

Agreement Number:

1. This Agreement is entered into between the City of Stockton ("City") and
("Contractor") to provide
as set forth in Exhibit A to this Agreement.

2. The term of this Agreement is as follows, unless amended as described in Exhibit A and
Exhibit C section 8:
Commences on: Terminates on:

3. The maximum not to exceed amount to be paid to Contractor for the term of this Agreement,
including if authorized, reimbursement of expenses, is: \$

4. The complete Agreement consists of all the following Agreement documents which by
reference are incorporated and made a part of this Agreement. The parties agree to comply with
the terms and conditions of this Agreement.

- (a) Exhibit A – Statement of Work
- (b) Exhibit B – Insurance
- (c) Exhibit C – General Terms and Conditions
- (d) Exhibit D –
- (e) Exhibit E – Compensation Schedule
- (f) Exhibit F – Timeline

IN WITNESS WHEREOF, the authorized parties have executed this Agreement.

CONTRACTOR

Contractor's Name (if other than an individual, state whether a corporation, partnership, etc.):

Authorized Signature

Date

Printed Name and Title of Person Signing

Address

CITY OF STOCKTON

Harry Black, City Manager

Date

ATTEST:

Eliza Garza, City Clerk

APPROVED AS TO FORM:
John M. Luebberke, City Attorney

BY:

EXHIBIT A**STATEMENT OF WORK****1. Project Objectives**

The City of Stockton hereby invites bids to perform all work necessary for the COST OF SERVICE WATER RATE STUDY FOR THE MUNICIPAL UTILITIES DEPARTMENT.

2. Project Scope

The City of Stockton is a charter city incorporated in 1850. The City is the county seat of San Joaquin County and is located in California's San Joaquin Valley, 78 miles east of the San Francisco Bay Area, 337 miles of north of Los Angeles and 40 miles south of Sacramento. The County bounded by Sacramento County to the north and by Stanislaus County to the south. Approximately 307,000 residents live in Stockton.

The Stockton Municipal Utilities Department (MUD) seeks to conduct a comprehensive water rate study. The objective of the rate study is to review the department's operating and capital costs in order to develop a financial plan and cost-based rates for the Department's water system customers. This study needs to determine the adequacy of the existing water rates and provide the framework and cost basis for any needed future adjustments.

The Department owns and operates a water transmission and distribution system as well as production and treatment from ground and surface water sources. The Department also purchases water from Stockton East Water District (SEWD) to supplement local ground water and surface water resources. The costs associated with providing water supply, plus the costs of distributing water to customers for the system has been developed based on Department provided information and included within the development of the proposed rates.

The study needs to be developed utilizing industry recognized water rate setting principles and methodologies. The report will need to provide the basis for developing and implementing water rates which are cost-based, equitable and defensible to the Department's customers.

3. **Specifications**

The work product must include water cost of service rate study, rate model and Proposition 218 services for the evaluation of rate impacts from future efforts such as water treatment alternatives, environmental compliance, or other legislative mandates imposed by regulatory agencies. The professional consulting firm shall conduct but not be limited to performing the following services:

- Evaluation of the City's current policies, goals, and objectives of the utilities and development of a "baseline scenario" which will serve as the standard for measuring/evaluating the changes from alternative rate structures, including any changes that will result in typical monthly billings to customers.
- Meetings with City staff for determination of required data collection and analysis.
- Evaluation of current rate classes, conservation surcharges, rate structure and assessment of appropriateness; examination of potential alternatives.
- Determination of a monthly service charge that fully supports operations and maintenance, replacement, capital improvements, and potential debt service costs.
- Review of projected maintenance repair or replacement costs of water utility assets, which will be built into the rate analysis.
- Supply a project schedule for developing the recommended rate structure with identifiable deliverables including any preliminary and final reports.
- Provide an easy-to-use electronic rate model in MS Excel (one workbook) that will be used to evaluate alternative scenarios (one work sheet).
- Prepare any and all necessary reports required by law or otherwise (including but not limited to requirements set forth in California Government Code Section 66001) for the adoption of a recommended rate structure.
- Provide a comparative rate analysis to at least 10 other comparable communities in the Northern San Joaquin Valley.
- Meet or confer with staff and other consultants as needed and attend all public meetings, hearings and work sessions with the City Council and its

Committees to present interim and final recommendations in an effort to obtain input. The following are the expected meetings:

- o 1 – Kick-off Meeting
 - o 4 - Public Outreach (Includes community meetings)
 - o 4 - Water Advisory Group Meetings/Study Sessions
 - o 4 - Council Water Committee Meetings/Study Sessions
 - o 3 - City Council Meetings
 - o 3 - City Staff Meetings
 - o 4 - webinar/conference calls (minimum)
- Prepare a water cost of service rate study including evaluation of funding options for water utility maintenance and improvements over the next 5 to 10 years, and any requirements of the current water State and Federal regulations.
 - Preparation of a comprehensive final report of the rate study which represents the current rate information and recommended rates over the next 1 to 5 years. In addition, prepare with methodology and supporting analysis, connection fees and rate comparisons, with consideration and recommendations for the 5 to 10-year time frame.
 - Incorporate a Long Range Financial Plan for the water fund to the cost of the service rate study.
 - Study to incorporate findings/data from the 2020 Urban Water Management Plan.
 - Study to reflect changes in the Water Master Plan.
 - Provide assistance with public outreach; make outreach recommendations and schedule, including press releases and other media strategies for educating impacted property owners.
 - Conduct and coordinate all required mailings and fee notifications to all affected property owners impacted by the proposed changes to the rate structure and/or billing.
 - Provide additional assistance as it pertains to any applicable requirements set forth in Proposition 218.
 - Prepare Proposition 218 notifications and presentation materials for public

hearings, Water Advisory Group meetings, Council Water Committee meetings, City staff meetings, and Public Outreach.

- Provide ten (10) hard-bound copies of draft Water Rate Study and an electronic version (PDF version) of the Study. Allow the City two (2) weeks to review and provide comments to the draft study.
- Address all City provided comments on the draft study. Provide five (5) hard-bound copies of the Water Rate Study and an electronic version (PDF version) of the Study.
- Any other related services not included, or specifically identified herein.

