staff.

TASK 5 - Cost of Service Analysis

CONSULTANT shall conduct a cost of service analysis including the classification and allocation of costs among the various utility functions, appropriate customer classes and rate structure components. In particular, the analysis shall address the cost of serving water, wastewater and reclaimed water system customers and customer classes. Unit costs shall be calculated to estimate the average customer, capacity and flow-related costs for each customer class. Customer class costs or revenue responsibility shall be compared with revenues from existing rates to determine the appropriate customer class rate adjustments. Also for each rate or customer class, unit costs calculated in the cost of service analysis shall be compared with existing rate structures to establish a plan to implement cost-based rates. The results of the cost of service analysis shall be used to evaluate existing rates and customer classes and make recommendations for appropriate modifications. Based on the overall cost recovery strategy, the cost of service study results and specific rate administrative criteria this task shall be developed in conjunction with **CITY** to ensure that the **CITY**'s goals and objectives regarding pricing policy are considered in this task.

TASK 6 - Design of Monthly Water and Wastewater Rates

Based on the cost of service results and the **CITY**'s pricing goals and objectives, **CONSULTANT** shall develop water and wastewater rates for each customer class identified in the study. The utility rate design shall consider rate structure features such as a monthly base charge predicated on the size of the customer's meter or in the case of residential multifamily service the number of equivalent residential units served behind the meter and water conservation incentives. A detailed rate comparison shall be developed to evaluate the impact of the proposed water and wastewater rates on existing users and to assess the competitiveness of the **CITY**'s rates with other utility systems in the area.

TASK 7 - Design of Water and Wastewater Impact Fees

Based on the **CITY**'s CIP, existing treatment plant capacity utilization, and fixed asset records the cost of water and wastewater system expansion to serve new growth shall be identified. These growth-related costs, along with level of service standards appropriate for each utility system, shall be used to develop proposed water and wastewater system development charges or impact fees. This task shall also include developing a detailed impact fee comparison to evaluate the proposed water and wastewater impact fees and to assess the competitiveness of the fees with other utility systems in the area.

TASK 8 - Miscellaneous Service Charge Analysis

A review of the **CITY**'s miscellaneous service charges for water and wastewater charges, deposits and fees shall be conducted to ensure that all charges recover the estimated cost of providing the service. Examples of miscellaneous charges include, but are not limited to, reconnect charges, late payment charges and fees, reconnect after disconnect for non-payment charges, meter test fees, after hour service call charges reclaimed water fees, fees for backflow preventer maintenance and

deposits. This task shall also consider whether the **CITY** needs to implement any new miscellaneous service charges.

TASK 9 - Present Rate Study Results

CONSULTANT shall attend two public meetings before the City Commission to present the results of the water and wastewater system rate and impact fee study to the **CITY**. Additional meetings shall be held with the **CITY** staff throughout the course of the study including an initial project meeting, and two subsequent meetings to gather data and review preliminary study results. A total of five meetings are included in this scope of service. This task shall also include preparation of a briefing document and report to summarize the study results.

Task 10 – Additional Optional Assistance

CONSULTANT shall perform optional additional services if requested by **CITY**. This task shall be utilized for services related to this project but not included in the tasks above.

SCHEDULE OF COMPLETION

These services shall be rendered by **CONSULTANT** within six months, initiating from receipt of notice-to-proceed from **CITY**.

COMPENSATION

Compensation shall be made to **CONSULTANT** for a not to exceed amount of \$45,100.

AUTHORIZATION - HAZEN AND SAWYER, P.C.

Accepted: Patrick A. Davis, P.E.
Vice President

Date: