

**City of Oak Harbor
City Council Agenda Bill**

Bill No. 4. e.
Date: April 4, 2017
Subject: Professional Services
Agreement: HDR, Inc. - Utility
Rate and Fee Update

FROM: Cathy Rosen, Public Works Director and Joe Stowell, City Engineer

INITIALED AS APPROVED FOR SUBMITTAL TO THE COUNCIL BY:

- Bob Severns, Mayor
- Doug Merriman, City Administrator
- Patricia Soule, Finance Director
- Nikki Esparza, City Attorney, as to form

RECOMMENDED ACTION

A motion authorizing the Mayor to sign a Professional Services Agreement between the City of Oak Harbor and HDR Incorporated in the amount of \$48,050.

BACKGROUND / SUMMARY INFORMATION

The City operates several funds that are supported by rates and fees. As needed, the City reviews the rates and fees to ensure the funds are balanced and account for upcoming expenses.

The attached scope of work from HDR Incorporated proposes to look at the water, wastewater, stormwater, solid waste, and park impact fee funds to ensure current revenue supports operating expenses and future capital projects. This analysis takes into account population projections, estimated inflation, proposed capital projects, staffing and overhead to name a few.

The rates and fees developed typically look 10-years into the future, while a shorter duration is typically adopted by the City.

HDR Incorporated has been selected to perform this analysis based on their previous experience with the City and current assistance with funding the Clean Water Facility.

LEGAL AUTHORITY

FISCAL IMPACT

Funds Required: \$48,050

Appropriation Sources:

Fund 401 – Water - \$10,830

Fund 402 – Wastewater - \$9,385

Fund 403 – Solid Waste - \$5,955

Fund 404 – Stormwater - \$11,880

Fund 001.70 – Parks - \$8,990

Expenses (Distributed between Funds) - \$1,010

PREVIOUS COUNCIL / BOARD / CITIZEN INPUT

July 3, 2007 – City Council adopted Ordinance 1510 “Solid Waste Collection Rates”.

October 5, 2010 – City Council adopted Ordinance 1587 “Utility Rate Ordinance” amending rates for water, wastewater and storm drain services.

February 4, 2014 – City Council adopted Ordinance 1684 amending storm drain rates.

October 7, 2014 – City Council adopted Ordinance 1701 creating Fund 127 – Park Impact Fees.

March 15, 2016 – City Council adopted Ordinance 1760 amending rates for wastewater.

ATTACHMENTS

1. [Attachment A - PSA with HDR, Inc.](#)

**PROFESSIONAL SERVICES AGREEMENT BETWEEN
CITY OF OAK HARBOR
AND HDR ENGINEERING, INC.
FOR CONSULTANT SERVICES**

Project Name: Utility Rate and Fee Update

Contract Number: ENG17-04

Contract Amount: \$48,050

Expiration Date: December 31, 2018

THIS AGREEMENT (“Agreement”) is made and entered into by and between the City of **OAK HARBOR**, a Washington State municipal corporation (“City”), and **HDR Engineering, Inc.**, a Nebraska corporation (“Consultant”).

NOW, THEREFORE, in consideration of the terms, conditions, covenants and performances contained herein, the parties hereto agree as follows:

ARTICLE I. PURPOSE

The purpose of this Agreement is to provide the City with consultant services regarding the utility rates and fees for water, wastewater, stormwater, solid waste and parks as described in Article II. The general terms and conditions of the relationship between the City and the Consultant are specified in this Agreement.

ARTICLE II. SCOPE OF SERVICES

The Scope of Services is attached hereto as **Exhibit “A”** and incorporated herein by this reference (“Scope of Services”). All services and materials necessary to accomplish the tasks outlined in the Scope of Services shall be provided by the Consultant unless noted otherwise in the Scope of Services or this Agreement. All such services shall be provided in accordance with the standards of the Consultant’s profession.

ARTICLE III. OBLIGATIONS OF THE CONSULTANT

III.1 MINOR CHANGES IN SCOPE. The Consultant shall accept minor changes, amendments, or revision in the detail of the Scope of Services as may be required by the City when such changes will not have any impact on the service costs or proposed delivery schedule. Extra work, if any, involving substantial changes and/or changes in cost or schedules will be addressed as follows:

Extra Work. The City may desire to have the Consultant perform work or render services in connection with each project in addition to or other than work provided for by the expressed intent of the Scope of Services in the scope of services. Such work will be considered as extra work and will be specified in a written supplement to the scope of

services, to be signed by both parties, which will set forth the nature and the scope thereof. All proposals for extra work or services shall be prepared by the Consultant at no cost to the City. Work under a supplemental agreement shall not proceed until executed in writing by the parties.

