

**AGREEMENT FOR SERVICES
BETWEEN THE
CITY OF SANTA CLARA, CALIFORNIA,
AND
BLACK & VEATCH MANAGEMENT CONSULTING, LLC**

PREAMBLE

This Agreement is entered into as of the City's execution date (Effective Date) between the City of Santa Clara, California, a chartered California municipal corporation (City) and Black & Veatch Management Consulting, LLC, a Kansas limited liability company (Contractor). City and Contractor may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

- A. City desires to secure the services more fully described in this Agreement, at Exhibit A, entitled "Scope of Services";
- B. Contractor represents that it, and its subcontractors, if any, have the professional qualifications, expertise, necessary licenses and desire to provide certain goods and/or required services of the quality and type which meet objectives and requirements of City; and,
- C. The Parties have specified herein the terms and conditions under which such services will be provided and paid for.

The Parties agree as follows:

AGREEMENT TERMS AND CONDITIONS

1. AGREEMENT DOCUMENTS

The documents forming the entire Agreement between City and Contractor shall consist of these Terms and Conditions and the following Exhibits, which are hereby incorporated into this Agreement by this reference:

Exhibit A – Scope of Services

Exhibit B – Schedule of Fees

Exhibit C – Insurance Requirements

This Agreement, including the Exhibits set forth above, contains all the agreements, representations and understandings of the Parties, and supersedes and replaces any previous agreements, representations and understandings,

whether oral or written. In the event of any inconsistency between the provisions of any of the Exhibits and the Terms and Conditions, the Terms and Conditions shall govern and control.

2. TERM OF AGREEMENT

Unless otherwise set forth in this Agreement or unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on the Effective Date and terminate on December 31, 2026.

3. SCOPE OF SERVICES & PERFORMANCE SCHEDULE

Contractor shall perform those Services specified in Exhibit A within the time stated in Exhibit A. Time is of the essence.

4. CONFLICT OF INTEREST (FORM 700)

In accordance with the California Political Reform Act (Government Code section 81000 et seq.) and the City's Conflict of Interest Code, Consultant shall cause each person who will be principally responsible for providing the service and deliverables under this Agreement as having to file a Form 700 to do each of the following:

- A. Complete and file the Form 700 no later than thirty (30) calendar days after the date the person begins performing services under the Agreement and all subsequent Form 700s in conformance with the requirements specified in the California Political Reform Act; and
- B. File the Form 700 with the City's Clerk Office.

5. WARRANTY

Contractor expressly warrants that all materials and services covered by this Agreement shall be fit for the purpose intended, shall be free from defect and shall conform to the specifications, requirements and instructions upon which this Agreement is based. Contractor agrees to promptly replace or correct any incomplete, inaccurate or defective Services at no further cost to City when defects are due to the negligence, errors or omissions of Contractor. If Contractor fails to promptly correct or replace materials or services, City may make corrections or replace materials or services and charge Contractor for the cost incurred by City.

6. QUALIFICATIONS OF CONTRACTOR - STANDARD OF CARE

Contractor represents and maintains that it has the expertise in the professional calling necessary to perform the Services, and its duties and obligations, expressed and implied, contained herein, and City expressly relies upon Contractor's representations regarding its skills and knowledge. Contractor shall

perform such Services and duties in conformance to and consistent with the professional standards of a specialist in the same discipline in the State of California.

7. COMPENSATION AND PAYMENT

In consideration for Contractor's complete performance of Services, City shall pay Contractor for all materials provided and Services rendered by Contractor in accordance with Exhibit B, entitled "SCHEDULE OF FEES." The maximum compensation of this Agreement is set forth in Section 1 of Exhibit A, subject to budget appropriations, which includes all payments that may be authorized for Services and for expenses, supplies, materials and equipment required to perform the Services. All work performed or materials provided in excess of the maximum compensation shall be at Contractor's expense. Contractor shall not be entitled to any payment above the maximum compensation under any circumstance.

8. TERMINATION

- A. Termination for Convenience. City shall have the right to terminate this Agreement, without cause or penalty, by giving not less than Thirty (30) days' prior written notice to Contractor.
- B. Termination for Default. If Contractor fails to perform any of its material obligations under this Agreement, in addition to all other remedies provided by law, City may terminate this Agreement immediately upon written notice to Contractor.
- C. Upon termination, each Party shall assist the other in arranging an orderly transfer and close-out of services. As soon as possible following the notice of termination, but no later than ten (10) days after the notice of termination, Contractor will deliver to City all City information or material that Contractor has in its possession.

9. ASSIGNMENT AND SUBCONTRACTING

City and Contractor bind themselves, their successors and assigns to all covenants of this Agreement. This Agreement shall not be assigned or transferred without the prior written approval of City. Contractor shall not hire subcontractors without express written permission from City.

Contractor shall be as fully responsible to City for the acts and omissions of its subcontractors, and of persons either directly or indirectly employed by them, as Contractor is for the acts and omissions of persons directly employed by it.

10. NO THIRD PARTY BENEFICIARY

This Agreement shall not be construed to be an agreement for the benefit of any third party or parties and no third party or parties shall have any claim or right of action under this Agreement for any cause whatsoever.

