

SCOPE OF SERVICES

Projects that may be assigned include, but are not limited to the following:

1. Sewer:

- a. Year-end Accrual Large User True-up
- b. Final Large User True-up
- c. Year-end Accrual RRI (Renewal, Replacement & Improvement) True-up and Final Large User RRI True-up and Letters
- d. Large User Rate Estimate for the following year.

The City of Hollywood - Department of Public Utilities (The Utility) has various agreements with large users of our Wastewater systems. A single Enterprise Fund is used to account for the Water and Wastewater systems. The Utility is also part of the City of Hollywood and as such it utilizes certain services of the City such as accounting, legal, human resources, etc., that are accounted for in different funds (General Fund). In order to develop water and wastewater rates it will be necessary to identify all costs and then allocate them between water and sewer in accordance with the large user agreements.

Each year we are required to perform a true-up calculation and prepare a report in accordance with the requirements detailed in the Large User Wastewater Agreements and Amendments. Before the new fiscal year begins, an estimate is made by the rate consultant for the rate to be charged the large users to cover operating and capital expenditures. Currently, the new Large User Rate is estimated using the Large User True-up spreadsheet for the latest year and updating it using the budget for the year being estimated and using an estimated Large User Flows. Other data remains the same unless we know it is going to change significantly. The Large User Agreement also requires that we collect funds from the Large Users to cover capital costs of the sewer system. These funds are deposited in an RRI account maintained for each Large User. At year-end, all capital project accounts are identified and the rate consultant determines the amount of cost to be allocated to each Large User and prepares a report showing their beginning balance, contributions, project costs, interest any adjustments and their ending account balance. A preliminary report is done at year-end and then a final report is prepared with audited figures.

Compute the year-end and final annual Large User True-up adjustment in accordance with the existing large user agreements and amendments (Attachment A) utilizing preliminary figures (for year-end) and then audited figures for the final true-up calculation to allocate expenditures made by the City in accordance with the appropriate formulas in the Large User Agreements. We have attached a copy of a recent large user true up report (Attachment B) for your information.

Compute the year-end and final annual adjustment of large user RRI accounts in accordance with the existing large user agreements utilizing preliminary figures (for year-end) and then audited figures for the final true-up calculation to allocate expenditures made by the City in

accordance with the appropriate formulas in the large user agreements. Letters are to be prepared for each large user showing the activity and balance in each large user's RRI account. Large User True-Up per Agreement is due by May 15, report should be completed by May 6, 2023

Special analyses may be required to either respond to large user's questions or to discuss or propose amendments to the existing agreements.

Deliverables for the above include:

- a. True-up reports: Twenty-five (25) professionally bound hard copies of the final report must be provided for distribution to staff and Large Users and must be easy to understand and verify compliance with the Large User Agreement. Present the Large User True-up report to the Large Users at a Large User meeting and answer any questions they may have.
- b. Provide the True-Up reports in Excel format that has all formulas to support all the calculations. The reports should be structured to follow the requirements of the Large User Agreements to make them easy to follow. These spreadsheets become the property of the City of Hollywood and must not be locked or password protected. PDF copies of reports are also required.
- c. The Large User True-Up model you create will need a data entry page(s) that then flows to the other worksheets that make up the true-up report. These data entry page(s) must be cross referenced to the supporting documents used to prepare the report. This data entry page(s) and all supporting documents are to be scanned and provided to us in a single PDF format file.

2. Bulk Water Wholesale Rates

The City operates a water utility that provides water to its customers on a retail and wholesale basis. The rate consultant when requested shall perform a review of the wholesale rates based on audited financial statements and provide a recommended wholesale rate. The Large User True-up Report requires the separation of Water and Sewer Costs so the Bulk Water Rate Model must be consistent with this cost allocation. We currently have three methods of water production: Lime Softening, Membrane, and Reverse Osmosis. The Bulk Water Rate Model must calculate rates based on the three production methods. The Bulk Water Rate Model must also easily allow the addition of new customers and changes in volume. The Bulk Water Rate Model must allow the calculation of multiple yearly rates based on easily changed assumptions. The Bulk Water Rate Model needs to be integrated into the Water and Sewer Rate Model but must be able to be used independently. The Department will determine the time frame

Deliverables for the above include:

- a. Annual Bulk Water Wholesale Rate Model and Report. Provide a report and spreadsheet model that supports the calculation of the new Bulk Water Wholesale Rate. The Bulk Water Wholesale Rate model becomes the property of the City of Hollywood and must

not be locked or password protected.

