

Mr. Vivek Galav, P.E.
Director, Department of Public Utilities
City of Hollywood
1621 North 14th Avenue
Hollywood, Florida 33020

Arcadis U.S., Inc.
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Subject:

Task Order Proposal (Draft):
Development of Large User True-up (FY2019) and Large User Rate Estimate
(FY2021)

WATER

Date:

June 23, 2020

Contact:

Robert Ryall

Phone:

407.927.3536

Email:

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Our ref:

TBD

Florida License Numbers

Engineering

7917

Geology

GB564

Surveying

LB7062

Dear Mr. Galav:

At the request of the City of Hollywood (City), Arcadis U.S., Inc. (Arcadis) is pleased to submit this Task Order proposal to assist the City with the development of the Large User True-up for Fiscal Year (FY) 2019 and the Large User Rate Estimate for FY2021. As part of this effort, Arcadis shall work in close collaboration with City staff to assure that the requirements and objectives of the project are met. This Task Order proposal includes a detailed description of the Scope of Work to be performed by Arcadis, as well as the proposed lump sum fee to be paid to Arcadis by the City for the services described herein.

The Task Order shall be executed per the terms and conditions of the Professional Services Agreement for General Engineering Consultant Services: Water Treatment Plant and Wastewater Treatment Plant Projects No. 17-1324 (Agreement) executed on November 7, 2017, by and between the City and Arcadis. The proposed methodology is included below and the breakdown of the lump sum fee is included in Attachment A (developed using the Rate Schedule included as Exhibit B of the Agreement).

BACKGROUND

The City of Hollywood, Florida, provides wastewater service to six local municipalities: Broward County, City of Dania, City of Hallandale, City of Miramar, Town of Pembroke Pines, and City of Pembroke Pines (Large Users). Pursuant to the Large User Wastewater Agreement's with these municipalities, the City is required to engage an Independent Financial Consultant to conduct an annual review of Large User rates. The City previously engaged a consultant to provide these services and the City maintains a Large User Model used to provide the annual review.

The annual review includes a true-up of rates for the previous fiscal year and an estimate of large user rates for the preceding fiscal year. The development of large user rates is established in the Large User Wastewater Agreement with each municipality. As part the development of this Task Order, Arcadis has reviewed the Large User Wastewater Agreement for Broward County and City staff have indicated the agreements are consistent amongst the Large Users.

OUR EXPERIENCE

Arcadis' business advisory practice is one of the largest in the industry with 250 professionals in the U.S. and over 2,000 worldwide. Arcadis maintains a Financial Advisory Services Community of Practice, committed specifically to providing financial services to municipal utilities (including Large User/Wholesale rates). Arcadis provide business advisory and financial advisory services to clients throughout Florida and across North America including Miami-Dade County Water and Sewer Department, North Miami Beach Water, PortMiami, and other utilities. Services provided include the following:

Rate Studies including Large User Rates: Arcadis performs cost-of-service analysis, which provide a defensible basis for designing rates, and facilitates consensus building workshops to communicate impacts to key stakeholders. Our consultants have authored many of the leading American Water Works Association (AWWA) and Water Environment Federations (WEF) industry publications and hold leadership positions on AWWA's Rates and Charges Committee, the leading authority in water rate making.

Select Large User Project Examples:

- Miami-Dade Water and Sewer Department: annual review of contractual wholesale customer rates including an annual true-up and rate estimate
- Virginia Beach: conduct semi-annual wholesale true-up and rate projection review
- DC Water: independent review of system rates and cost of service

Bond Feasibility Evaluations: Arcadis has prepared feasibility reports and financial analyses/models in support of over \$50 billion in successful financing transactions. Our experts have a solid understanding of the issuance process and capital markets.

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Customer Affordability: Arcadis maintains significant experience and capability developing Customer Affordability Programs and we have done so for some of the nation's largest water, wastewater, and stormwater utilities.

Transaction Support: Arcadis has extensive experience in evaluating the engineering and financial feasibility of proposed capital improvement programs and the transfer of assets from one entity to another.

Decision Analytics: Our processes and models harness organizational knowledge and incorporate scenario analyses to foster consensus building.

Benchmarking: Arcadis advises many of the largest water and sewer utilities in the U.S., providing exposure to financial and operational data, we deliver in-depth benchmarking and statistical insight into the water and sewer industry.

OUR CONSULTANTS

Mr. Robert Ryall - Arcadis' Financial Service Practice Lead (Orlando, Florida)

Mr. Ryall is a nationally recognized consultant with expertise in financial and strategic planning for water and wastewater utilities throughout the United States. For over a decade, he has assisted Miami-Dade County Water and Sewer Department with Wholesale water and sewer rates and Virginia Beach/Norfolk with contractual based water wholesale rate development. Mr. Ryall has assisted with over \$2 billion in water and wastewater financing and has extensive experience in affordability, customer assistance programs, utility rate-making, impact fees, bond feasibility studies and acquisition/valuation analysis, and the development and use of interactive financial models.