III.2 WORK PRODUCT AND DOCUMENTS. The work product and all documents produced under this Agreement shall be furnished by the Consultant to the City, and upon completion of the work shall become the property of the City, except that the Consultant may retain one copy of the work product and documents for its records. The Consultant will be responsible for the accuracy of the work, even though the work has been accepted by the City.

In the event that the Consultant shall default on this Agreement or in the event that this Agreement shall be terminated prior to its completion as herein provided, all work product of the Consultant, along with a summary of work as of the date of default or termination, shall become the property of the City. Upon request, the Consultant shall tender the work product and summary to the City. Tender of said work product shall be a prerequisite to final payment under this Agreement. The summary of work done shall be prepared at no additional cost to the City.

Consultant will not be held liable for reuse of documents produced under this Agreement or modifications thereof for any purpose other than those authorized under this Agreement without the written authorization of Consultant.

III.3 TERM. The term of this Agreement shall commence on **April 4, 2017** and shall terminate at midnight, **December 31, 2018**. The parties may extend the term of this Agreement by written mutual agreement.

III.4 NONASSIGNABLE. The services to be provided by the Consultant shall not be assigned or subcontracted without the express written consent of the City.

III.5 EMPLOYMENT. Any and all employees of the Consultant, while engaged in the performance of any work or services required by the Consultant under this Agreement, shall be considered employees of the Consultant only and not of the City, and any and all claims that may or might arise under the Workman's Compensation Act on behalf of any said employees while so engaged, and any and all claims made by any third party as a consequence of any negligent act or omission on the part of the Consultant or its employees while so engaged in any of the work or services provided herein shall be the sole obligation of the Consultant.

III.6 INDEMNIFICATION / HOLD HARMLESS. Consultant shall defend, indemnify and hold the Public Entity, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or resulting from the negligent or wrongful acts, errors or omissions of the Consultant in performance of this Agreement, except for injuries and damages caused by the sole negligence of the Public Entity.

Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or

damages to property caused by or resulting from the concurrent negligence of the Consultant and the Public Entity, its officers, officials, employees, and volunteers, the Consultant's liability, including the duty and cost to defend, hereunder shall be only to the extent of the Consultant's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the Consultant's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this section shall survive the expiration or termination of this Agreement.

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

b. **No Limitation.** Consultant's maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Consultant to the coverage provided by such insurance, or otherwise limit the Public Entity's recourse to any remedy available at law or in equity.

c. **Minimum Scope of Insurance.** Consultant shall obtain insurance of the types and coverage described below:

1. Automobile Liability insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage.

2. Commercial General Liability insurance shall be at least as broad as ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, stop-gap independent contractors and personal injury and advertising injury. The Public Entity shall be named as an additional insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the Public Entity using an additional insured endorsement at least as broad as ISO CG 20 26.

3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.

4. Professional Liability insurance appropriate to the Consultant's profession.

d. **Minimum Amounts of Insurance.** Consultant shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident.

2. Commercial General Liability insurance shall be written with limits no less than \$1,000,000 each occurrence, \$2,000,000 general aggregate.

3. Professional Liability insurance shall be written with limits no less than \$1,000,000 per claim and \$1,000,000 policy aggregate limit.

e. **Other Insurance Provision.** The Consultant's Automobile Liability and Commercial General Liability insurance policies are to contain, or be endorsed to contain that they shall be primary insurance as respect the Public Entity. Any Insurance, self-insurance, or self-insured pool coverage maintained by the Public Entity shall be excess of the Consultant's insurance and shall not contribute with it.