3. **Reserved Capacity Rate Study** - Perform when requested to update the rates (Attachment D – Last Reserved Capacity Rate Study)
4. **Rate Studies** - Conduct rate studies to establish water, sewer and reuse rates, storm water fees, Public Work Department's contribution to Water and Sewer Fund for sanitation/garbage billing and related services and Reserve Capacity Fees as required to support revenue requirements for operational, maintenance, capital improvements and other obligations in accordance with industry standards for rate setting. See item no. 5 below
5. **Financial Analysis And Revenue Sufficiency Projections** - Conduct financial analysis and revenue sufficiency projections for short and long term planning (at least 30 years). The revenue sufficiency model must be built into the rate model so Public Utilities staff can use it between rate studies by updating; the current budget and/or actual revenue and expense information, cash balances, capital project appropriations and cash flow, etc. to be able to verify existing rates are still sufficient to cover costs without additional rate increases or debt. Per most recent resolution, the rates and fees are adjusted based upon a price index adjustment which corresponds to the price index established, on or before March 31st of each year, by the Florida Public Service Commission pursuant to F.S.367.081(4)(a). the price index adjustment shall be applied to the sewer rate revenue requirement for the subject fiscal year and apply to the first billing cycle beginning on or after October 1, 2021 and continuing on October 1st of each thereafter. Calculate the price index on rates for fiscal year 2021 and 2022 due by July 29, 2023
6. **Format For The Presentation** - Develop a format for the presentation of the Large User True-Up that is consistent with the cost allocation requirements contained in Attachment "A" of the Large User Agreement, but yet provides calculations in a simplified format. Items to consider include the following but are not limited to them: Analyze the costs associated with the provision of service to the large users.
 - a. Provide alternative methodologies for accounting for current and future costs.
 - b. Develop methodologies for recovery of future capital costs for growth from the large users.
 - c. Evaluate Capital Program to determine the appropriate priority to meet organization objectives while reducing the debt financing required and related rates.
7. **Analyses** - Conduct an analyses when requested of the various current retail and bulk water and sewer rates and various fees and charges outlined in the City Code of Ordinances including 51, 52, 54 and 57 to verify that the revenues generated will meet the operational, capital and debt service needs of the system. As a part of this analysis, the Consultant shall perform the following projects as required (but is not limited to these projects) to meet the City's objectives of developing appropriate rates, fees and charges:
 - a. Compare water and sewer rates with other similarly sized utilities and surrounding utilities in Broward, Palm Beach and Dade Counties.

- b. Provide Bond Feasibility reports or other reports required for the issuance of new debt as requested.
- c. Provide a rate study report to support the rates being proposed.
- d. Categorize costs between variable and fixed.
- e. Options for rate structures that include:
 - i. Establishment, maintenance, funding and use of Repair and Replacement account;
 - ii. Funding of Working Capital Account;
 - iii. Inverted/Seasonal/Conservation rate structures;
 - iv. Proper funding and use of rate stabilization funds, as appropriate;
 - v. Discussion of alternatives for debt service recovery.
 - vi. Public Work Department's contribution to Water and Sewer Fund for Sanitation /garbage billing and related services
- f. Meetings as necessary with City Commission and staff. These meetings may require the consultant use the rate model to demonstrate multiple rate scenarios with various options. The model must be able to be adjusted dynamically to recalculate rates based on changing parameters. It is preferred that most rate parameters be able to be changed on the dashboard, capital project list or the assumptions worksheet so the results can be immediately reflected in the dashboard (i.e. and interactive dashboard)
- g. Provide rate system in accordance with any developed fiscal policies.
- h. Proposed rates shall cover a minimum of five years.
- i. Balance to all reserve cash funds (Bonds, RRI, SRC, WRC, GRANTS, OPERATING, etc.)

8. **Microsoft Excel Based Rate Model** - Please provide us with a full Microsoft Excel based rate model that they would use to perform our rate studies along with a user manual at no charge and demonstrate it will generate the same rates reported in our last rate study. A user manual will be required and the consultant must be able to provide 8 hours of training in the use of the model. To be clear you are not required to train how to do a rate study, just be able to train in how to use your model so data inputs can be changed for doing basic financial modeling. The Rate Model must be a multi-year rate forecasting and financial model that includes all rates charged and shows that all costs (operational, administrative, capital, etc.) are covered, that will forecast the coming five (5) year's rates with the ability to extend the forecast to the end of the master plan which could be a fifteen (15) to thirty (30) year period or longer, formalizing accounting practices, proper cost allocations, revisions to Large User's Agreement, use and demand changes, repair and replacement accounting. The rate model must be able to create and compare various types of rate structures (Flat, Tiered,

Budget, etc.). The rate model must be able to easily save and compare various rate scenarios.