4. **Notices**

Pursuant to Exhibit C – General Terms and Conditions, Paragraph 15 – Notices, the mailing address for all required notices is as follows:

Contractor: _____

City: City of Stockton
 Attn: City Manager
 425 N. El Dorado Street
 Stockton, CA 95202

5. **Key Personnel**

DELTA WATER TREATMENT PLANT
11373 N LOWER SACRAMENTO RD
STOCKTON, CA 95242

6. **Option to Renew.**

NA

NOTE: The City of Stockton is now using the online insurance program PINS Advantage. Once you have been awarded a contract you will receive an email from the City's online insurance program requesting you to forward the email to your insurance provider(s). Please see attached flyer regarding PINS Advantage.

Exhibit B: **Insurance Requirements for Consulting Services**

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

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability** (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$1,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.
3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.
(Not required if Consultant provides written verification it has no employees)
4. **Professional Liability** (Errors and Omissions) Insurance appropriate to the Consultant's profession, with limit no less than **\$1,000,000** per occurrence or claim, \$2,000,000 aggregate. (If Claims-made, see below.)

It shall be a requirement under this agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this

Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater. No representation is made that the minimum insurance requirements of this agreement are sufficient to cover the obligations of the Consultant under this agreement.

Limits of Insurance

The limits of insurance required in this agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis before the City's own insurance or self-insurance shall be called upon to protect it as a named insured.

Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status

The City of Stockton, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Consultant's insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 if a later edition is used). Additional insured Name of Organization shall read "City of Stockton, its officers, officials, employees, and volunteers." Policy shall cover City of Stockton, its officers, officials, employees, and volunteers for all locations work is done under this contract.

Primary Coverage

The Additional Insured coverage under the Consultant's policy shall be "primary and non-contributory" and will not seek contribution from the City's insurance or self-insurance and shall be at least as broad as CG 20 01 04 13. The City of Stockton does not accept endorsements limiting the Consultant's insurance coverage to the sole negligence of the Named Insured.

Notice of Cancellation

Each insurance policy required above shall state that **coverage shall not be canceled, except with notice to the City of Stockton.**

Waiver of Subrogation

Consultant hereby grants to City of Stockton a waiver of any right to subrogation which any insurer of said Consultant may acquire against the City of Stockton by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City of Stockton has received a waiver of subrogation endorsement from the insurer. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation** in favor of the City of Stockton for all work performed by the Consultant, its employees, agents and subcontractors.

Self-Insured Retentions

All Self-insured retentions must be disclosed to Risk Management for approval and shall not reduce the limits of liability. The City of Stockton may require the Consultant to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City of Stockton.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City of Stockton.

Claims Made Policies (note – applicable only to professional liability)

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided ***for at least five (5) years after completion of the contract of work.***
3. If coverage is canceled or non-renewed, and not ***replaced with another claims-made policy form with a Retroactive Date*** prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of ***five (5)*** years after completion of contract work.

Verification of Coverage

Consultant shall furnish the City of Stockton with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the City of Stockton Risk Services before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. The City of Stockton reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Consultant shall, prior to the commencement of work under this Agreement, provide the City of Stockton with a copy of its declarations page(s) and endorsement page(s) for each of the required policies.

Subcontractors

Consultants shall require and verify that all subcontractors, or other parties hired for this work, purchase and maintain coverage for indemnity and insurance requirements as least as broad as specified in this agreement to the extent they apply to the scope of the subcontractor's work with the same certificate of insurance requirements and naming as additional insureds all parties to this contract. Consultant shall include the following language in their agreement with Subcontractors: Subcontractors hired by Consultant agree to be bound to Consultant and City in the same manner and to the same extent as Consultant is bound to City under the contract documents and provide a valid certificate of insurance and the required endorsements included in the agreement as proof of compliance prior to commencement of any work and to include this same requirement for any subcontractors they hire for this work. A copy of the owner contract document indemnity and insurance provisions will be furnished to the subcontractor upon request. Consultant shall provide proof of such compliance and verification to the City upon request.

Special Risks or Circumstances

City of Stockton reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

Certificate Holder Address

Proper address for mailing certificates, endorsements and notices shall be:

City of Stockton Attn: City Risk Services
400 E Main Street, 3rd Floor – HR
Stockton, CA 95202

EXHIBIT C
GENERAL TERMS AND CONDITIONS

1. **Goods, Equipment and Services.** Subject to the terms and conditions set forth in this Agreement, Contractor shall provide to City the services described in Exhibit A of the Agreement. Contractor shall provide said services at the time, place and in the manner specified in Exhibit A of the Agreement.

2. **City Assistance, Facilities, Equipment and Clerical Support.** Except as set forth in Exhibit A, Contractor shall, at its sole cost and expense, furnish and maintain all facilities and equipment that may be required for furnishing services pursuant to this Agreement. If applicable, City shall furnish to Contractor only the facilities and equipment listed in Exhibit A to the Agreement.

3. **Compensation.** City shall pay Contractor for services rendered pursuant to this Agreement as described more particularly in Exhibit A and Exhibit E to the Agreement.

3.1 Invoices submitted by Contractor to City must contain a brief description of work performed, time spent and City reference number. Within thirty (30) days of receipt of Contractor's invoice, City will review invoice, and if acceptable make payment on approved invoice.

3.2 Upon completion of work and acceptance by City, Contractor shall have sixty (60) days in which to submit final invoicing for payment. An extension may be granted by City upon receiving a written request thirty (30) days in advance of said time limitation. The City shall have no obligation or liability to pay any invoice for work performed which the Contractor fails or neglects to submit within sixty (60) days, or any extension thereof granted by the City, after the work is accepted by the City.

4. **Sufficiency of Contractor's Work.** All Contractor services, work, and deliverables shall be performed in a good and workmanlike manner with due diligence in accordance with the degree of skill normally exercised by similar contractors supplying services and work of a similar nature, and in conformance with applicable laws, codes and professional standards. Contractor's work shall be adequate and sufficient to meet the purposes of this Agreement.

5. **Ownership of Work.** All reports, work product, all other documents completed or partially completed by Contractor or its approved subcontractors, in performance of this Agreement, and if applicable, drawings, designs, and plan review comments shall become the property of the City. Any and all copyrightable subject matter in all materials is hereby assigned to the City and the Contractor and its approved subcontractors agree

to execute any additional documents that may be necessary to evidence such assignment. All materials shall be delivered to the City upon completion or termination of the work under this Agreement. If any materials are lost, damaged or destroyed before final delivery to the City, the Contractor shall replace them at its own expense. Contractor and its approved subcontractors shall keep materials confidential. Materials shall not be used for purposes other than performance of services under this Agreement and shall not be disclosed to anyone not connected with these services, unless the City provides prior written consent.