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

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

h. **Notice of Cancellation.** The Consultant shall provide the Public Entity with written notice of any policy cancellation within two business days of their receipt of such notice.

i. **Failure to Maintain Insurance.** Failure on the part of the Consultant to maintain the insurance as required shall constitute a material breach of contract, upon which the Public Entity may, after giving five business days notice to the Consultant to correct the breach, immediately terminate the contract or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, with any sums so expended to be repaid to the Public Entity on demand, or at the sole discretion of the Public Entity, offset against funds due the Consultant from the Public Entity.

j. **Public Entity Full Availability of Consultant Limits.** If the Consultant maintains higher insurance limits than the minimums shown above, the Public Entity shall be insured for the full available limits of Commercial General and Excess or Umbrella liability maintained by the Consultant, irrespective of whether such limits maintained by the Consultant are greater than those required by this contract or whether any certificate of insurance furnished to the Public Entity evidences limits of liability lower than those maintained by the Consultant.

III.7 DISCRIMINATION PROHIBITED AND COMPLIANCE WITH EQUAL OPPORTUNITY LEGISLATION. The Consultant agrees to comply with equal opportunity employment and not to discriminate against client, employee, or applicant for employment or for services because of race, creed, color, religion, national origin, marital status, sex, sexual orientation, age or handicap except for a bona fide occupational qualification with regard, but not

limited to, the following: employment upgrading; demotion or transfer; recruitment or any recruitment advertising; layoff or terminations; rates of pay or other forms of compensation; selection for training, rendition of services. The Consultant further agrees to maintain (as appropriate) notices, posted in conspicuous places, setting forth the provisions of this nondiscrimination clause. The Consultant understands and agrees that if it violates this nondiscrimination provision, this Agreement may be terminated by the City, and further that the Consultant will be barred from performing any services for the City now or in the future, unless a showing is made satisfactory to the City that discriminatory practices have been terminated and that recurrence of such action is unlikely.

III.8 UNFAIR EMPLOYMENT PRACTICES. During the performance of this Agreement, the Consultant agrees to comply with RCW 49.60.180, prohibiting unfair employment practices.

III.9 LEGAL RELATIONS. The Consultant shall comply with all federal, state and local laws and ordinances applicable to work to be done under this Agreement. The Consultant represents that the firm and all employees assigned to work on any City project are in full compliance with the statutes of the State of Washington governing activities to be performed and that all personnel to be assigned to the work required under this Agreement are fully qualified and properly licensed to perform the work to which they will be assigned. This Agreement shall be interpreted and construed in accordance with the laws of Washington. Venue for any litigation commenced relating to this Agreement shall be in Island County Superior Court.

III.10 INDEPENDENT CONTRACTOR.

a. The Consultant and the City understand and expressly agree that the Consultant is an independent contractor in the performance of each and every part of this Agreement. The Consultant expressly represents, warrants and agrees that his status as an independent contractor in the performance of the work and services required under this Agreement is consistent with and meets the six-part independent contractor test set forth in RCW 51.08.195 or as hereafter amended. The Consultant, as an independent contractor, assumes the entire responsibility for carrying out and accomplishing the services required under this Agreement. The Consultant shall make no claim of City employment nor shall claim any related employment benefits, social security, and/or retirement benefits.

b. The Consultant shall be solely responsible for paying all taxes, deductions, and assessments, including but not limited to federal income tax, FICA, social security tax, assessments for unemployment and industrial injury, and other deductions from income which may be required by law or assessed against either party as a result of this Agreement. In the event the City is assessed a tax or assessment as a result of this Agreement, the Consultant shall pay the same before it becomes due.

c. The City may, during the term of this Agreement, engage other independent contractors to perform the same or similar work that the Consultant performs hereunder.

d. Prior to commencement of work, the Consultant shall obtain a business license from the City.

III.11 CONFLICTS OF INTEREST. The Consultant agrees to and shall notify the City of any potential conflicts of interest in Consultant's client base and shall obtain written permission from the City prior to providing services to third parties where a conflict or potential conflict of interest is apparent. If the City determines in its sole discretion that a conflict is irreconcilable, the City reserves the right to terminate this Agreement.

III.12 CITY CONFIDENCES. The Consultant agrees to and will keep in strict confidence, and will not disclose, communicate or advertise to third parties without specific prior written consent from the City in each instance, the confidences of the City or any information regarding the City or services provided to the City.