- a. Provide the rate model in Excel format along with a user guide.
 - b. Train Public Utilities personnel (6 staff members designated by the Deputy Director Finance or Director or Designee) on how to update the computer model.
 - c. Link model to the general ledger (Oracle) and billing systems (Tyler) and automate as much as possible to minimize data input. (These will be one way links only to extract data from these systems)
 - d. Balance to all reserve cash funds (Bonds, SRF RRI, SRC, WRC, GRANTS, Working Capital etc)
 - e. The rate model needs to include the Large User True-up calculations so that as the model is revised, the changes will properly compute the large user charges for determining the large user revenues.
 - f. Verify rates proposed, meet the City's debt coverage ratio compliance requirements detailed in the City's bond resolutions and debt agreements and the City's goal. Currently our goal is to maintain a debt service coverage ratio of 2.0. Our goal is to have the lowest possible rates so the model needs to be flexible enough to relax the 2.0 goal for any year to allow us to avoid a rate increase.
 - g. Maintaining certain levels of reserves is also important for the City to maintain and increase its bond credit rating. The rate model must allow target balances for our various reserves. Target options should be an amount or number of days of operating expenditures at a minimum.
 - h. Provide dashboards with Key Performance Indicators that will assist us in presenting information to ratepayers and City officials that we are successfully managing our expenditures and appropriately collecting revenues for services provided.
 - i. Provide ratio's used by Credit Rating Agencies
9. Provide assistance to develop rate ordinance revisions to adopt multi-year rate structure. This would include providing the rate schedules.
 10. Provide testing to assure rate structure adopted is adequate to cover operating and capital expenditures.
 11. If requested, review all Public Utilities charges and fees to be sure we are charging fees for all services we provide and determine if there are other services we could be providing for a fee.
 12. Create Microsoft Excel and/or Access Reports that link to our billing system (Munis Utility Billing) to analyze our billing data. Vendor will be required to work with Tyler (Munis) to be sure the links are the only one way to extract data from the billing system. Create user manuals and train Public Utilities staff to update reports.

13. Prepare a Reserve Capacity Rate Study when requested in accordance with industry rate making standards. Fees will be based on the cost of the projected facilities expansion and unused existing capacity available to accommodate growth. Determine appropriate uses of reserve capacity charges for upgrades and expansions as part of the capital funding plan within the City and within the service area. Provide a written procedure that delineates the criteria for determining what projects qualify for reserve capacity fee use.
14. Participate in periodic meetings and formal presentations including project progress reviews, formal City Commission presentations and public hearings when requested.
15. In the event a Large User requests to terminate their Large User Agreement the rate consultant may be requested to prepare the calculation of the termination fee as detailed in the agreement.
16. Perform other work necessary to assist the Department of Public Utilities in maintaining sufficient revenues to continue operations of the City's treatment/storage facilities and any other utility infrastructure.
17. To accommodate the review process of the City, draft reports and supporting spreadsheets and documentation will be prepared and submitted to the City before any report is finalized. This review process in no way reduces the responsibility of the rate consultant to provide accurate reports in accordance with our agreements.

INSURANCE REQUIREMENTS:

Consultant shall maintain, at its sole expense, during the term of this agreement the following insurances:

- A. **Commercial General Liability Insurance** naming the City as an additional insured with not less than the following limits:

General Aggregate	\$4,000,000
Products-Comp/Op Aggregate	\$2,000,000
Personal and Advertising Injury	\$2,000,000
Each Occurrence	\$2,000,000

Coverage shall include contractual liability assumed under this agreement, products and completed operations, personal injury, broad form property damage, and premises-operations.

- B. **Commercial Automobile Liability Insurance** naming the City as an additional insured with not less than the following limits:

Combined Single Limit	\$1,000,000
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Coverage shall include contractual liability assumed under this agreement, owned, hired and non-owned vehicles.

- C. **Worker's Compensation Insurance** covering the contractor and the contractor's employees with not less than the following limits:

Worker's Compensation	\$1,000,000/\$1,000,000/\$1,000,000 for coverage
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- D. **Professional Liability** recognizing that the work governed by this contract involves the furnishing

of advice or services of a professional nature, the Contractor shall purchase and maintain, throughout the life of the contract, Professional Liability Insurance which will respond to damages resulting from any claim arising out of the performance of professional services or any error or omission of the Contractor arising out of the work governed by this contract.

Professional Liability

\$5,000,000 Each Occurrence / \$5,000,000
Aggregate

Please Note: The Certificate shall contain a provision that coverage afforded under the policy will not be cancelled until at least thirty (30) days prior written notice has been given to the City. Certificates of insurance, reflecting evidence of the required insurance, shall be provided to the City. Certificates of insurance, reflecting evidence of the required insurance, shall be provided to the City. In the event the Certificate of Insurance provided indicates that the insurance shall terminate and lapse during the period of this Agreement, the vendor shall furnish, at least thirty (30) days prior to the expiration of the date of such insurance, a renewed Certificate of Insurance as proof that equal and like coverage for the balance of the period of the Agreement or extension thereunder is in effect.