6. Timeliness. Time is of the essence in this Agreement.

7. Changes. Both parties to this Agreement understand that it may become desirable or necessary during the term of this Agreement for City to modify the scope of services provided for under this Agreement. Any material extension or change in the scope of work shall be discussed with City and the change and cost shall be memorialized in a written amendment to the original contract prior to the performance of the additional work. Until the amendment is so executed, City will not be responsible to pay any charges Contractor may incur in performing such additional services, and Contractor shall not be required to perform any such additional services.

8. Amendment. No variation of the terms of this Agreement shall be valid unless an amendment is made in writing and signed by both parties.

9. Contractor's Status.

9.1 In performing the obligations set forth in this Agreement, Contractor shall have the status of an independent contractor and Contractor shall not be considered to be an employee of the City for any purpose. All persons working for or under the direction of Contractor are its agents and employees and are not agents or employees of City. Contractor by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of City. Except as expressly provided in Exhibit A, Contractor has no authority or responsibility to exercise any rights or power vested in the City. No agent, officer or employee of the City is to be considered an employee of the Contractor. It is understood by both Contractor and City that this Agreement shall not be construed or considered under any circumstances to create an employer-employee relationship or a joint venture.

9.2 Contractor shall determine the method, details and means of performing the work and services to be provided by Contractor under this Agreement. Contractor shall be responsible to City only for the requirements and results specified in this Agreement and, except as expressly provided in this Agreement, shall not be subjected to City's

control with respect to the physical action or activities of Contractor in fulfillment of this Agreement. Contractor has control over the manner and means of performing the services under this Agreement. If necessary, Contractor has the responsibility for employing other persons or firms to assist Contractor in fulfilling the terms and obligations under this Agreement.

9.3 If in the performance of this Agreement any third persons are employed by Contractor, such persons shall be entirely and exclusively under the direction, supervision and control of Contractor. All terms of employment including hours, wages, working conditions, discipline, hiring and discharging or any other term of employment or requirements of law shall be determined by the Contractor.

9.4 It is further understood and agreed that Contractor must issue W-2 forms or other forms as required by law for income and employment tax purposes for all of Contractor's assigned personnel under the terms and conditions of this Agreement.

10. Subcontractor.

10.1 Subcontractors shall not be recognized as having any direct or contractual relationship with City. Contractor shall be responsible for the work of subcontractors, which shall be subject to the provisions of this Agreement. Subcontractors will be provided with a copy of the Agreement and be bound by its terms. Contractor is responsible to City for the acts and omissions of its subcontractors and persons directly or indirectly employed by them.

10.2 If in the performance of this Agreement any third persons are employed by Contractor, such persons shall be entirely and exclusively under the direction, supervision and control of Contractor. All terms of employment including hours, wages working conditions, discipline, hiring, and discharging or any other term of employment or requirement of law shall be determined by Contractor.

10.3 It is further understood and agreed that Contractor must issue W-2 forms or other forms as required by law for income and employment tax purposes for all of Contractor's personnel.

11. Termination.

11.1 Termination for Convenience of City. The City may terminate this Agreement at any time by mailing a notice in writing to Contractor. The Agreement shall then be deemed terminated, and no further work shall be performed by Contractor. If the Agreement is so terminated, the Contractor shall be paid for the work actually completed at the time the notice of termination is received.

11.2 Should either party default in the performance of this Agreement or materially breach any of its provisions, the other party, at that party's option, may terminate this Agreement by giving written notification to the other party, but only after providing the other party written notice of the default or breach and a reasonable opportunity.

11.3 Funding- Non-Appropriation. It is mutually understood between the Parties that payment to the Contractor for performance shall be dependent upon the availability of appropriations by the City Council for the purposes of this Agreement. No legal liability on the part of the City for any payment may arise under this Agreement until funds are made available and until the Contractor has received funding availability, which will be confirmed in writing. If funding for any fiscal year is reduced or deleted, or if the City loses funding for any reason, the City, in its sole discretion, shall have the option to either (a) cause this Agreement to be canceled or terminated pursuant to applicable provisions of the Agreement; or (b) offer to amend the Agreement to reflect

~~12. Non-Assignability. The Contractor shall not assign, sublet, or transfer this Agreement or any interest or obligation in the Agreement without the prior written consent of the City, and then only upon such terms and conditions as City may set forth in writing. Contractor shall be solely responsible for reimbursing subcontractors.~~

13. Indemnity and Hold Harmless. To the fullest extent permitted by law, Contractor shall hold harmless, defend at its own expense, and indemnify the City of Stockton, its officers, employees, agents, and volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees, arising from the negligence, recklessness, or willful misconduct of contractor or its officers, agents, or employees in rendering services under this contract; excluding, however, such liability, claims, losses, damages, or expenses arising from the City of Stockton's sole negligence, active negligence, or willful acts. The duty to defend and the duty to indemnify are separate and distinct obligations. The indemnification obligations of this section shall survive the termination of this agreement.

14. Insurance. During the term of this Agreement, Contractor shall maintain in full force and effect at its own cost and expense the insurance coverage as set forth in the attached Exhibit B to this Agreement and shall otherwise comply with the other provisions of Exhibit B to this Agreement.

15. Notices. All notices herein required shall be in writing and shall be sent by certified or registered mail, postage prepaid, addressed in Exhibit A to this Agreement.

16. Conformance to Applicable Laws. Contractor shall comply with all applicable Federal, State, and Municipal laws, rules, and ordinances. Contractor shall not discriminate in the employment of persons or in the provision of services under this Agreement on the basis of any legally protected classification, including race, color, national origin, ancestry, sex or religion of such person.

17. Licenses, Certifications and Permits. Prior to the City's execution of this Agreement and prior to the Contractor's engaging in any operation or activity set forth in this Agreement, Contractor shall obtain a City of Stockton business license, which must be kept in effect during the term of this Agreement. Contractor covenants that it has obtained all certificates, licenses, permits and the like required to perform the services under this Agreement. Such licenses, certificates and permits shall be maintained in full force and effect during the term of this Agreement.