11. INDEPENDENT CONTRACTOR

Contractor and all person(s) employed by or contracted with Contractor to furnish labor and/or materials under this Agreement are independent contractors and do not act as agent(s) or employee(s) of City. Contractor has full rights to manage its employees in their performance of Services under this Agreement.

12. CONFIDENTIALITY OF MATERIAL

All ideas, memoranda, specifications, plans, manufacturing procedures, data, drawings, descriptions, documents, discussions or other information developed or received by or for Contractor and all other written information submitted to Contractor in connection with the performance of this Agreement shall be held confidential by Contractor and shall not, without the prior written consent of City, be used for any purposes other than the performance of the Services nor be disclosed to an entity not connected with performance of the Services. Nothing furnished to Contractor which is otherwise known to Contractor or becomes generally known to the related industry shall be deemed confidential.

13. OWNERSHIP OF MATERIAL

All material, which shall include, but not be limited to, data, sketches, tracings, drawings, plans, diagrams, quantities, estimates, specifications, proposals, tests, maps, calculations, photographs, reports, designs, technology, programming, works of authorship and other material developed, collected, prepared or caused to be prepared under this Agreement shall be the property of City but Contractor may retain and use copies thereof. City shall not be limited in any way or at any time in its use of said material. However, Contractor shall not be responsible for damages resulting from the use of said material for work other than Project, including, but not limited to, the release of this material to third parties.

14. RIGHT OF CITY TO INSPECT RECORDS OF CONTRACTOR

City, through its authorized employees, representatives or agents shall have the right during the term of this Agreement and for four (4) years from the date of final payment for goods or services provided under this Agreement, to audit the books and records of Contractor for the purpose of verifying any and all charges made by Contractor in connection with Contractor compensation under this Agreement, including termination of Contractor. Contractor agrees to maintain sufficient books and records in accordance with generally accepted accounting principles to establish the correctness of all charges submitted to City. Any expenses not so recorded shall be disallowed by City. Contractor shall bear the

cost of the audit if the audit determines that there has been a substantial billing deviation in excess of five (5) percent adverse to the City.

Contractor shall submit to City any and all reports concerning its performance under this Agreement that may be requested by City in writing. Contractor agrees to assist City in meeting City's reporting requirements to the State and other agencies with respect to Contractor's Services hereunder.

15. HOLD HARMLESS/INDEMNIFICATION

- A. To the extent permitted by law, Contractor agrees to protect, defend, hold harmless and indemnify City, its City Council, commissions, officers, employees, volunteers and agents from and against any claim, injury, liability, loss, cost, and/or expense or damage, including all costs and attorney's fees in providing a defense to any such claim or other action, and whether sounding in law, contract, tort, or equity, in any manner arising from, or alleged to arise in whole or in part from, or in any way connected with the Services performed by Contractor pursuant to this Agreement – including claims of any kind by Contractor's employees or persons contracting with Contractor to perform any portion of the Scope of Services – and shall expressly include passive or active negligence by City connected with the Services. However, the obligation to indemnify shall not apply if such liability is ultimately adjudicated to have arisen through the sole active negligence or sole willful misconduct of City; the obligation to defend is not similarly limited.
- B. Contractor's obligation to protect, defend, indemnify, and hold harmless in full City and City's employees, shall specifically extend to any and all employment-related claims of any type brought by employees, contractors, subcontractors or other agents of Contractor, against City (either alone, or jointly with Contractor), regardless of venue/jurisdiction in which the claim is brought and the manner of relief sought.
- C. To the extent Contractor is obligated to provide health insurance coverage to its employees pursuant to the Affordable Care Act ("Act") and/or any other similar federal or state law, Contractor warrants that it is meeting its obligations under the Act and will fully indemnify and hold harmless City for any penalties, fines, adverse rulings, or tax payments associated with Contractor's responsibilities under the Act.

16. INSURANCE REQUIREMENTS

During the term of this Agreement, and for any time period set forth in Exhibit C, Contractor shall provide and maintain in full force and effect, at no cost to City, insurance policies as set forth in Exhibit C.

17. WAIVER

Contractor agrees that waiver by City of any one or more of the conditions of performance under this Agreement shall not be construed as waiver(s) of any other condition of performance under this Agreement. Neither City's review, acceptance nor payments for any of the Services required under this Agreement shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement.

18. NOTICES

All notices to the Parties shall, unless otherwise requested in writing, be sent to City addressed as follows:

City of Santa Clara
Attention: Water & Sewer Utilities Department
1500 Warburton Avenue
Santa Clara, CA 95050
and by e-mail at gwelling@santaclaraca.gov and
shilpa@santaclaraca.gov

And to Contractor addressed as follows:

Black & Veatch Management Consulting, LLC
Deepa Poduval
11401 Lamar Avenue
Overland Park, KS 66211
and by e-mail at PoduvalD@BV.com

The workday the e-mail was sent shall control the date notice was deemed given. An e-mail transmitted after 1:00 p.m. on a Friday shall be deemed to have been transmitted on the following business day.