Mr. Ryall is a contributor to industry manuals of practice including American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges Manual of Practice and Water Utility Capital Financing Manual of Practice. He recently founded the finance and rates committee within the AWWA Florida Section.

Mr. Michael Borchers – Principal Consultant (Indianapolis, Indiana)

Mr. Borchers is an innovative, results-oriented water industry professional experienced in utility management; financial, cost of service and rate analysis; strategic planning; and people management. He has extensive hands-on experience in analyzing water and wastewater utility operations and finances to develop strategic solutions that promote a utility's improvement and growth. His background includes almost three years in utility management and 15 years in utility consulting, including utility executive management, water and wastewater cost of service and rate studies, utility operations review, due diligence, and utility regionalization. He has demonstrated success in managing multiple projects, developing accurate models and evaluating processes across all levels of an organization.

Ms. Melissa Pomales – Principal Consultant (Miami, Florida)

Ms. Pomales is a licensed Professional Engineer and Project Management Professional, with a diverse and broad range of experience in utility consulting and business advisory, procurement and strategic planning, feasibility and financial analyses, and program and project management. She has supported over \$3 billion in utility municipal bond issuances, utility asset valuations exceeding \$7 billion, and rate

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studies, as well as led utility water, wastewater, resilience, asset management and energy management programs in Florida, Puerto Rico, New York, and California. As the Florida Area Leader for Arcadis' Water Business Line, Ms. Pomales oversees operations, serves as technical and strategic adviser, and supports QA/QC functions on projects across Florida.

In addition to Mr. Ryall and Mr. Borchers, the Financial Advisory Services practice maintains over a dozen consultants in Florida and throughout the United States.

SCOPE OF WORK

At the City's request, Arcadis has prepared the following Scope of Work associated with the Large User FY2019 True-up and Large User FY2021 Rate Estimate:

Task 1 – Large User Model and Contract Review

As part of this task, Arcadis shall conduct a detailed review of the City's Large User contracts and the Large User rate model used to develop the annual true-up, Renewal, Replacement, and Improvement Account Contribution calculation, and projected rates. The contract and model review are necessary in order to become familiar with the requirements and process of developing rates for the City's Large Users and to ensure the following tasks are completed in accordance with these requirements.

Deliverables:

- Review of Large User Agreements including Exhibit D of the Agreements
- Review Miramar and Hallandale Beach Large User Agreement Addendums
- Review of true-up model and supporting data
- Review of the Renewal, Replacement, and Improvement Account Contribution calculation
- Review of previously-developed rate projection calculations

Task 2 – Fiscal Year 2019 Large User True-up and Report

As part of this task, Arcadis shall develop the 2019 Large User True-up using data from the Large User True-up Model, as developed, tested and reviewed with the City. While it is anticipated that the FY2019 Large User True-up will employ the same methodology as was used in the FY2018 Large User True-up, the review of Large User Agreements and Exhibit D will be reviewed (Task 1) to ensure the final report complies with requirements of the Agreements. At the conclusion of the project, Arcadis shall issue a draft of the FY2019 Large User True-up Report and the Final 2019 Large User True-up Report incorporating City on comments received from the draft report.

Deliverables

- Preparation of the FY2019 Large User True-up
- Analysis and results review with the City
- Draft FY2019 Large User True-up Report (electronic copy) for review and comment.
- Incorporate City comments to Draft FY2019 Large User True-up Report
- Final 2019 Large User True-up Report (electronic copy) to include an electronic copy of the Data Review Package in Excel and PDF formats.
- One meeting with Large Users to review the report and respond to any questions

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Task 3 – Finalize FY2019 Renewal, Replacement, and Improvement Account Contribution

Arcadis shall review the FY2019 Large User Renewal, Replacement, and Improvement Account Contribution (RRI) Calculation completed by a previous consultant. Arcadis will finalize the Large User RRI Model, as updated, tested, and reviewed with the City. It is anticipated that the FY2019 Large User RRI Calculation will employ the same model, to be provided by the City, and methodology as was used in the FY2018 Large User RRI Calculation. At the conclusion of the project, Arcadis shall issue a draft of the FY2019 Large User RRI Calculation and will then issue a Final FY2019 Large User RRI Calculation based on comments received from the City.