18. Records and Audits.

Contractor shall maintain all records regarding this Agreement and the services performed for a period of three (3) years from the date that final payment is made. At any time during normal business hours, the records shall be made available to the City to inspect and audit. To the extent Contractor renders services on a time and materials basis, Contractor shall maintain complete and accurate accounting records, in a form prescribed by City or, if not prescribed by City, in accordance with generally accepted accounting principles, such records to include, but not be limited to, payroll records, attendance cards, time sheets, and job summaries.

19. Confidentiality. Contractor shall exercise reasonable precautions to prevent the unauthorized disclosure and use of City reports, information or conclusions.

20. Conflicts of Interest. Contractor covenants that other than this Agreement, Contractor has no financial interest with any official, employee or other representative of the City. Contractor and its principals do not have any financial interest in real property, sources of income or investment that would be affected in any manner of degree by the performance of Contractor's services under this Agreement. If such an interest arises, Contractor shall immediately notify the City.

21. Waiver. In the event either City or Contractor at any time waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or of any other covenant, condition or obligation. No payment, partial payment, acceptance, or partial acceptance by City shall operate as a waiver on the part of City of any of its rights under this Agreement.

22. Governing Law. California law shall govern any legal action pursuant to this Agreement with venue for all claims in the Superior Court of the County of San Joaquin, Stockton Branch or, where applicable, in the Federal District Court of California, Eastern District, Sacramento Division.

23. No Personal Liability. No official or employee of City shall be personally liable

to Contractor in the event of any default or breach by the City or for any amount due Contractor.

24. Severability. If any portion of this Agreement or application thereof to any person or circumstance shall be declared invalid by a court of competent jurisdiction or if it is found in contravention of any federal, state or city statute, ordinance or regulation the remaining provisions of this Agreement or the application thereof shall not be invalidated thereby and shall remain in full force and effect to the extent that the provisions of this Agreement are severable.

25. Non-Discrimination. During the performance of this Agreement, Contractor and its officers, employees, agents, representatives or subcontractors shall not unlawfully discriminate in violation of any federal, state, or local law, rule or regulation against any employee, applicant for employment or person receiving services under this Agreement because of race, religion, color, national origin, ancestry, physical or mental disability, medical condition (including genetic characteristics), marital status, age, political affiliation, sex or sexual orientation, family and medical care leave, pregnancy leave, or disability leave. Contractor and its officers, employees, agents, representative or subcontractors shall comply with all applicable Federal, State and local laws and regulations related to non-discrimination and equal opportunity, including without limitation the City's nondiscrimination policy; the Fair Employment and Housing Act (Government Code sections 12990 (et seq.); California Labor Code sections 1101, 1102 and 1102.1; the Federal Civil Rights Act of 1964 (P.L. 88-352), as amended; and all applicable regulations promulgated in the California Code of Regulation or Code of Federal Regulations. Title VI of the Civil Rights Act of 1964 requires that "no person in the United States shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance." (42 USC Section 2000d). <http://www.dol.gov/oasam/regs/statutes/titlevi.htm>. The City requires compliance with the requirements of Title VI in all of its programs and activities regardless of funding source.

26. Force Majeure. Neither party shall be responsible for delays or failures in performance resulting from acts of God, acts of civil or military authority, terrorism, fire, flood, strikes, war, epidemics, pandemics, shortage of power or other acts or causes reasonably beyond the control of that party. The party experiencing the force majeure event agrees to give the other party notice promptly following the occurrence of a force majeure event, and to use diligent efforts to re-commence performance as promptly as commercially practicable.

27. Taxes and Charges. Contractor shall be responsible for payment of all taxes, fees, contributions or charges applicable to the conduct of the Contractor's business.

28. Cumulative Rights. Any specific right or remedy provided in this Agreement will

not be exclusive but will be cumulative of all other rights and remedies to which may be legally entitled.

29. Advice of Attorney. Each party warrants and represents that in executing this Agreement, it has received independent legal advice from its attorneys or the opportunity to seek such advice.

30. Heading Not Controlling. Headings used in this Agreement are for reference purposes only and shall not be considered in construing this Agreement.

31. Entire Agreement, Integration, and Modification.

31.1 This Agreement represents the entire integrated agreement between Contractor and the City; supersedes all prior negotiations, representations, or agreements, either written or oral between the parties and may be amended only by a written Amendment signed by the Contractor and City Manager.

31.2 All Exhibits to this Agreement and this Agreement are intended to be construed as a single document.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

33. Authority. The individual(s) executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

EXHIBIT D**PROFESSIONAL SERVICES SPECIAL TERMS AND CONDITIONS**

1. Definitions. The following words and phrases have the following meanings for purposes of this Agreement:

1.1 "Services" means, collectively, the services, duties and responsibilities described in Exhibit A of this Agreement and any and all work necessary to complete them or carry them out fully and to the standard of performance required in this Agreement.

1.2 "Deliverable" means quantifiable goods or services that will be provided upon completion of a project. A deliverable is any tangible material, work or thing delivered by one party to the other, including associated technical documentation. A deliverable can be tangible or intangible parts of the development process, and often are specified functions or characteristics of the project.

2. General. The following terms and conditions are applicable for the Professional Services only. The special conditions shall be read in conjunction with the Standard Agreement, General Terms and Conditions ("GTC") Exhibit C, and all other Exhibits identified in the Standard Agreement.

2.1 Where any portion of the GTC is in conflict to or at variance with any provisions of the Special Conditions of the Agreement, then unless a different intention stated, the provision(s) of the Special Conditions of the Agreement shall be deemed to override the provision(s) of GTC only to the extent that such conflict or variations in the Special Conditions of the Agreement are not possible of being reconciled with the provisions of the GTC.

2.2 In the case of modification of a part or provision of the GTC, the unaltered part or provision, or both shall remain in effect. The Special Conditions shall relate to a particular project and be peculiar to that project but shall not weaken the character or intent of the GTC.

3. Time for Performance.

3.1 Contractor shall perform the services according to the schedule contained in Exhibit F.

3.2 Timeliness of Performance i) Contractor shall provide the Services, and Deliverables within the term and within the time limits required under this Agreement, pursuant to the provisions of Exhibit A and Exhibit F. ii) Neither Contractor nor Contractor's agents, employees nor subcontractors are entitled to any damages from the City, nor is any party entitled to be reimbursed by the City, for damages, charges or other

losses or expenses incurred by Contractor by reason of delays or hindrances in the performance of the Services, whether or not caused by the City, provided Contractor shall be provided an equitable adjustment to Contractor's fee and schedule for performance for delays caused by the City.