III.13 SUBCONTRACTORS/SUBCONSULTANTS.

a. The Consultant shall is responsible for all work performed by subcontractors/subconsultants pursuant to the terms of this Agreement.

b. The Consultant must verify that any subcontractors/subconsultants they directly hire meet the responsibility criteria for the project. Verification that a subcontractor/subconsultant has proper license and bonding, if required by statute, must be included in the verification process. The Consultant will use the following Subcontractors/Subconsultants or as set forth in Exhibit ____:

c. The Consultant may not substitute or add subcontractors/subconsultants without the written approval of the City.

d. All Subcontractors/Subconsultants shall have the same insurance coverages and limits as set forth in this Agreement and the Consultant shall provide verification of said insurance coverage.

ARTICLE IV. OBLIGATIONS OF THE CITY

IV.1 PAYMENTS.

a. The Consultant shall be paid by the City on a time and materials basis for services rendered under this Agreement as described in the Scope of Services and as provided in this section. In no event shall the compensation paid to Consultant under this Agreement exceed **\$48,050** without the written agreement of the Consultant and the City. Such payment shall be full compensation for work performed and services rendered and for all labor, materials, supplies, equipment and incidentals necessary to complete the work. In the event the City elects to expand the scope of services from that set forth in Exhibit A, the City shall pay Consultant a mutually agreed amount.

b. The Consultant shall submit a monthly invoice to the City for services performed in the previous calendar month. At a minimum, invoices shall include (1) a summary of previous invoices; (2) current invoice amount; (3) total current monthly billing; (4) amount authorized under this agreement; and (5) total authorized amount still remaining under the agreement. The Consultant shall maintain time and expense records and provide them to the Cities upon request.

c. The City will pay timely submitted and approved invoices received before the 20th of each month within thirty (30) days of receipt.

IV.2 CITY APPROVAL. Notwithstanding the Consultant's status as an independent contractor, results of the work performed pursuant to this Agreement must meet the approval of the City, which shall not be unreasonably withheld if work has been completed in compliance with the Scope of Services and City requirements.

IV.3 MAINTENANCE/INSPECTION OF RECORDS. The Consultant shall maintain all books, records, documents and other evidence pertaining to the costs and expenses allowable under this Agreement in accordance with generally accepted accounting practices. All such books and records required to be maintained by this Agreement shall be subject to inspection and audit by representatives of the City and/or the Washington State Auditor at all reasonable times, and the Consultant shall afford the proper facilities for such inspection and audit. Representatives of the City and/or the Washington State Auditor may copy such books, accounts and records where necessary to conduct or document an audit. The Consultant shall preserve and make available all such books of account and records for a period of three (3) years after final payment under this Agreement. In the event that any audit or inspection identifies any discrepancy in such financial records, the Consultant shall provide the City with appropriate clarification and/or financial adjustments within thirty (30) calendar days of notification of the discrepancy.

ARTICLE V. GENERAL

V.1 NOTICES.

Notices to the City shall be sent to the following address:

**Patricia Soule, Finance Director
CITY OF OAK HARBOR
865 SE BARRINGTON DRIVE
OAK HARBOR, WA 98277**

Notices to the Consultant shall be sent to the following address:

**Shawn Koorn, Associate Vice President
HDR Engineering, Inc.
500 108th Ave NE, Suite 1200
Bellevue, WA 98004**

Receipt of any notice shall be deemed effective three (3) days after deposit of written notice in the U.S. mail with proper postage and address.

V.2 TERMINATION. The right is reserved by the City to terminate this Agreement in whole or in part at any time upon ten (10) calendar days' written notice to the Consultant, provided that City will not terminate this Agreement for cause without providing Consultant written notice of the breach and a reasonable opportunity to cure.

If this Agreement is terminated in its entirety by the City for its convenience, the City shall pay the Consultant for satisfactory services performed through the date of termination in accordance with payment provisions of Section VI.1.

V.3 DISPUTES. The parties agree that, following reasonable attempts at negotiation and compromise, any unresolved dispute arising under this Agreement may be resolved by a mutually agreed-upon alternative dispute resolution of arbitration or mediation.

V.4 EXTENT OF AGREEMENT/MODIFICATION. This Agreement, together with attachments or addenda, represents the entire and integrated Agreement between the parties and supersedes all prior negotiations, representations, or agreements, either written or oral. This Agreement may be amended, modified or added to only by written instrument properly signed by both parties.