Deliverables

- Review initial FY2019 Large User RRI calculation data and results with City staff
- Prepare 2019 Large User RRI Calculation for review and comment (includes a Data Review Package)
- Incorporation of City comments on FY2019 Large User RRI Calculation
- Finalize the FY2019 Large User RRI Calculation to include the development of letters to individual Large Users detailing their RRI Beginning Balances, activity for FY2019 and Ending RRI Balance for FY 2019 (includes a Data Review Package)

Task 4 – Development of FY2021 Large User Rate Estimate

Arcadis shall develop the FY2021 Large User Rate Estimate using the Large User True-up Model, to be provided by the City. The Large User True-up Model will be updated, tested and reviewed with the City. While it is anticipated that the FY2021 Large User Rate Estimate will employ the same methodology as was used in the FY2020 Large User Rate Estimate, the existing Large User Agreements and existing Exhibit D will be reviewed to ensure the Large User Rate Estimate conforms with requirements of these documents. At the conclusion of the project, Arcadis shall issue a draft of the FY2021 Large User Rate Estimate, review the draft with the City, incorporate comments, and issue a Final FY2021 Large User Rate Estimate report.

Deliverables

- The FY2021 Large User Rate Estimate will incorporate the use of the FY 2019 Large User True-up model, which will be updated with as many data parameters for which updated and relevant data is available in an effort to minimize variances between the Rate Estimate and future True-up for the same fiscal year.
- Draft FY2021 Large User Rate Estimate for review and comment (does not include a Data Review Package but will include source files provided by City)
- Incorporation of comments on Draft FY2021 Large User Rate Estimate
- Final FY2021 Large User Rate Estimate Report (does not include a Data Review Package but will include source files provided by City)

Task 5 – Meeting and Consultations

Arcadis anticipates one (1) virtual meeting with the City and Large User customers. In addition to this meeting, Arcadis will be available and will provide consultations to City staff as needed through the course of the engagement. Consultations will be held virtually with the City.

Deliverables:

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- PowerPoint presentation for use with Large Users presentation
- Meeting – review project results with Large Users (to be conducted virtually)
- Virtual consultations as required (up to 6)

SCHEDULE

It is Arcadis' understanding that competition of Large User rates is time sensitive as Large Users are in the process of developing their FY2021 budgets. As such, Arcadis will put forth every effort to complete this project as expeditiously as possible. The preliminary project schedule, based on a July 1 Authorization to Proceed (ATP), is presented below. This schedule assumes that the City will provide all requested information and comments on all deliverables within five (5) business days of request or receipt.

Preliminary Project Schedule	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug	28-Aug	4-Sep	11-Sep	18-Sep
AUTHORIZATION TO PROCEED FROM HOLLYWOOD	◆											
Task 1 - Large User Model and Contract Review												
Task 2 – Fiscal Year 2019 Large User True-up and Report												
Task 3 – Finalize FY2019 RRI Account Contribution												
Task 4 – Development of FY2021 Large User Rate Estimate												
Task 5 – Meeting and Consultation							★					

BUDGET

The proposed lump sum fee for conducting the Scope of Work described herein and detailed in Attachment A is \$118,825. This fee covers Arcadis labor and expenses. Arcadis shall issue monthly invoices for the duration of the project in accordance with the compensation terms of the Agreement. The task breakdown for the lump sum fee is as follows:

Task	Fee
1.0 Large User Model and Contract Review	\$16,100
2.0 Fiscal Year 2019 Large User True-up Report	\$40,465
3.0 Finalize the RRI Calculation	\$16,940
4.0 Development of FY2021 Large User Rate Estimate	\$33,260
5.0 Meeting and Consultations	\$12,060
Total	\$118,825

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Mr. Vivek Galav, P.E.
City of Hollywood
June 23, 2020

Thank you for considering Arcadis. Should you have any questions or require additional information from us, please do not hesitate to contact me. We look forward to supporting the City in this very important endeavor.

Sincerely,

Arcadis U.S., Inc.

Robert Ryall, PE
Associate Vice President
Financial Service Practice Lead

Copies:

Phyllis Shaw (City)
Leah Richter, PE (Arcadis)
Melissa Pomaes, PE (Arcadis)
File

Enclosures:

Attachment A: Lump Sum Fee Breakdown

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ATTACHMENT A

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Large User Rates	Contract Labor Category	Hours	Billing Rate (\$ / hr)	Cost	Fee / Task	Total Fee
						\$ 118,825.00
Arcadis Labor						\$ 117,825.00
Subconsultant Costs						\$ -
Other Direct Expenses						\$ 1,000.00
1 Large User Model and Contract Review						
Labor Subtotal						\$ 16,100.00
Robert Ryall, P.E.	Technical Expert	35	\$ 240.00	\$ 8,400.00		
Michael Borchers (QAQC)	Technical Expert	2	\$ 240.00	\$ 480.00		
Leah Richter, P.E.	Company Officer	2	\$ 240.00	\$ 480.00		
Tung Nguyen	Project Manager	2	\$ 220.00	\$ 440.00		
James Tanner	Senior Project Engineer	35	\$ 180.00	\$ 6,300.00		
Lia Dombroski	Project Engineer	0	\$ 130.00	\$ -		
Diane Matoba	Project Assistant	0	\$ 115.00	\$ -		
Mindy Mondesir	Administrative 3	0	\$ 100.00	\$ -		
Subcontractor Labor Subtotal						\$ -
None						\$ -
Other Direct Expenses						\$ -
Travel	(airfare, hotel, etc.)		\$ -	\$ -		
Miscellaneous Expenses	(reproduction)		\$ -	\$ -		
2 Fiscal Year 2019 Large User True-up and Report						\$ 40,465.00
Labor Subtotal						\$ 40,465.00
Robert Ryall, P.E.	Technical Expert	66	\$ 240.00	\$ 15,840.00		
Michael Borchers (QAQC)	Technical Expert	2	\$ 240.00	\$ 480.00		
Leah Richter, P.E.	Company Officer	0	\$ 240.00	\$ -		
Tung Nguyen	Project Manager	2	\$ 220.00	\$ 440.00		
James Tanner	Senior Project Engineer	120	\$ 180.00	\$ 21,600.00		
Lia Dombroski	Project Engineer	0	\$ 130.00	\$ -		
Diane Matoba	Project Assistant	7	\$ 115.00	\$ 805.00		
Mindy Mondesir	Administrative 3	13	\$ 100.00	\$ 1,300.00		
Subcontractor Labor Subtotal						\$ -
None						\$ -
Other Direct Expenses						\$ -
Travel	(airfare, hotel, etc.)		\$ -	\$ -		
Miscellaneous Expenses	(reproduction)		\$ -	\$ -		
3 Development of FY2019 RRI Account Contribution						\$ 16,940.00
Labor Subtotal						\$ 16,940.00
Robert Ryall, P.E.	Technical Expert	27	\$ 240.00	\$ 6,480.00		
Michael Borchers (QAQC)	Technical Expert	2	\$ 240.00	\$ 480.00		
Leah Richter, P.E.	Company Officer	0	\$ 240.00	\$ -		
Tung Nguyen	Project Manager	2	\$ 220.00	\$ 440.00		
James Tanner	Senior Project Engineer	40	\$ 180.00	\$ 7,200.00		
Lia Dombroski	Project Engineer	18	\$ 130.00	\$ 2,340.00		
Diane Matoba	Project Assistant	0	\$ 115.00	\$ -		
Mindy Mondesir	Administrative 3	0	\$ 100.00	\$ -		
Subcontractor Labor Subtotal						\$ -
None						\$ -
Other Direct Expenses						\$ -
Travel	(airfare, hotel, etc.)		\$ -	\$ -		
Miscellaneous Expenses	(reproduction)		\$ -	\$ -		
4 Development of FY2021 Large User Rate Estimate						\$ 33,260.00
Labor Subtotal						\$ 33,260.00
Robert Ryall, P.E.	Technical Expert	66	\$ 240.00	\$ 15,840.00		
Michael Borchers (QAQC)	Technical Expert	4	\$ 240.00	\$ 960.00		
Leah Richter, P.E.	Company Officer	0	\$ 240.00	\$ -		
Tung Nguyen	Project Manager	2	\$ 220.00	\$ 440.00		
James Tanner	Senior Project Engineer	89	\$ 180.00	\$ 16,020.00		
Lia Dombroski	Project Engineer	0	\$ 130.00	\$ -		
Diane Matoba	Project Assistant	0	\$ 115.00	\$ -		
Mindy Mondesir	Administrative 3	0	\$ 100.00	\$ -		
Subcontractor Labor Subtotal						\$ -
None						\$ -
Other Direct Expenses						\$ -
Travel	(airfare, hotel, etc.)		\$ -	\$ -		
Miscellaneous Expenses	(reproduction)		\$ -	\$ -		
5 Meeting and Consultations						\$ 12,060.00
Labor Subtotal						\$ 11,060.00
Robert Ryall, P.E.	Technical Expert	22	\$ 240.00	\$ 5,280.00		
Michael Borchers (QAQC)	Technical Expert	0	\$ 240.00	\$ -		
Leah Richter, P.E.	Company Officer	2	\$ 240.00	\$ 480.00		
Tung Nguyen	Project Manager	2	\$ 220.00	\$ 440.00		
James Tanner	Senior Project Engineer	27	\$ 180.00	\$ 4,860.00		
Lia Dombroski	Project Engineer	0	\$ 130.00	\$ -		
Diane Matoba	Project Assistant	0	\$ 115.00	\$ -		
Mindy Mondesir	Administrative 3	0	\$ 100.00	\$ -		
Subcontractor Labor Subtotal						\$ -
None						\$ -
Other Direct Expenses						\$ 1,000.00
Travel	(airfare, hotel, etc.)		\$ 5,000.00	\$ 5,000.00		
Miscellaneous Expenses	(reproduction)		\$ -	\$ -		

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