19. COMPLIANCE WITH LAWS

Contractor shall comply with all applicable laws and regulations of the federal, state and local government, including but not limited to "The Code of the City of Santa Clara, California" ("SCCC"). In particular, Contractor's attention is called to the regulations regarding Campaign Contributions (SCCC Chapter 2.130), Lobbying (SCCC Chapter 2.155), Minimum Wage (SCCC Chapter 3.20), Business Tax Certificate (SCCC section 3.40.060), and Food and Beverage Service Worker Retention (SCCC Chapter 9.60), as such Chapters or Sections may be amended from time to time or renumbered. Additionally Contractor has read and agrees to comply with City's Ethical Standards (<http://santaclaraca.gov/home/showdocument?id=58299>).

20. CONFLICTS OF INTEREST

Contractor certifies that to the best of its knowledge, no City officer, employee or authorized representative has any financial interest in the business of Contractor and that no person associated with Contractor has any interest, direct or indirect, which could conflict with the faithful performance of this Agreement. Contractor is familiar with the provisions of California Government Code section 87100 and following, and certifies that it does not know of any facts which would violate these code provisions. Contractor will advise City if a conflict arises.

21. FAIR EMPLOYMENT

Contractor shall not discriminate against any employee or applicant for employment because of race, sex, color, religion, religious creed, national origin, ancestry, age, gender, marital status, physical disability, mental disability, medical condition, genetic information, sexual orientation, gender expression, gender identity, military and veteran status, or ethnic background, in violation of federal, state or local law.

22. NO USE OF CITY NAME OR EMBLEM

Contractor shall not use City's name, insignia, or emblem, or distribute any information related to services under this Agreement in any magazine, trade paper, newspaper or other medium without express written consent of City.

23. GOVERNING LAW AND VENUE

This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California. The venue of any suit filed by either Party shall be vested in the state courts of the County of Santa Clara, or if appropriate, in the United States District Court, Northern District of California, San Jose, California.

24. SEVERABILITY CLAUSE

In case any one or more of the provisions in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, it shall not affect the validity of the other provisions, which shall remain in full force and effect.

25. AMENDMENTS

This Agreement may only be modified by a written amendment duly authorized and executed by the Parties to this Agreement.

26. COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument.

The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives.

CITY OF SANTA CLARA, CALIFORNIA
a chartered California municipal corporation

Approved as to Form: _____

Dated: _____

Office of the City Attorney
City of Santa Clara

DEANNA J. SANTANA
City Manager
1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax: (408) 241-6771

"CITY"

BLACK & VEATCH MANAGEMENT CONSULTING, LLC
a Kansas limited liability company

Dated: 11/30/2021 _____

By (Signature):  _____

Name: Steve Uhlmansiek _____

Title: Associate Vice President _____

Principal Place of Business Address: 11401 Lamar Avenue _____

Overland Park, KS 66211 _____

Email Address: UhlmansiekS@bv.com _____

Telephone: (913) 458-4826 _____

Fax: () _____

"CONTRACTOR"

Reviewed by
legal
KAR
11-30-21

PM (A. Morales)
11/30/2021



EXHIBIT A SCOPE OF SERVICES

1. INTRODUCTION

Contractor shall perform a comprehensive rate study for the City's water, recycled water, and sewer enterprises. The Services to be performed for the City by the Contractor under this Agreement are set forth below.

To the extent not inconsistent with this Agreement between the City and Contractor including this Scope of Services, the City's SOQ 21-22-63 (including subsequent updates) and Contractor's proposal response dated September 29, 2021 are hereby incorporated by reference herein, and shall supplement this Scope of Services and be subject to the terms and conditions of the Agreement.

2. TASK 1. PROJECT MANAGEMENT AND DATA REVIEW

2.1. Project Management. Contractor shall provide general project coordination, staff direction, budget/scope/schedule management, and billing/invoicing activities throughout the project. Specific subtasks include:

- 2.1.1.** Providing direction as required to meet project objectives and deadlines, maintaining adequate levels of staff throughout the project, reviewing all study-related work, and providing quality assurance.
- 2.1.2.** Performing general administrative duties, including client correspondence, invoicing, budget/scope management, project documentation, and administering project controls using its proprietary internal project tracking system.

2.2. Data Review. Contractor shall request from the City all necessary document including but not limited to:

- 2.2.1.** 2016 Sewer Master Plan and 2019 Sewer System Management Plan;
- 2.2.2.** 2020 Urban Water Management Plan;
- 2.2.3.** Previous Rate Studies;
- 2.2.4.** Comprehensive annual financial reports, operating and CIP budget documents;
- 2.2.5.** City reserve policies and ordinances; and
- 2.2.6.** CuSD Agreement and other relevant documents.

3. TASK 2. FINANCIAL PLANNING

Contractor shall develop a ten-year financial plan for the City's water, recycled water, and sewer operations. Specific subtasks include:

3.1. Projection of Revenues Under Existing Rates. The development of the ten-year financial plan will commence with the following activities:

3.1.1. Customer, Usage, and Flow Projections

3.1.1.1. The City will provide connections by meter size, water usage, billed sewage flow, etc., for a historical five- year planning period. Contractor shall analyze historical and projected growth trends, climatological patterns, the potential for adding/losing major utility customers, and changes in customer class usage patterns. This analysis will also incorporate any State required water conservation measures and their impact on customer usage and hence revenues.

