

RESOLUTION NO. 3023

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


WHEREAS, it has been about 4 years since the City undertook a water and sewer rate study or a study of its system development charges;

WHEREAS, it has been several years since the City has undertaken a Storm Water rate study;

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

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

PASSED by the City Council this 8th day of March, 2022.

DocuSigned by:

F2D45196E062404
Michael McCullough, Mayor

AUTHENTICATED:

DocuSigned by:

3E609C45B4BC451
Sadie Schaneman, CMC

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

Department/Staff Contact: Finance / Cherie Reiersen	Meeting/Workshop Date: March 8, 2022	Agenda Bill Number: AB22-35	
Agenda Item Type: Resolution	Ordinance/Resolution Number: 3023	Councilmember Sponsor:	
Agenda Subject: Water/Sewer Rate and SDC Study			
Full Title/Motion: A Resolution Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, Authorizing A Professional Services Agreement With Financial Consulting Services Group (FCS) To Undertake A Water, Sewer And Storm Water Rate And System Development Charge (SDC) Study.			
Background Summary: In 2021, the Council froze the water rate increase and requested a Water/Sewer/Storm rate study be conducted. The Council also desires to make changes to the structure of the utility rate system. FCS has served as the City's consultant in this area for many years and is well qualified and knowledgeable of our utility to take on this task. The cost of the water/sewer/SDC study was not budgeted.			
Attachments: Resolution, Professional Services Agreement, Task List			
BUDGET INFORMATION			
Budget Amount	Current Balance	Required Expenditure \$95,000	Budget Balance
Budget Explanation: Not budgeted			
COMMITTEE, BOARD & COMMISSION REVIEW			
Council Committee Review:	Date:	<i>Approvals:</i>	Yes No
		Chair/Councilmember	<input type="checkbox"/> <input type="checkbox"/>
		Councilmember	<input type="checkbox"/> <input type="checkbox"/>
		Councilmember	<input type="checkbox"/> <input type="checkbox"/>
		Consent Agenda:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Commission/Board Review:			
Hearing Examiner Review:			
COUNCIL ACTION			
Workshop Date(s):		Public Hearing Date(s):	
Meeting Date(s): 3/08/2022		Tabled to Date:	
APPROVALS			
Director: <i>Cherie Reiersen, CPA</i>	Mayor: <i>Michael McCullough</i>	Date Reviewed by City Attorney: (if applicable):	

PROFESSIONAL SERVICES AGREEMENT

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is made and entered into this 8th day of March, 2022, by and between the City of Bonney Lake (“City”) and FCS Group (“Consultant”).

The parties hereby agree as follows:

- 1. Scope of Work.** The Consultant shall perform all work and provide all materials described in the Scope of Work set out in Exhibit A attached hereto and incorporated herein by this reference. Such work shall be performed using facilities, equipment and staff provided by Consultant, and shall be performed in accordance with all applicable federal, state and local laws, ordinances and regulations. The Consultant shall exercise reasonable care and judgment in the performance of work pursuant to this Agreement. The Consultant shall make minor changes, amendments or revisions in the detail of the work as may be required by the City, such work not to constitute Extra Work under this Agreement.
- 2. Ownership of Work Product.** Documents, presentations and any other work product produced by the Consultant in performance of work under this Agreement shall be tendered to the City upon completion of the work, and all such product shall become and remain the property of the City and may be used by the City without restriction; *provided*, that any such use by the City not directly related to the particular purposes for which the work product was produced shall be without any liability whatsoever to the Consultant.
- 3. Payment.** The Consultant shall be paid by the City for completed work and services rendered under this Agreement pursuant to the rates and charges set out in Exhibit B, attached hereto and incorporated herein by this reference. Such payment shall be full compensation for work performed or services rendered and for all labor, materials, supplies, equipment, and incidentals necessary to complete the work. All billings for compensation for work performed under this Agreement shall list actual time and dates during which the work was performed and the compensation shall be figured using the rates set out in Exhibit B; *provided*, that payment for work within the Scope of Work (Exhibit A) shall not exceed the fee/hour estimate set out in Exhibit A without written amendment to this Agreement, agreed to and signed by both parties.

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

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

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

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

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

6. **Employment.** Any and all employees of Consultant, while engaged in the performance of any work or services required by the Consultant under this Agreement, shall be considered employees of the Consultant only and not of the City, and any and all claims that may or might arise under the Workman's Compensation Act on behalf of said employees, while so engaged; any and all taxes arising out of Consultant's or Consultant's employees' work under this Agreement; and any and all claims made by a third party as a consequence of any acts, errors, or omissions on the part of the Consultant's employees, while so engaged, shall be the sole obligation and responsibility of the Consultant, except as provided in Section 12 of this agreement. The Consultant's relation to the City shall at all times be as an independent contractor.