4. Standard of Performance

In addition to Exhibit C, Section 4 and 17, Contractor agrees as follows:

4.1 Contractor's Services shall be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of Contractor's profession currently practicing under similar conditions. Contractor shall comply with the profession's standard of performance, applicable laws, regulations, and industry standards. By delivery of completed work, Contractor certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. If Contractor is retained to perform services requiring a license, certification, registration or other similar requirement under California law, Contractor shall maintain that license, certification, registration or other similar requirement throughout the term of this Agreement.

4.2 Contractor shall assure that all services that require the exercise of professional skills or judgment are accomplished by professionals qualified and competent in the applicable discipline and appropriately licensed, if required by law. Contractor must provide copies of any such licenses. Contractor remains responsible for the professional and technical accuracy of all Services or Deliverables furnished, whether by Contractor or its subcontractors or others on its behalf. All Deliverables must be prepared in a form and content satisfactory to the Using Agency and delivered in a timely manner consistent with the requirements of this Agreement.

4.3 If Contractor fails to comply with the foregoing standards, Contractor must perform again, at its own expense, all Services required to be re-performed as a direct or indirect result of that failure. Any review, approval, acceptance or payment for any of the Services by the City does not relieve Contractor of its responsibility for the professional skill and care and technical accuracy of its Services and Deliverables. This provision in no way limits the City's rights against Contractor either under this Agreement, at law or in equity.

5. Compensation

5.1 In addition to Section 3 Compensation in Exhibit C – GTC, the Contractor shall be compensated for the services provided under this Agreement as follows:

5.1.1 Contractor shall be compensated for services rendered and accepted under this Agreement and shall be paid monthly, in arrears on a not to exceed

basis, based upon the rates set forth in Exhibit E attached hereto and made a part of this Agreement. Contractor may vary the compensation for each task in Exhibit E provided that the total project compensation listed in Exhibit E and the Standard Agreement is not exceeded.

6. Personnel

6.1 None of the work or services covered by this Agreement shall be subcontracted without the prior written approval of the City. Any work or services subcontracted hereunder shall be specified by written agreement and shall be subject to each provision of this Agreement. Contractor shall provide subcontractor a copy of this fully executed Agreement.

6.2 Contractor agrees to assign only competent personnel according to the reasonable and customary standards of training and experience in the relevant field to perform services under this Agreement. Failure to assign such competent personnel shall constitute grounds for termination of this Agreement. The payment made to Contractor pursuant to this Agreement shall be the full and complete compensation to which Contractor and Contractor's officers, employees, agents, and subcontractors are entitled for performance of any work under this Agreement. Neither Contractor nor Contractor's officers or employees are entitled to any salary or wages, or retirement, health, leave or other fringe benefits applicable to employees of the City. The City will not make any federal or state tax withholdings on behalf of Contractor. The City shall not be required to pay any workers' compensation insurance on behalf of Contractor. Contractor shall pay, when and as due, any and all taxes incurred as a result of Contractor's compensation hereunder, including estimated taxes, and shall provide City with proof of such payments upon request.

6.3 Key Personnel: Because of the special skills required to satisfy the requirements of this Agreement, Contractor shall not reassign or replace key personnel without the written consent of the City, which consent the City will not unreasonably withhold. "key personnel" means those job titles and the persons assigned to those positions in accordance with the provisions of this Agreement. The City may at any time in writing notify Contractor that the City will no longer accept performance of Services under this Agreement by one or more Key Personnel listed. Upon that notice Contractor shall immediately suspend the services of the key person or persons and must replace him or them in accordance with the terms of this Agreement. A list of key personnel is found in Exhibit A, Scope of Services.

7. Reports and Information

Contractor shall at such times and in such forms as the City may require furnish the City such periodic reports as it may request pertaining to the work or services undertaken pursuant to this Agreement, the costs and obligations incurred or to be incurred in connection therewith, and any other matters are covered by this Agreement as specified in Exhibit A and Exhibit E.

8. Findings Confidential

All of the reports, information, data, et cetera, prepared or assembled by the Contractor under this Agreement are confidential and the Contractor agrees that they shall not be made available to any individual or organization without the prior written approval of the City. Contractor shall not be required under the provisions of this paragraph to keep confidential any data or information which is or becomes publicly available, is required by applicable law or by proper legal or governmental authority, is already rightfully in the Contractor's possession without obligation of confidentiality, is independently developed by Contractor outside the scope of this Agreement or is rightfully obtained from third parties. Contractor shall give City prompt notice of any such legal or governmental demand and reasonably cooperate with City in any effort to seek a protective order or otherwise to contest such required disclosure.

9. Copyright

No materials, including but not limited to reports, maps, or documents produced as a result of this Agreement, in whole or in part, shall be available to Contractor for copyright purposes. Any such materials produced as a result of this Agreement that might be subject to copyright shall be the property of the City and all such rights shall belong to the City, and the City shall be sole and exclusive entity who may exercise such rights.

10. Deliverables

Contractor shall prepare or provide to the City various Deliverables. "Deliverables" include work product, such as written reviews, recommendations, reports and analyses, produced by Contractor for the City. The City may reject Deliverables that do not include relevant information or data, or do not include all documents or other materials specified in this Agreement or reasonably necessary for the purpose for which the City made this Agreement or for which the City intends to use the Deliverables. If the City determines that Contractor has failed to comply with the foregoing standards, it has 30 days from the discovery to notify Contractor of its failure. If Contractor does not correct the failure, or if it is possible to do so, within 30 days after receipt of notice from the City specifying the failure, then the City, by written notice, may treat the failure as a default of this Agreement. Partial or incomplete Deliverables may be accepted for review only when required for a specific and well-defined purpose and when consented to in advance by the City. Such Deliverables will not be considered as satisfying the requirements of this Agreement and partial or incomplete Deliverables in no way relieve Contractor of its commitments under this Agreement.