3.1.1.2. Due to the impact of COVID-19, Contractor shall examine pre-COVID and current conditions to assess any changes in consumption patterns and how they may impact future projections.

3.1.2. Revenue Projections. The existing revenue from rates will be determined by applying the current rates to projected connections, water usage, billed sewage flow, etc. Revenue determined from this analysis will form the basis to assess revenues under existing rates for all customer classes over the study period. The revenue projections are based on FY 2022 rates.

3.1.3. Miscellaneous Revenue Projections. The revenues generated from other sources such as interest earnings and other miscellaneous revenues will be incorporated and projected for the planning period by Contractor. These revenue sources are important for determining the net level of future revenues that need to be generated from rates.

3.2. Development of Revenue Requirements. The development of revenue requirements will be based on examining historical financial reports, current operating budgets, and proposed capital improvement programs.

3.2.1. Project Operation and Maintenance Expense. Projections of operation and maintenance (O&M) expenses will be developed to facilitate analysis and cost allocations. O&M expenses will be projected based on a review of historical financial records and trends and available utility budget estimates of future O&M costs. Projections will recognize estimated increases in the number of customers served, water usage, billed sewage flow as well as the potential effects of continued inflation in costs levels for purchased water, power, water quality, and other O&M categories, the addition of new system

facilities, any anticipated changes in operation and staffing, and other factors which may influence future expense levels.

3.2.2. Major Capital Improvement Program Financing Plan.

3.2.2.1. Financing plans for each utility's planned major capital projects will be developed based on the schedule and costs in the Capital Improvement Program (CIP). The recommended CIP financing strategy will be based on consideration of available funding, loans, revenue bonds, and pay-as-you-go financing. Depending upon the magnitude of the CIP, additional debt financing may be indicated during the study period to augment funds generated by utility rates and other funding sources.

3.2.2.2. Currently, the primary funding source for the City's CIP is cash or pay-go. Contractor shall work with City staff to research alternative funding options to finance the CIP. Alternatives to be evaluated are private placement debt, public debt financing, capacity fees, connection fees, utility user taxes, or other tax strategies.

3.2.2.3. Contractor shall examine alternative funding from a holistic perspective but will not develop connection fees, utility taxes as part of this scope. Should the City request those services, Contractor will work with the City to develop the optional scope of services.

3.2.3. Debt Service Expense. Projections of principal and interest payments on outstanding debt obligations and any projected future bonds or state revolving fund loans for major capital improvements will be developed for the forecast study period. The debt service on future bonds will reflect, as appropriate, the number of bond proceeds required for construction, issuance costs, and compliance with any reserve requirements of the authorizing resolution.

3.2.4. Reserve Funding. Existing reserve fund requirements and balances will be reviewed for adequacy. Applicable bond ordinance requirements will be reviewed along with any relevant utility policies. Based on a review of reserve funding requirements, industry standards, and state regulations, adequate reserve levels will be recommended.

3.2.5. Cash Flow Analysis

3.2.5.1. Contractor shall prepare cash flow analyses summarizing the above projections of revenues and revenue requirements to determine the adequacy of revenues under existing rate levels to meet operating and capital needs for the five-year study period. Forecasted revenue will include revenue under existing rates for

utility service, funds generated from other operating income, and interest income.

- 3.2.5.2.** Revenue requirements will include operation and maintenance expenses, including purchased water and power costs, routine capital expenditures, the revenue financed portion of major capital improvements, and any applicable debt service costs or other anticipated obligations, as applicable. Adjustments will be made to allow any required revenue increases to meet revenue requirements over the study period and to minimize the impact of rate increases on the City's customers to the extent possible.
- 3.2.5.3.** Utilizing the scenario builder in the rate models, Contractor shall prepare up to three (3) cash flow scenarios reflecting changes in different assumptions such as customer usage, operating expenses, capital costs, and capital funding options. Each scenario will evaluate the ability of each system to fund revenue requirements under the current rates and the level of future revenue adjustments needed to meet obligations, including reserve requirements.

4. TASK 3. COST OF SERVICE ANALYSIS

This task aims to assign and allocate the revenue requirements to the different functional components using AWWA and WEF principles. Contractor's specific subtasks include:

4.1. Evaluation of Customer Classes. The cost of service analysis will allocate costs to groups of customers with similar service requirements. Therefore, a review of the existing groups is performed in the following activities:

4.1.1. Determine Customer Class Characteristics. Appropriate usage and billing characteristics for each customer class will be developed based on available information. Estimates of customer class characteristics will be based on billing data, system operating statistics, and other available information.

4.2. Cost of Service Allocations. This subtask aims to estimate the net annual revenue requirements that need to be recovered from the various customer classes. The allocation analysis enables Contractor to establish a reasonable nexus between costs incurred in providing service and the rates and charges designed to recover these costs. Specific activities include:

4.2.1. Annual Cost of Service

4.2.1.1. For the test year for which rates are to be designed, the cost of service to be met from rates and charges will be determined from the revenue requirements identified in Task 2.

4.2.1.2. The cost of service estimates will then serve as the basis for developing cost of service rate schedules for the test year. The

net revenue requirements to be derived from rates for the test year will be developed on a cash requirements basis.