V.5 SEVERABILITY

a. If a court of competent jurisdiction holds any part, term or provision of this Agreement to be illegal or invalid, in whole or in part, the validity of the remaining provisions shall not be affected, and the parties' rights and obligations shall be construed and enforced as if the Agreement did not contain the particular provision held to be invalid.

b. If any provision of this Agreement is in direct conflict with any statutory provision of the State of Washington, that provision which may conflict shall be deemed

inoperative and null and void insofar as it may conflict, and shall be deemed modified to conform to such statutory provision.

V.6 **NONWAIVER.** A waiver by either party hereto of a breach by the other party hereto of any covenant or condition of this Agreement shall not impair the right of the party not in default to avail itself of any subsequent breach thereof. Leniency, delay or failure of either party to insist upon strict performance of any agreement, covenant or condition of this Agreement, or to exercise any right herein given in any one or more instances, shall not be construed as a waiver or relinquishment of any such agreement, covenant, condition or right.

V.7 **FAIR MEANING.** The terms of this Agreement shall be given their fair meaning and shall not be construed in favor of or against either party hereto because of authorship. This Agreement shall be deemed to have been drafted by both of the parties.

V.8 **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

V.9 **VENUE.** The venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of Washington for Snohomish County, Washington.

V.10 **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement.

V.11 **AUTHORITY TO BIND PARTIES AND ENTER INTO AGREEMENT.** The undersigned represent that they have full authority to enter into this Agreement and to bind the parties for and on behalf of the legal entities set forth below.

DATED this _____ day of _____, 20__.

CITY OF OAK HARBOR

HDR ENGINEERING, INC.

By _____
Robert Severns, Mayor

By _____
Shawn Koorn, Associate Vice President

Approved as to form:

Nikki Esparza, City Attorney

EXHIBIT A
SCOPE OF SERVICES



February 13, 2017

Ms. Patricia R. Soule, CPA
Finance Director
City of Oak Harbor
1400 NE 16 Avenue
Oak Harbor, WA 98277

Subject: Utility Rate and Fee Update Scope and Fee Estimate

Dear Ms. Soule:

HDR Engineering Inc. (HDR) completed a comprehensive water, wastewater, storm drain, and solid waste rate study in 2009. Since that time, HDR has assisted City staff in updating the wastewater rate analysis and rate projections. Given the focus on wastewater rates since the last comprehensive rate study the City has requested assistance in updating the water, storm drain, and solid waste rate rates for the next rate setting period. HDR will also provide assistance in updating the wastewater rates based on changes in overall capital costs and update the wastewater rate projections.

In addition, it is recommended that the City update the System Development Charges (SDCs) for the water, wastewater, and storm drain utilities given the time since the update during the 2009 study, updated capital improvement plans for each of the utilities, and updated costs for the clean water facility project.

The focus of this study will be on the overall revenue needs (revenue requirement) and projected rates (rate design). At this time a cost of service study does not appear to be necessary given the recent study in 2009 and in discussion with City staff no projected customer class or rate structure changes are anticipated. Given this, the focus of the updated will be based on the existing rate models from 2009 updated with current operating and maintenance expenses and a funding plan for capital improvements over the next five to ten year period. Based on this, proposed rates for each utility will be developed for the next five-year period.

Provided in the following discussion is an overview of the proposed scope of services, estimated time schedule, the HDR project team, and estimated fee for the requested services.

Scope of Services

The starting point of the analyses will be the analyses previously completed by HDR for the City. Based on these existing analyses, and recent operating and capital needs, a revised rate schedule will be developed for the City for review and adoption as necessary. Provided below is a summary of the proposed scope of services for the City's requested analyses.

Task 1—Initial Project Meeting

Task Objective: *Bring HDR and key City's staff together, at the start of the project, to assure that all parties have a mutual understanding of the goals, objectives, issues and concerns related to the study.*

The initial kick-off (project) meeting is important to the overall success of this engagement since it forms the foundation for the study process. This meeting allows both parties to discuss the key

elements of the study update, while at the same time discussing any issues and concerns that either party may have. It is proposed that the initial project meeting be a one to two hour meeting at the City's offices with up to two (2) HDR staff attending.

Expected City Support for Task 1:

- Have key City staff participate in a one to two hour meeting to kick-off the project

Deliverables as a Result of Task 1:

- Identification of objectives, issues and concerns of the study.

Task 2—Data Collection

Task Objective: Review and assess the City's data and information to support the study.