EXHIBIT E

COMPENSATION SCHEDULE

The Contractor shall be compensated for the services identified in Exhibit A, Exhibit C, and Exhibit D to this Agreement as follows:

1. Project Price

1.1 The maximum the Contractor shall be paid on this Agreement is \$ 99,965 (hereafter the “not to exceed” amount). The “not to exceed” amount includes all payments to be made pursuant to this Agreement, including City approved reimbursable expenses, if any. Nothing in this Agreement requires the City to pay for work that does not meet the Standard of Performance identified in Exhibit D section 4 or other requirements of this Agreement.

1.2 Standard Reimbursable Items: Only the reimbursable items identified in Exhibit A, C, and E (Compensation), shall be compensated to the Contractor. Reimbursable expenses will be reimbursed without markup. Fees plus reimbursable expenses shall not exceed the amount set forth in section 1.1 of this Exhibit and a copy of the original invoice for the items listed in i, ii or iii below shall be attached to the invoice submitted to the City for reimbursement. Payments shall be based upon work documents submitted by the Contractor to the City and accepted by the City as being satisfactory to City’s needs. The City shall not pay a markup on any of the items listed in i, ii or iii. Additionally, items such a telephone, fax, postage or freight are already included in the billable hourly rate. Contractor shall be reimbursed the direct expenses, which are the actual cost of the following items that are reasonable, necessary and actually incurred, by the Contractor in connection with the services:

- i. Expenses, fees or charges for printing, reproduction or binding of documents at actual costs with no markup added to the actual cost.
- ii. Any filing fees, permit fees, or other fees paid or advanced by the Contractor at actual costs with no markup added to the actual cost.
- iii. Travel expenses shall be reimbursed in accordance with the City’s travel policy, which is incorporated herein by reference. Reimbursement shall be made at actual costs with no markup added to the actual cost.

1.3 The Contractor shall be entitled to receive payments for its work performed pursuant to the Agreement. The City will pay Contractor based on invoices for acceptable work performed and approved until the “not to exceed” amount is reached. Thereafter, Contractor must complete services based on the Agreement without additional compensation unless there is a material change to the Statement of Work and Scope by a written Amendment.

1.4 If work is completed before the “not to exceed” amount is reached, the Contractor’s compensation will be based on the Contractor’s invoices previously submitted for acceptable work performed and approved.

1.5 Subcontractor Costs: Compensation for subcontractors shall be limited to the same restrictions imposed on the Contractor. Maximum markup Contractor may apply to subcontractor fees, minus reimbursable expenses, shall not exceed 0 %.

2. **Task Price.** Below is the price for the services and reimbursable expenses as described in Exhibit A of this Agreement.

The Stockton Municipal Utilities Department (MUD) seeks to conduct a comprehensive water rate study. The objective of the rate study is to review the department's operating and capital costs in order to develop a financial plan and cost-based rates for the Department's water system customers. This study needs to determine the adequacy of the existing water rates and provide the framework and cost basis for any needed future adjustments.

The study needs to be developed utilizing industry recognized water rate setting principles and methodologies. The report will need to provide the basis for developing and implementing water rates which are cost-based, equitable and defensible to the Department's customers.

2. **Invoice to Address.** Each invoice submitted shall identify the specific task(s) listed in Exhibit A and this Exhibit, and the completed work product/deliverable for the agreed upon price listed in this Exhibit. Invoices shall be submitted to the below address:

City of Stockton MUD Department
 Attention: Delta Water Treatment Plant
 11373 N Lower Sacramento RD
 Lodi, CA 95424

EXHIBIT F**TIMELINE**

1. Consultant shall complete the requested services identified in Exhibit A as follows:

1.1 TIMELINE FOR COMPLETION OF WORK

Below are estimated start and completion dates. This list is NOT an all comprehensive list:

Task Name	Start	Finish
Kick Off Meeting	Thu 5/7/20	Thu 5/7/20
Vendor - Policy Review, Data Analysis, Cost of Service Analysis, Rate Design, Baseline & Alternatives	Fri 5/1/20	Fri 10/30/20
Vendor - Final Recommendations	Mon 11/2/20	Tue 12/1/20
WAG (Info)	Tue 10/20/20	Mon 11/16/20
CWC (Info)	Tue 12/1/20	Mon 12/7/20
WAG Study Session	Tue 12/8/20	Mon 12/14/20
CWC Study Session	Tue 12/15/20	Tue 12/15/20
WAG Study Session	Tue 1/5/21	Mon 1/18/21
CWC Study Session	Tue 1/19/21	Mon 1/25/21
WAG Study Session	Tue 2/9/21	Mon 3/15/21
CWC Study Session	Tue 3/16/21	Mon 3/22/21
Council Meeting	Tue 3/23/21	Mon 3/29/21
Public meeting	Tue 3/30/21	Mon 5/3/21
Public meeting	Tue 5/4/21	Mon 5/10/21
Public Meeting	Tue 5/11/21	Mon 5/31/21

**CITY OF STOCKTON, CALIFORNIA
CITY MANAGER ADMINISTRATIVE DIRECTIVE**

Subject: DISCRIMINATION AND HARASSMENT POLICY	Directive No. HR-15	Page No. 1 of 14
	Effective Date: 5/1/2015	Revised From: 7/27/09 4/6/09 3/1/2010 (see below)

PER-015 (Sexual Harassment in the Workplace) revised from 10/21/94, 5/1/95, 1/1/98
PER-037 (Sexual Harassment Investigative Procedures) revised from 2/15/93

I. PURPOSE

The purpose of this policy is to reaffirm the City's commitment to demonstrating respect for all individuals by strictly prohibiting discrimination and harassment, including sexual harassment in the workplace. This policy defines prohibited behavior and conduct, and sets forth a procedure for reporting, investigating and resolving complaints of discrimination, harassment, in the workplace, including retaliation and hostile work environment.