4.2.2. Units of Service

4.2.2.1. Contractor shall develop an estimate of the units of service associated with each cost causative element for water, recycled water, and sewer utility service. The units of service will be estimated based on the service characteristics defined for each customer classification.

4.2.2.2. Units of service will be developed recognizing the customer usage analysis, available data, and engineering judgment about customer class service requirements. The service characteristics for each customer class will be developed to match each system's functional cost causative elements.

4.2.3. Functional Cost Allocations. The test year costs of service will be allocated to the water, recycled water, and sewer functional cost components. For water and recycled water, functional cost classifications include water supply, pumping stations, treatment, transmission & distribution, storage, meters, and customer-related. For sewer, typical functional cost classifications include collection, treatment, pollutant loadings, and customer- related.

4.2.4. Cost Causative Allocations. The cost of service for the test year will be allocated to the various cost causative components specific to the water, recycled water, and sewer services provided. The cost causative allocations for the water and recycled water will recognize average annual flow, peak flow rates, meters & services, customer, and fire protection. For sewer, it will recognize flow, strength, and customer costs.

4.2.5. Allocation of Costs to Customer Classes

4.2.5.1. The cost causative component costs derived from each system are further allocated or distributed to each customer class. Contractor shall utilize industry-accepted cost allocation methodologies, as recognized by AWWA and WEF. Contractor shall review the various alternatives included in these manuals of practice and include its rationale for the recommended allocation methodologies and the advantages and disadvantages. This approach will help build consensus on the selected allocation methodology.

4.2.5.2. The selected cost allocation methodology will be applied to distribute costs by major system components to each customer class. The cost allocation process will use unit costs of service applicable to all system users and class units of service to

determine proportional responsibility for total system costs allocable to each customer class.

4.2.5.3. The relative responsibility of each customer class will be determined based on the estimated service requirements for each class utilizing the overall cash test year revenue requirements.

4.2.6. Determination of Revenue Adequacy. Contractor shall compare class revenues under existing utility rates with the allocated class costs of service to determine the level of cost recovery by class and in total and demonstrate any needed adjustments to align class revenues and allocated costs.

5. TASK 4. RATE DESIGN

Contractor shall consider the policies, pricing objectives, and practical limitations associated with designing water, recycled water, and sewer rates for the City when developing rate schedules. This task aims to develop fair and equitable rates that are simple and easy to understand for existing customers. The key activities include the following: 1) based on the analysis completed herein, Contractor shall affirm the reasonable nexus between the cost incurred in providing the service and the rates and charges developed to price the service; 2) assess the applicability of the existing water, recycled water, and sewer rates from a policy and operating perspective to meet established rate-setting objectives; 3) work to align the CuSD charges to cost components costs determined in cost of service analysis so that rates are commensurate with services provided; 4) develop temporary fees for discharge of water to the sewer system that account for the flow and strength of the flow; and 5) upon completing the cost of service analysis in Task 3, Contractor shall work with City staff to develop rates that meet each utility's goals and objectives. Contractor's specific subtasks include:

5.1. Evaluate Existing Rate Structure. The existing rate structures will be evaluated for their ability to recover utility service costs from each customer class equitably. Consideration will also be given to the policies, pricing objectives, and practical limitations.

5.2. Water Rates. The City's current rate structure has a fixed minimum charge by meter size and a uniform variable charge based on one hundred cubic feet (ccf). There is no separation of customer classes. Private fire protection and cross-connection fees have a fixed meter charge. Under this subtask, Contractor shall review the existing rate structure for any potential changes to address declining consumption trends and State-mandated conservation measures.

5.3. Recycled Water Rates. The City's current rate structure has a fixed minimum charge by meter size and uniform variable charge based on one hundred cubic feet.

5.4. Sewer Rates. The City's current sewer rate structure consists of a flat charge for residential (single-family and multi-family) based on equivalent dwelling units, and non-residential have a minimum bill and are billed based on a percentage of their water consumption in one hundred cubic feet. The major users (also known as significant industrial users) are billed for operating and capital costs by flow and strength loadings.

5.5. Design Rates. Contractor shall work with the City to develop a schedule of rates for the three-year study period that balances revenue stability and self-sufficiency and recognizes equitable cost recovery. In the design of the rate schedules, Contractor shall work with the City to consider alternative rate structures such as:

5.5.1. Drought Charges: California's drought patterns are becoming longer and more severe. Contractor shall develop drought rates that become effective when the City enacts drought responses. Each stage of a drought declaration (voluntary, limited, etc.) would trigger a different level of conservation and rate change.

5.5.2. Fixed Meter Charge: Disruptions in normal business, as seen with COVID-19, really impact how utilities operate and manage. Contractor shall develop a fixed meter charge that is not a minimum but is applied in conjunction with a volume charge. The fixed charge provides revenue stability against future uncertainties.

5.5.3. EDU Charge by Unit: As development continues to grow in mixed-used and high-density living, the number of multi-family residential will continue to increase. Multi-family has traditionally contributed less flow to the system compared to single-family residential. Contractor shall develop an EDU charge based on units to account for customer type differences.

5.5.4. Grouped Sewer Commodity Charge: The City has 16 non-residential customer classes for sewer and has charged based on flow and strength. Given the variability in flow throughout the years, Contractor shall re-evaluate the customer classes for appropriateness and grouping classes if necessary.