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

City in the future unless and until a showing is made satisfactory to the City that discriminatory practices have terminated and that recurrence of such action is unlikely.

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

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

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

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

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

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

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

12. Indemnification / Hold Harmless

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

Insurance

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

A. Minimum Scope of Insurance

Consultant shall obtain insurance of the types described below:

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

B. Minimum Amounts of Insurance

Consultant shall maintain the following insurance limits:

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

C. Other Insurance Provisions

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

1. The Consultant's insurance coverage shall be primary insurance as respect the City. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.
2. The Consultant's insurance shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

D. Acceptability of Insurers

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

E. Verification of Coverage

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

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

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

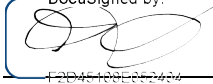
15. **Waiver.** Failure by any party to this Agreement to enforce any provision of this Agreement or to declare a breach shall not constitute a waiver thereof, nor shall it impair any party's right to demand strict performance of that or any other provision of this Agreement any time thereafter.

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

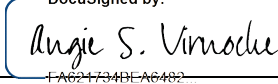
17. **Execution and Acceptance.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original having identical legal effect. The Consultant hereby ratifies and adopts all statements, representations, warranties, covenants, and agreements contained in the supporting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

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

CITY OF BONNEY LAKE

DocuSigned by:

By: _____
F2D46180E0E22424
Michael McCullough, Mayor

CONSULTANT

DocuSigned by:

By: _____
FA621734DEA67482
Vice President/Principal

Attachments:

Exhibit A: Scope of Work/Deliverables/Fees

EXHIBIT A:

CITY OF BONNEY LAKE

2022 UTILITY RATE & SDC UPDATE

The City of Bonney engaged FCS GROUP in late 2016 to perform comprehensive rate and system development charge (SDC) studies for its water and sewer utilities. That study informed the City Council's decision to adopt updated water rates, sewer rates, and sewer SDCs with the passing of City Ordinances No. 1606, 1607, and 1613, respectively. The City Council has requested an update to this study for various reasons, including:

- The City has received more SDC revenue than projected and \$5.9 million in American Rescue Plan Act (ARPA) funding available to invest in capital projects
- The City plans to convert to monthly billing, which will result in both one-time costs and recurring operating costs
- The Council is interested in considering potential modifications to its rate structures that would improve affordability for low-income users
- The City has received multiple inquiries about its SDCs from the local development community and wishes to revisit its SDC calculations
- The City wishes to prioritize an evaluation of stormwater rates and SDCs to ensure that they are consistent with the stormwater utility's costs

The task plan below outlines our proposed approach to meet the City's needs.

TASK PLAN

Task 1 | Project Initiation & Data Collection

Upon commencing the project, we will participate in a kick-off meeting with City staff to confirm the goals and objectives of the study. This meeting will include reviewing the scope of work, identifying project objectives, expectations, and deliverables, outlining the project schedule and key milestone review points, and discussing appropriate lines of communication. We have budgeted this meeting to be conducted via remote session. FCS GROUP will provide a data request outlining key information required to complete the study, working with City staff to resolve questions and obtain additional

records as needed. Task 1 includes reviewing data provided for the study, identifying any potential data anomalies that could impact the integrity of the study's findings or recommendations. This task also includes the administrative efforts involved with project initiation and ongoing management.

Task 2 | System Development Charge (SDC) Update

The City can reduce the burden of capital investment on existing ratepayers by updating SDCs regularly to ensure that they remain consistent with system costs. Task 2 includes an update of the City's water, sewer, and stormwater SDCs that will consider the following elements:

- Updating the existing facilities component to reflect a current inventory of assets and computation of interest as allowed under RCW 35.92.025, adjusting for construction work in progress, contributed assets, and other factors as appropriate.
- Updating the future facilities component to incorporate the most recent capital improvement plan (CIP), working with City staff to determine the portion of each project attributable to growth.
- Reviewing the estimated capacity of the City's water, sewer, and stormwater systems in terms of the number of customer equivalents they can serve.

We will calculate the maximum allowable charges and develop an updated schedule of charges.

Task 3 | Financial Plan Update

Task 3 includes the development of a multi-year financial plan to meet the ongoing needs of the City's water, sewer, and stormwater utilities. Specific work elements evaluated to determine the annual revenue requirements include:

- **Operating Forecast.** Initially based on the City's budget, the forecast of operating revenues and expenses will incorporate inflation and other cost increases (e.g. salaries and benefits) as appropriate. It will also consider anticipated changes in staffing and/or program activities.
- **Capital Forecast.** The capital funding plan involves developing a funding strategy for the utilities' CIPs that considers available resources from rate revenues, SDCs, developer contributions, existing reserves, and debt (if needed). We will estimate the financial impacts of debt issued as part of the capital funding strategy.
- **Revenue Sufficiency Analysis.** We will evaluate the adequacy of current revenues in meeting both cash flow needs and any applicable debt service coverage requirements, developing a multi-year strategy of annual rate adjustments.
- **Sensitivity Analysis.** In collaboration with City staff, we will develop up to three (3) scenarios for each service to evaluate the impacts of changes to key variables or other factors of interest.