II. POLICY

- A. The City of Stockton prohibits any form of discrimination and/or harassment of any person based on race, religious creed, color, national origin, ancestry, military and veterans status, physical or mental disability, medical condition, genetic characteristics or information, denial of family and medical care leave, marital status, sexual orientation, sex (including gender, gender identity, gender expression, transgender, pregnancy, childbirth and breastfeeding), political affiliation, age (40 and older), concerted labor activity, or any other category or attribute consistent with state or federal law. All such discrimination and harassment is unlawful and shall not be tolerated. In addition, under the federal Affordable Care Act (ACA), the City of Stockton prohibits discrimination and/or harassment, or retaliation against an employee who obtains coverage, receives a tax credit or subsidy through the Health Care "Market Place" or "Exchange."
- B. It is an unlawful employment practice to discriminate against or to harass an unpaid intern or volunteer on the basis of any legally protected classification unless an exception applies, such as a bona fide occupational qualification.
- C. The City will neither tolerate nor condone discrimination and/or harassment of employees by managers, supervisors, co-workers, or non-employees with whom City employees have a business service, or professional relationship.
- D. All City employees and non-employees share a responsibility to assist in

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maintaining an employment environment free of discrimination and harassment. This policy applies to all aspects of City employment, including, but not limited to, hiring, reassignment, placement, promotion, employment action, disciplinary action, layoff, reemployment, transfer, leave of absence, compensation and benefits, training; or other terms of treatment of that person in an unpaid internship, or another limited duration program to provide unpaid work experience for that person, or the harassment of an unpaid intern or volunteer.

- E. All allegations of discrimination and/or harassment shall be investigated immediately by the City, in accordance with this policy. If it is determined that any prohibited activity has occurred, remedial action shall be taken. Such action may include discipline up to and including discharge. In addition, under applicable law, individual supervisors and employees may be subject to personal liability and/or punitive damages in any litigation arising as a result of such conduct.
- F. All new hires shall attend harassment awareness training, and supervisors and managers shall attend harassment awareness and prevention training for supervisors every two years.
- G. The City of Stockton prohibits retaliation against any employee or non-employee by another employee, non-employee, supervisor, or manager for reporting, filing, testifying, assisting or participating in any manner in any investigation, proceeding, or hearing conducted by the employer or a federal or state enforcement agency.
- H. This policy applies to all officials, employees, volunteers, unpaid interns, agents, or contractors of the City.
- I. This policy shall be administered by the Director of Human Resources.

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III. DEFINITION AND EXAMPLES OF DISCRIMINATION AND HARASSMENT

- A. "Discrimination," as used in this policy, is any action, behavior, practice, or process that is intended to deny, or results in the denial of, employment rights, privileges, or benefits because of a person's race, religious creed, color, national origin, ancestry, military and veterans status, physical or mental disability, medical condition, genetic characteristics or information, denial of family and medical care leave, marital status, sexual orientation, sex (including gender, gender identity, gender expression, transgender, pregnancy, childbirth and breastfeeding), political affiliation, age (40 and older), concerted labor activity, or any other prohibition identified under state and federal law. The following are examples of conduct that may constitute discrimination:
1. Soliciting applications from a source where all or most of potential workers are of the same race or color.
 2. Considering a person's gender as the basis for differences in pay, work assignments, performance evaluations, training, discipline, or any other area of employment; and
 3. Questioning a job applicant about the existence, nature and severity of a disability.
- B. "Harassment," as used in this policy, consists of any conduct affecting another person because of his or her race, religious creed, color, national origin, ancestry, military and veterans status, physical or mental disability, medical condition, genetic characteristics or information, denial of family and medical care leave, marital status, sexual orientation, sex (including gender, gender identity, gender expression, transgender, pregnancy, childbirth and breastfeeding), political affiliation, age (40 and older), concerted labor activity, or any other category or attribute identified under state and federal law when such conduct has the purpose or the effect of: (1) creating an intimidating, hostile or offensive work environment; (2) unreasonably interfering with the employee's or non-employee's work performance; or (3)

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otherwise adversely affecting an employee's or non-employee's employment opportunities.

Harassment may take many forms, including, but not limited to, the following examples:

1. Verbal Harassment: Epithets, derogatory and offensive comments or slurs based on race, religion, color, national origin, ancestry, physical or mental disability, marital status, pregnancy, medical condition, gender, sexual orientation, political affiliation, age, or any other category or attribute identified under state and federal law.
 2. Physical Harassment: Assault, impeding or blocking movement that results in the physical interference with normal work or movement on the basis of race, religion, color, national origin, ancestry, physical or mental disability, marital status, pregnancy, medical condition, gender, sexual orientation, political affiliation, age, or any other category or attribute identified under state and federal law.
 3. Visual Harassment: The displaying of posters, photography, notices, bulletins, e-mails, cartoons or drawings with derogatory and offensive content based on race, religion, color, national origin, ancestry, physical or mental disability, marital status, pregnancy, medical condition, gender, sexual orientation, political affiliation, age, or any other category or attribute identified under state and federal law.
- C. "Sexual harassment," as used in this policy, is a subcategory of harassment, and is specifically defined by law as unwanted sexual advances, requests for sexual favors or visual, verbal or physical conduct of a sexual nature when:
1. Submission to such conduct is made a term or condition of employment; or
 2. Submission to or rejection of such conduct is used as a basis for employment decisions affecting the individual; or

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3. Such conduct has the purpose or effect of unreasonably interfering with an employee's or non-employee's work performance or creating an intimidating, hostile or offensive working environment because of the persistent, severe or pervasive nature of the conduct.

Examples of Sexual Harassment include, but are not limited to the following:

- a. Unwelcome sexual overtures or propositions.
- b. Offering employment benefits or status in exchange for sexual favors.
- c. Making or threatening retaliation after a negative response to sexual advances.
- d. Visual conduct such as leering, making sexual gestures, displaying sexually suggestive objects or pictures, cartoons, calendars or posters.
- e. Verbal conduct such as using epithets or slurs, telling sexually explicit jokes, or making derogatory or suggestive comments about a person's body or dress.
- f. Written communications of a sexual nature distributed in hard copy, soft copy or via a computer network.
- g. Verbal abuse of a sexual nature, graphic verbal commentary about an individual's body, sexually degrading words to describe an individual, suggestive or obscene letters, notes or invitations.
- h. Physical conduct such as touching, assaulting, impeding or blocking movements.

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- i. Retaliation for making harassment reports or threatening to report harassment.

D. Affordable Care Act (ACA) Anti-Retaliation

Pursuant to section §1558 of the Affordable Care Act, the City prohibits discrimination or retaliation towards any employee who:

1. Receives a health insurance tax credit or subsidy through the Health Care "Marketplace" or "Exchange", by which can trigger a penalty payable by the employer;
2. Reports potential violations of protections afforded under Title I of the Act, which provides guaranteed availability protections among other things;
3. Testifies in a proceeding concerning such violation;
4. Assists or participates in a proceeding concerning a violation; or
5. Objects to, or refuses to participate in, any activity, policy, practice, or assigned task that the employee reasonably believes to be in violation of any provision of the Title I of the Act.