Prior to the initial project meeting HDR will provide a written data request to the City which details the data and information required to conduct the study. This data will be similar to the data requested for the previous rate study. Given HDR and the City's familiarity with the data needs for the study this task should proceed quickly.

Expected City Support for Task 2:

- Provide requested data for the analysis.
- Provide as-needed assistance interpreting the provided data.

Deliverables as a Result of Task 2:

- Data request for the data necessary for the analysis.

Task 3—Revenue Requirement Update

Task Objective: Utilizing the previously developed water, wastewater, storm drain, and solid waste rate models to reflect current operating and capital needs for each utility.

The starting point for the revenue requirement update will be based on the most recent analysis completed by HDR for the City. HDR will update the models based on the current, or proposed, operating budget as well as the current capital improvement plan for each utility. As part of the update, HDR will utilize current customer billing information, and the adopted utility rates, to develop a revenue projection for the time period reviewed. Provided below is a summary of the analysis that will be completed for each utility:

Water Utility – The analysis will incorporate the current, or proposed, budget for operating expenses. Rate revenues will be projected based on current consumption and customer characteristics to develop a projection of revenues over the projected time period. A key part of this analysis will be updating the purchased water costs to reflect the any proposed increases from the City's wholesale provider. Next the capital funding plan will be updated. The study will incorporate the actual costs of the projects completed as well as update the capital plan with the most recent project additions. Finally, reserve levels will be reviewed to determine if additional rate adjustments are necessary to meet target ending fund balance levels.

Storm Drain Utility – The storm drain analysis will also incorporate the current, or proposed, budget for operating expenses. A capital funding plan will also be developed to reflect the updated capital needs of the storm drain utility. Rate revenues will be updated based on the current rates and customer billing data. Finally, given the current ending fund balance for the

storm drain utility, reserve levels reviewed to determine if additional rate adjustments are necessary to meet target ending fund balance levels.

Solid Waste Utility – The solid waste utility analysis will also incorporate the current, or proposed, budget for operating expenses and current rate revenues based on current customer characteristics. The analysis will be based on the current budgeted O&M costs of the utility.

Wastewater Utility – The wastewater analysis will be updated to reflect the estimated capital costs of the clean water facility. HDR will provide up to four (4) scenarios based on the overall operating and capital costs of the wastewater utility.

The results of the analyses will provide the City with a set of rate adjustments necessary to prudently operate and maintain each utility. Any proposed rate changes will be compared to the previously developed rate transition plans developed for the City. A transition to cost-based rates will be provided if necessary. At the completion of the draft analyses HDR will meet with City staff to review the results of the analyses.

Expected City Support for Task 3:

- Assist HDR in the development of the projected operating and capital costs.
- Participate in a project meeting to review and discuss the draft analyses.
- Review and comment on the proposed rate transition plan.

Deliverables as a Result of Task 3:

- Update the revenue requirement for the water, wastewater, storm drain, and solid waste utilities based on current revenues and operating and capital needs.
- Initiate, and lead, a project meeting to review the results of the draft analyses with up to two (2) HDR staff for up to four (4) hours.
- Develop the proposed rate transition plans for each of the utilities.

Task 4—Rate Design Update

Task Objective: *Based on the results of Task 3, as necessary, develop a revised set of rates to meet the operating and capital needs of the water, wastewater, storm drain, and solid waste utilities.*

Based on the results of Task 3, HDR will develop the proposed rates for the water, wastewater, storm drain, and solid waste utilities. HDR will develop rates for the next five year period for review and adoption by the City Council. As part of the rate design analysis, bill comparisons will be provided to show the impacts to customers based on the proposed rate adjustments. In addition, a comparison of any proposed changes to the previously adopted rates can be provided as part of this task. Given discussions with staff, no rate structure changes are assumed as part of this task.

Expected City Support for Task 4:

- Review the proposed rates.
- Participate in a conference call to discuss the proposed rates.

Deliverables as a Result of Task 4:

- Development of rates for a five year period for the water, solid waste, and storm drain utilities.
- Initiate, and lead, a 2-hour conference call to discuss any proposed rates.

Task 5—Written Documentation

***Task Objective:** Provide a letter report summarizing the analysis, findings, conclusions, and recommendations for each utility.*

At the completion of the analysis, HDR will provide a letter report detailing the analysis completed for the City. A draft of the letter report will be provided to the City in electronic format for review. Any comments, suggestions or corrections from the City can be incorporated into a final letter report. An electronic version of the final letter report will be provided to the City.