Task 4 | Water/Sewer Cost-of-Service Analysis

Task 4 involves allocating the revenue requirement to customer classes based on a methodology

consistent with industry-standard ratemaking principles. This methodology involves two key steps:

1. Allocating costs to functions of service, including:

Water

- **Customer Service:** Costs of utility billing and customer service, which generally do not vary with meter size or water usage
- **Base Capacity:** Costs attributable to providing capacity to meet average water demands
- **Peak Capacity:** Costs associated with providing incremental capacity to meet peak demands
- **Fire Suppression:** Costs related to providing fire suppression service.

Sewer

- **Customer Service:** Costs of utility billing and customer service, which generally do not vary with meter size or sewer flow
- **Flow:** Costs attributable to providing capacity to convey sewer flows to treatment facilities
- **Strength:** Costs related to providing capacity to treat wastewater of varying strength, typically measured in terms of:
 - Biochemical Oxygen Demand (BOD)
 - Suspended Solids (SS)
 - Total Kjeldahl Nitrogen (TKN)
 - Total Phosphorus (TP)

2. Distributing the costs assigned to each service function to customer classes (e.g. single-family residential, multi-family residential, commercial, irrigation) based on their demands and service requirements.

This analysis will define the share of costs attributable to each customer class, providing a basis for class-specific rate adjustments.

Task 5 | Water/Sewer Rate Design

In addition to generating revenue to fund operating and capital needs, the City's rate structures serve as an important tool to promote key policy objectives such as revenue stability, conservation, affordability, and equity in cost recovery. Task 5 involves developing up to three (3) water and sewer rate structure alternatives for each customer class that recover the cost allocated to that class in Task 4. The rate alternatives developed will generate sufficient revenue to meet the annual revenue requirement and will be compatible with the City's billing system.

Task 6 | Documentation

Task 6 includes the development of a report documenting the study's methodology, key assumptions, results, and recommendations. This report will serve as supporting documentation for the recommended rates and SDCs, also providing the City with a foundation for future updates. FCS GROUP will submit a draft to the City and will revise it to incorporate the City's input.

Task 7 | Meetings & Public Process

Task 7 contemplates our attendance and participation in the following meetings:

- Up to four (4) review sessions with City staff (virtual meetings of up to two hours each, with up to three attendees from FCS GROUP)
- Up to two (2) City Council meetings or study sessions to answer questions and/or present study findings (onsite meetings of up to two hours each, one attendee from FCS GROUP)
- Up to two (2) meetings with stakeholder groups to present study findings and answer questions (virtual meetings of up to two hours each, with up to three attendees from FCS GROUP)

We are happy to attend additional meetings upon request and propose to bill the City for any such meetings based on time and materials expended (with the City’s authorization).

SCHEDULE

The timeframe for completing the analysis will depend on various factors including timeliness of receipt of requested data/information, quality of data, ability to schedule meetings in a timely manner, and the ability of City staff to provide policy direction for the study to move forward at key study milestones. We will work with City staff to develop a specific project schedule as part of the project initiation task.

BUDGET

We propose to complete the scope outlined above for a cost not to exceed \$94,620, as shown below:

City of Bonney Lake Utility Rate & SDC Update							
Task Detail	Mtgs	Sanchez Principal	Gonzalez Sr. PM	Sr. Analyst	Admin Support	Total Hours	Budget Estimate
Task 1 Project Initiation and Data Collection	1	2	6	4	6	18	\$3,010
Task 2 System Development Charge Update		8	30	72	0	110	\$19,850
Task 3 Financial Plan Update		4	24	84	0	112	\$19,300
Task 4 Water/Sewer Cost-of-Service Analysis		4	32	72	0	108	\$19,160
Task 5 Water/Sewer Rate Design		4	16	48	0	68	\$12,000
Task 6 Documentation		4	10	30	0	44	\$7,920
Task 7 Meetings & Public Process	8	14	26	24	0	64	\$13,230
Labor Total		\$11,200	\$30,960	\$51,770	\$540		\$94,470
Expenses							\$150
Total Cost Estimate							\$94,620
Cost Summary							
Total Hours		40	144	334	6	524	
Billing Rate		\$280	\$215	\$155	\$90		