5.6. Projected Financial Results Based on Proposed Rates. The proposed rates will be applied to the projected connections, water usage, billed sewage flow, equivalent dwelling units, etc., to estimate the revenues generated from the proposed rates for the test year. The projected annual revenues under the proposed rates will also be compared with the annual cost of service allocation results for each customer class to determine the relative consistency of the revenues with the costs.

5.7. Compare Typical Bills. Contractor shall perform typical bill comparisons for residential and non-residential customers to show the potential impact of the recommended rates for the test year.

5.8. Benchmarking Analysis. Contractor shall obtain rates for neighboring agencies and calculate typical residential and non-residential bills to show how the current and proposed rates for the City compare to up to 10 neighboring Bay Area Water Supply & Conservation Agency agencies.

6. TASK 5. MEETINGS, REPORTS, AND MODELS

6.1. Meetings. Based on the scope of work outlined, Contractor shall participate in the following meetings/workshops:

- 6.1.1. One (1) one-hour kick-off meeting with City staff.
 - 6.1.2. Two (2) two-hour workshops with City staff to discuss preliminary results and obtain input.
 - 6.1.3. One (1) two-hour study session to discuss results with City staff and City Council.
 - 6.1.4. One (1) three-hour City Council public hearing to adopt rates.
 - 6.1.5. These meetings are expected to be in-person but may transition to virtual based on State and County public health recommendations.
 - 6.1.6. Monthly progress meetings until the presentation of preliminary results and bi-weekly meetings after that. We believe that City staff is familiar with our communication and responsiveness, so less frequent check-up meetings may suffice and be more cost-effective.
- 6.2. Study Reports.** Contractor shall prepare a draft report for the water, recycled water, and sewer utilities, including discussing the financial plan, cost of service analysis, and proposed rate schedules. Following a review of the draft report by the City, Contractor shall prepare the final report. Contractor shall deliver an electronic pdf copy of the draft and final reports to the City.
- 6.3. Rate Model.** The objective of this task will be to develop independent Microsoft Excel-based rate models for each utility that encompasses financial planning, cost of service, and rate design. Contractor's approach to developing financial and rate models is based on customizing our base model to the City's unique characteristics, customers, the flow of funds, billing data, and financial planning goals and objectives through proven calculation methodologies and industry principles. The models will contain the following features:
- 6.3.1. Visually intuitive user interface and icon-based navigation throughout and between modules
 - 6.3.2. Logical organization of information and data flow based on the required analyses
 - 6.3.3. A consistent layout on each tab
 - 6.3.4. Centralized data inputs and assumptions
 - 6.3.5. Specifically tailored and designed to recognize the City's utilities unique needs, characteristics, and information base, including matching the City's budgetary and accounting structures.
 - 6.3.6. Conduct "what-if" analyses reflecting the impact of changes in significant system variables such as water conservation, droughts, revised budgeted

revenues and expenditures, changes in capital improvement program schedules, and policy decisions.

- 6.3.7. Incorporation of user-friendly features, including fully automated preprogrammed print and navigation menus, customized icons for specific model functions, and other features.

7. TASK 6. ONE-TIME SOLAR UTILITY RATE ANALYSIS AND SYSTEM DEVELOPMENT CHARGES

7.1. Solar Utility Rate Analysis: Contractor shall provide analysis of rates and fees for solar utility and how they relate to services provided. This task includes identifying all costs associated with providing solar pool heating system and domestic hot water system including direct costs incurred by the Water & Sewer Department for labor and materials as well as indirect cost by the Water & Sewer Department incurred from other City departments.

7.2. System Development Charges (SDC): Contractor shall complete analysis and report for System Development Charges update for water, sewer and recycled water utilities. This task includes:

- 7.2.1. Updating the 2019 Water SDC.
- 7.2.2. Updating the 2019 the Sewer SDC which will require acquisition of fixed asset from San Jose for the treatment fixed assets.
- 7.2.3. Developing a new Recycled Water SDC.

**EXHIBIT B
SCHEDULE OF FEES**

1. MAXIMUM COMPENSATION

The maximum compensation the City will pay Contractor for all professional fees, costs and expenses provided under this Agreement shall not exceed **One Hundred Eighty-Four Thousand Nine Hundred Seventy-Five Dollars (\$184,975)**, subject to the annual appropriation of funds. Any additional professional fees, costs and expenses requested by the City that would exceed the preceding maximum amount will be addressed in an Amendment to the Agreement.

2. FEES

Based on the scope of services set forth in Exhibit A, the City agrees to compensate Contractor on a fixed fee basis as set forth below in Table B1. The fixed fee includes all anticipated direct expenses (such as mileage, car rental, hotels, meals, reproduction costs, etc.).