Expected City Support for Task 5:

- Review and comment on the draft letter report.

Deliverables as a Result of Task 5:

- An electronic copy of the draft letter report.
- An electronic copy of the final letter report.

Task 6—System Development Charge Update

***Task Objective:** Update the system development charges to reflect the current capital improvement plans and recent system improvements for the water, wastewater, and storm drain utilities.*

During the 2010 rate studies, draft system development charges (SDCs) were calculated for the water, wastewater, and storm drain utilities. The City Council was updated on the results of the SDC calculation, but final SDCs were not adopted by the City Council. This task will update the previous calculations based on the current capital plans and improvements since the 2010 study, and specifically the updated clean water facility costs which are a key component of the wastewater SDC. HDR will revise the previously developed draft report for the water, wastewater, and storm drain utilities, and provide them to the City for review. At the completion of the study HDR will provide the City with three (3) copies of the final report along with an electronic PDF version.

Expected City Support for Task 6:

- Assist HDR in the development of the SDC update.
- Review and comment on the draft report.

Deliverables as a Result of Task 6:

- Cost based water, wastewater, and storm drain SDCs.
- An electronic draft SDC report for the water, wastewater, and storm drain analyses.
- Three bound (3) copies of the final water, wastewater, and storm drain SDC reports.
- An electronic copy of the final water, wastewater, and storm drain SDC reports.

Task 7—Development of a Park Impact Fee

***Task Objective:** Review the City's existing park impact fee and develop an updated park impact fee.*

This task will review the City's existing park impact fee and update the fee based on the City's current methodology and approach. HDR will work with City staff to establish the assumptions

of the development of the impact fee. At the completion of the analysis, HDR will provide the City with written documentation supporting the updated park impact fee. .

Expected City Support for Task 7:

- Assist HDR in the development of the park impact fee.
- Review and comment on the draft written report.

Deliverables as a Result of Task 7:

- An updated park impact fee.
- An electronic draft written report summarizing the updated park impact fee.
- Three bound (3) copies of the final written report for the park impact fee.
- An electronic copy of the final park impact fee report.

Task 8—Development of a Storm Drain Fee for the Seaplane Base

Task Objective: *Develop a methodology and cost-based storm drain fee for the Seaplane Base.*

A portion of the Seaplane base stormwater system drains to the City’s system. Therefore, the development of a rate that reflects the benefits received by the Seaplane is key to the analysis as the City’s entire system does not benefit the Seaplane base. HDR will work with City staff to review the portions of the system that benefit the Seaplane base and develop a methodology to recover the equitable share of costs. The starting point of the analysis will be the storm drain rate study updated as part of Task 3. HDR will meet with City staff to review the development of the methodology and draft rate. At the completion of the analysis HDR will provide the City with an electronic letter report which details the analysis and recommended rate.

Expected City Support for Task 8:

- Review the methodology recommended for establishing a cost-based storm drain rate for the seaplane base.
- Review the development of the rate analysis.

Deliverables as a Result of Task 8:

- Development of an equitable methodology for setting a storm drain rate.
- Development of a cost-based storm drain rate.
- Letter report detailing the development of the methodology and rate.

Task 9—Public Presentations

Task Objective: *Present the results of the analyses to the City Council in a clear and concise manner.*

HDR will provide recommendations to City staff as the study progresses for review and discussion. Once the recommendations are finalized, HDR will present the results and recommendations of the study to the City Council. As part of the scope of services, HDR has proposed up to three (3) meetings with the City Council and public. It is assumed that the first presentation would be to present the initial study results to the City Council for policy direction and input. The second meeting would be to present the results of the SDC update (Task 6) and storm drain rate for the seaplane base (Task 7). The third, and final, meeting would be to present the final study recommendations. The proposed three (3) meetings may be revised to meet the City’s presentation needs. Any additional meetings will be provided on a time and material

basis.

Expected City Support for Task 9:

- Coordinate with HDR the times and dates of the public presentations.
- Review and comment on handouts for the public presentations.

Deliverables as a Result of Task 9:

- Development of a presentation and handout for the public presentations.
- Up to three (3) presentations by the HDR PM to the City Council presenting the results of the analyses.