Table B1: Option 1 Total Project Cost					
Task Description	Year 1 Initial Rate Study	Year 2 Annual Update	Year 3 Annual Update	Year 4 Annual Update	Year 5 Annual Update
Task 1: Project Management & Data Review	\$2,045	\$2,110	\$2,155	\$2,200	\$2,685
Task 2: Financial Plan	\$9,180	\$9,605	\$9,840	\$10,070	\$10,080
Task 3: Cost of Service Analysis	\$5,135	\$5,345	\$5,470	\$5,590	\$5,805
Task 4: Rate Design	\$10,725	\$4,805	\$4,920	\$5,030	\$5,235
Task 5: Meetings, Report, and Models	\$9,045	\$9,300	\$9,495	\$9,660	\$9,945
Task 6: Solar Utility Rate Analysis and System Development Charges	\$9,500	////	////	////	////
Total Labor Expenses	\$45,630	\$31,165	\$31,880	\$32,550	\$33,750
Direct Expenses	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Annual Fixed Fee Total	\$47,630	\$33,165	\$33,880	\$34,550	\$35,750
Total (Option 1)	\$184,975				

Alternatively, the City may opt for one subsequent study in Year 4, as set forth in Table B2.

Table B2: Option 2 Total Project Cost		
Task Description	Year 1 Initial Rate Study	Year 4 Subsequent Rate Study
Task 1: Project Management & Data Review	\$2,045	\$4,080
Task 2: Financial Plan	\$9,180	\$21,260
Task 3: Cost of Service Analysis	\$5,135	\$10,560
Task 4: Rate Design	\$10,725	\$11,770
Task 5: Meetings, Report, and Models	\$9,045	\$21,290
Task 6: Solar Utility Rate Analysis and System Development Charges	\$9,500	////
Total Labor Expenses	\$45,630	\$68,960

Table B2: Option 2 Total Project Cost		
Task Description	Year 1 Initial Rate Study	Year 4 Subsequent Rate Study
Direct Expenses	\$2,000	\$3,000
Annual Fixed Fee Total	\$47,630	\$71,960
Total (Option 2)	\$119,590	

The above costs assume the following:

- The Year 1 Initial Rate Study will update the existing financial model and incorporate the rate structure alternatives. The annual updates will only consider an update of the selected rate structure from Year 1 Initial Rate Study. The subsequent rate study (in Year 4 – Option 2) will consider alternative rate structures.
- The fees do not include the development of system development charges for water, recycled water and sewer.
- The work effort to be completed in the annual updates is the same each year. The future year costs (Years 2 to 5) include an annual escalator on billing rates.
- Meetings are described in Section 6.1. The kick-off and workshops will be held virtually while the study session and City Council public hearing will be in-person.

3. ADDITIONAL SERVICES

In the event that the City requires additional services, City may request a fixed priced quote in lieu of time and materials. Any quoted rates shall not exceed the hourly rates set forth below. Any additional services shall require an Amendment to the Agreement.

Job Description	Team Member	Hourly Billing Rates
Project Analyst	Staff	\$210
Sr. Project Analyst	Staff	\$230
Project Manager	Alberto Morales	\$285
Technical Advisor	Pam Lemoine	\$285
Project Director	Ann Bui	\$315

4. INVOICING

The City will make milestone payments to Contractor upon completion of each of the tasks identified in Tables B1 or B2. Contractor shall provide invoices to the City, and the City will pay Contractor within thirty (30) days of City's receipt of an approved invoice.

EXHIBIT C
INSURANCE REQUIREMENTS

Without limiting the Contractor's indemnification of the City, and prior to commencing any of the Services required under this Agreement, the Contractor shall provide and maintain in full force and effect during the period of performance of the Agreement and for twenty-four (24) months following acceptance by the City, at its sole cost and expense, the following insurance policies from insurance companies authorized to do business in the State of California. These policies shall be primary insurance as to the City of Santa Clara so that any other coverage held by the City shall not contribute to any loss under Contractor's insurance. The minimum coverages, provisions and endorsements are as follows:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

1. Commercial General Liability Insurance policy which provides coverage at least as broad as Insurance Services Office form CG 00 01. Policy limits are subject to review, but shall in no event be less than, the following:
 - \$1,000,000 Each Occurrence
 - \$2,000,000 General Aggregate
 - \$2,000,000 Products/Completed Operations Aggregate
 - \$1,000,000 Personal Injury
2. Exact structure and layering of the coverage shall be left to the discretion of Contractor; however, any excess or umbrella policies used to meet the required limits shall be at least as broad as the underlying coverage and shall otherwise follow form.
3. The following provisions shall apply to the Commercial Liability policy as well as any umbrella policy maintained by the Contractor to comply with the insurance requirements of this Agreement:
 - a. Coverage shall be on a "pay on behalf" basis with defense costs payable in addition to policy limits;
 - b. There shall be no cross liability exclusion which precludes coverage for claims or suits by one insured against another; and
 - c. Coverage shall apply separately to each insured against whom a claim is made or a suit is brought, except with respect to the limits of liability.

B. BUSINESS AUTOMOBILE LIABILITY INSURANCE

Business automobile liability insurance policy which provides coverage at least as broad as ISO form CA 00 01 with policy limits a minimum limit of not less than one million dollars (\$1,000,000) each accident using, or providing coverage at least as broad as, Insurance Services Office form CA 00 01. Liability coverage shall apply to all owned (if any), non-owned and hired autos.