Task 10—Computer Model

Task Objective: Provide a copy of all rate models developed as part of this study. .

As a part of this study, HDR will update the existing rate models for the City’s study. The models will be developed in Excel and will be provided to the City at the completion of the study.

Expected City Support for Task 10:

- N/A.

Deliverables as a Result of Task 10:

- A copy of the rate study model developed for each utility.

This completes the scope of services for the City’s requested services. If additional meetings, or tasks, are required they will be provided on a time and materials basis at the current hourly billing rates.

Project Team

The HDR team is provided below with a brief summary of each team member’s role and experience.

Shawn Koorn, Project Manager

Shawn Koorn, an Associate Vice President with HDR, was the project manager for the City’s previous utility rate study and SDC analyses. In this role Shawn will present at all meetings and manage the City’s project on a day to day basis.

Judy Dean, Senior Financial/Rate Analyst

Judy is a senior financial analyst with HDR. She will develop the technical analyses for the City’s SDC update. Judy developed the SDC analyses during the City’s prior rate studies.

Kevin Lorentzen, Senior Financial/Rate Analyst

Kevin is a senior financial analyst with HDR. He will lead the development of the technical analyses for the City’s water, storm drain, and solid waste rate update.

Josiah Close, Financial/Rate Analyst

Josiah is a financial analyst with HDR. He will help develop the technical analyses for the City’s rate update. Josiah developed the most recent updates for the City’s wastewater rates.

Proposed Time Schedule

The technical analysis generally takes ten to twelve weeks to complete. This depends on the ability of the City to collect the data, provide data refinements, and respond to questions related to the analysis. Once the technical analysis is complete, the timing will be based on the ability to schedule meetings with City staff and the City Council. While the City has not specifically noted a project schedule for this analysis HDR is willing to work with the City to meet the City's needs.

Estimated Project Fees

The above noted individuals will provide the required efforts for this project. Should additional personnel be required for a specific issue, HDR has additional personnel that can address any financial, rate, resource or engineering issue that may arise.

Provided below is a summary of the current hourly billing rates for the key project team members assisting on the City's study.

<u>Individual</u>	<u>Project Role</u>	<u>\$/Hour Rate</u>
Shawn Koorn	Project Manager	\$250.00/hour
Judy Dean	Senior Financial Analyst	\$180.00/hour
Kevin Lorentzen	Senior Financial Analyst	\$195.00/hour
Josiah Close	Financial Analyst	\$115.00/hour
Support Staff	Project Assistance	\$115.00/hour

The estimated project fee budget has been developed based on the scope of services previously developed and the above current hourly billing rates. Provided below is a summary of estimated project fees for the City's requested analyses.

City of Oak Harbor Utility Rate Update
Estimated Project Fees

Task	Water	Wastewater	Stormwater	Solid Waste	Parks	Total
Task 1	\$855	\$740	\$115	\$115	\$0	\$1,825
Task 2	410	295	295	295	0	1,295
Task 3	3,165	2,660	2,270	2,660	0	10,755
Task 4	1,465	1,100	675	855	0	4,095
Task 5	1,020	905	970	970	0	3,865
Task 6	2,445	2,330	2,080	0	0	6,855
Task 7	0	0	0	0	8,990	8,990
Task 8	0	0	4,415	0	0	4,415
Task 9	1,470	1,355	1,060	1,060	0	4,945
Task 10	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Labor Estimate	\$10,830	\$9,385	\$11,880	\$5,955	\$8,990	\$47,040
Plus: Expenses						<u>\$1,010</u>
Total Utility Rate Update Fee Estimate						\$48,050

HDR is willing to enter into a “not to exceed” contract of \$48,050 to be billed on a monthly time and materials basis. Any additional work outside of the proposed scope of services will be provided on a time and material basis based on the current hourly rates as mutually agreed upon in writing by the Commission and HDR.

Should additional HDR staff be necessary they will be billed at their current hourly billing rate at the time of the requested services. For any additional services HDR and the City will develop a scope and fee estimate prior to the start of the additional services based on the hourly billing rates provided above.

Summary

This completes our scope of services and fee estimate for the City’s requested analyses. Should you have any questions or require additional information or detail regarding this request, please do not hesitate to contact me.

Sincerely,

HDR ENGINEERING, INC.



Shawn Koorn
Associate Vice President