C. WORKERS' COMPENSATION

1. Workers' Compensation Insurance Policy as required by statute and employer's liability with limits of at least one million dollars (\$1,000,000) policy limit Bodily Injury by disease, one million dollars (\$1,000,000) each accident/Bodily Injury and one million dollars (\$1,000,000) each employee Bodily Injury by disease.
2. The indemnification and hold harmless obligations of Contractor included in this Agreement shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefit payable by or for Contractor or any subcontractor under any Workers' Compensation Act(s), Disability Benefits Act(s) or other employee benefits act(s).
3. This policy must include a Waiver of Subrogation in favor of the City of Santa Clara, its City Council, commissions, officers, employees, volunteers and agents.

D. PROFESSIONAL LIABILITY

Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designed to protect against negligent acts, errors or omissions of the Contractor. Covered services as designated in the policy must specifically include work performed under this agreement. Coverage shall be in an amount of one million dollars (\$1,000,000) per claim or two million dollars (\$2,000,000) aggregate. Any coverage containing a deductible or self-retention must first be approved in writing by the City Attorney's Office.

E. COMPLIANCE WITH REQUIREMENTS

All of the following clauses and/or endorsements, or similar provisions, must be part of each commercial general liability policy, and each umbrella or excess policy.

1. Additional Insureds. City of Santa Clara, its City Council, commissions, officers, employees, volunteers and agents are hereby added as additional insureds in respect to liability arising out of Contractor's work for City, using Insurance Services Office (ISO) Endorsement CG 20 10 11 85,

or the combination of CG 20 10 03 97 and CG 20 37 10 01, or its equivalent.

2. Primary and non-contributing. Each insurance policy provided by Contractor shall contain language or be endorsed to contain wording making it primary insurance as respects to, and not requiring contribution from, any other insurance which the indemnities may possess, including any self-insurance or self-insured retention they may have. Any other insurance indemnities may possess shall be considered excess insurance only and shall not be called upon to contribute with Contractor's insurance.
3. Cancellation.
 - a. Each insurance policy shall contain language or be endorsed to reflect that no cancellation or modification of the coverage provided due to non-payment of premiums shall be effective until written notice has been given to City at least ten (10) days prior to the effective date of such modification or cancellation. In the event of non-renewal, written notice shall be given at least ten (10) days prior to the effective date of non-renewal.
 - b. Each insurance policy shall contain language or be endorsed to reflect that no cancellation or modification of the coverage provided for any cause save and except non-payment of premiums shall be effective until written notice has been given to City at least thirty (30) days prior to the effective date of such modification or cancellation. In the event of non-renewal, written notice shall be given at least thirty (30) days prior to the effective date of non-renewal.
4. Other Endorsements. Other endorsements may be required for policies other than the commercial general liability policy if specified in the description of required insurance set forth in Sections A through E of this Exhibit C, above.

F. ADDITIONAL INSURANCE RELATED PROVISIONS

Contractor and City agree as follows:

1. Contractor agrees to ensure that subcontractors, and any other party involved with the Services, who is brought onto or involved in the performance of the Services by Contractor, provide the same minimum insurance coverage required of Contractor, except as with respect to limits. Contractor agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this Agreement. Contractor agrees that upon request by City, all agreements with, and insurance compliance

documents provided by, such subcontractors and others engaged in the project will be submitted to City for review.

2. Contractor agrees to be responsible for ensuring that no contract used by any party involved in any way with the project reserves the right to charge City or Contractor for the cost of additional insurance coverage required by this Agreement. Any such provisions are to be deleted with reference to City. It is not the intent of City to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against City for payment of premiums or other amounts with respect thereto.
3. The City reserves the right to withhold payments from the Contractor in the event of material noncompliance with the insurance requirements set forth in this Agreement.

G. EVIDENCE OF COVERAGE

Prior to commencement of any Services under this Agreement, Contractor, and each and every subcontractor (of every tier) shall, at its sole cost and expense, provide and maintain not less than the minimum insurance coverage with the endorsements and deductibles indicated in this Agreement. Such insurance coverage shall be maintained with insurers, and under forms of policies, satisfactory to City and as described in this Agreement. Contractor shall file with the City all certificates and endorsements for the required insurance policies for City's approval as to adequacy of the insurance protection.

H. EVIDENCE OF COMPLIANCE

Contractor or its insurance broker shall provide the required proof of insurance compliance, consisting of Insurance Services Office (ISO) endorsement forms or their equivalent and the ACORD form 25-S certificate of insurance (or its equivalent), evidencing all required coverage shall be delivered to City, or its representative as set forth below, at or prior to execution of this Agreement. Upon City's request, Contractor shall submit to City copies of the actual insurance policies or renewals or replacements. Unless otherwise required by the terms of this Agreement, all certificates, endorsements, coverage verifications and other items required to be delivered to City pursuant to this Agreement shall be provided by email to: ctsantaclara@ebix.com.

Or by mail to:

EBIX Inc.
City of Santa Clara – Water & Sewer Utilities Department
P.O. Box 100085 – S2
Duluth, GA 30096
Telephone number: 951-766-2280
Fax number: 770-325-0409

I. QUALIFYING INSURERS

All of the insurance companies providing insurance for Contractor shall have, and provide written proof of, an A. M. Best rating of at least A minus 6 (A- VI) or shall be an insurance company of equal financial stability that is approved by the City or its insurance compliance representatives.