An employee who believes that he or she has been discharged or otherwise discriminated against in violation of section §1558 of the Affordable Care Act may seek relief in accordance with the procedures, notifications, burdens of proof, remedies, and statutes of limitation set forth in section 2087(b) of title 15, United States Code.

IV. REPORTING AND COMPLAINT PROCEDURES

A. Immediate Action Required

The City's reporting and complaint procedures provide for an immediate, thorough and objective investigation of discrimination or harassment claims, appropriate disciplinary action taken against any person found to have engaged in prohibited behavior, and appropriate alternative remedies to any

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employee or non-employee subject to discrimination or harassment. To accomplish this, such incidents must be reported immediately to a supervisor or manager.

1. Employee's and Non-Employee's Responsibilities when Subjected to Discrimination and/or Harassment

- a. Employees or non-employees who believe they have been subjected to discrimination or harassment, or are aware of discrimination or harassment against others, shall report the situation immediately to his/her supervisor or manager, except as specified in subsection (b), below. Employees and non-employees shall report any such incidents occurring in the workplace, whether committed by coworkers, supervisors or managers, or third persons doing business with the City, such as customers or vendors, or other non-employees. If comfortable doing so, an employee or non-employee who has a complaint of discrimination or harassment is encouraged to directly inform the person(s) engaging in the behavior that such conduct is offensive and insist the behavior to stop.
- b. Employees and non-employees must immediately contact a supervisor or manager to register a complaint of discrimination or harassment, unless that supervisor or manager is the individual engaging in the unwanted behavior. In that case, the employee or non-employee may contact someone at the next supervisory level. If the employee or non-employee feels uncomfortable dealing directly with his or her immediate supervisor or manager, he or she may contact the department head, or the Director of Human Resources (or either of their designees) to register a complaint of discrimination or harassment.
- c. Employees and non-employees may file a formal complaint of harassment or discrimination with their department head or

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with Human Resources. To assist the City in conducting a thorough investigation, complaints shall be submitted in writing and shall include specific details of the incident(s), the names of the individuals involved, the names of any witnesses, and any documentary evidence (notes, pictures, cartoons, etc.) that will corroborate the allegations.

- d. Employees and non-employees shall immediately report any retaliation to a supervisor, manager, department head or Director of Human Resources (or designee). All retaliation complaints shall be immediately, objectively and thoroughly investigated in accordance with the investigation procedures. If a report of retaliation is substantiated, appropriate disciplinary action, up to and including discharge shall be taken.

2. Supervisor's or Manager's Responsibilities to Eliminate Discrimination and/or Harassment

- a. A supervisor or manager is responsible for enforcing the City's discrimination and harassment policy. Supervisors or managers must ensure that all employees and non-employees are aware of the City's policy through open discussion of the policy at staff meetings and by posting the policy in a conspicuous location accessible to all staff members.
- b. A supervisor or manager shall be cognizant of employees' and non-employees' behavior and shall not permit any employee or non-employee under their supervision to be subjected to or engage in any conduct prohibited by this policy.
- c. A supervisor or manager who observes conduct prohibited by this policy shall immediately direct the employee or non-employee to cease the conduct.

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- d. A supervisor or manager who receives a complaint of prohibited conduct is required to take the complaint seriously, and report the matter immediately to the department head; be supportive of the complainant; ensure there is no retaliation against the complainant; conduct an internal fact-finding review into the allegations; obtain as much detailed information as possible; thoroughly document the findings; communicate in written form to the parties the resolution of the complaint; and report to and consult with the Human Resources Department promptly, without delay.
- B. Confidentiality. The City will make every effort to protect the privacy and confidentiality of all parties involved, as well as any information and/or documentation obtained, to the extent possible consistent with a thorough investigation.
- C. Penalty for Non-Compliance. The City shall take disciplinary action, up to and including discharge, against any supervisor or manager who fails in his/her responsibility to take immediate action in response to an employee's or non-employee's complaint of discrimination or harassment. Further, such disciplinary action shall be taken against a supervisor or manager who fails to stop discriminatory or harassing conduct committed in his/her presence or to stop such conduct about which the supervisor or manager has knowledge.

V. INVESTIGATION PROCEDURES

A. Determination of Responsibility for Investigation

If a formal complaint is filed with the department head or the Director of Human Resources (or either of their designees), the department head and the Director of Human Resources shall consult with one another to determine whether the department or Human Resources shall conduct the fact-finding investigation into the allegations. Either the department head or the Director of Human Resources (or either of their designees), depending on who is

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responsible for the investigation, shall issue written notification to the complainant and alleged harasser(s). The notification shall specify the nature of the complaint, and inform the parties that an investigation into the allegations of discrimination and/or harassment shall be conducted.

B. Investigative Guidelines

The investigation shall include the following steps taken in the order best suited to the circumstances:

1. Identify and preserve the evidence.
2. Confirm the name and position of the complainant. Interview the complainant.
3. Allow the complainant the opportunity to place the complaint in writing.
4. Obtain the identity of the alleged harasser(s).
5. Obtain as many details as possible regarding the incident(s) that prompted the complaint, including the number of occurrences, dates, times, locations, and witnesses (if applicable).
6. Ascertain how the complainant felt about the alleged incident when it occurred; complainant's response(s) to the alleged behavior; and witness statements (if applicable).
7. Ascertain if any threats or promises were made in connection with the alleged harassment.
8. Ascertain if the complainant knows of or suspects that there are other victims of harassment by the same person(s).
9. Ascertain whether the complainant has spoken to anyone, especially

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supervisors, about the harassment.

10. Ascertain what resolution would be acceptable to the complainant.
11. Interview the alleged harasser to get his or her side of the story, including any possible motivation for a false allegation.
12. Interview witnesses who were identified by the complainant regarding the alleged harasser or other persons identified during the investigation.
13. Interview witnesses who were identified by the alleged harasser or other persons identified during the investigation.
14. Advise all participants that the investigation is "confidential" and not to engage in any retaliatory conduct, as such conduct is subject to disciplinary action up to and including discharge. Confidentiality will be maintained to the extent possible. An individual who is interviewed during the course of an investigation is prohibited from discussing the substance of the interview, except as otherwise directed by a supervisor or the Director of Human Resources. Any individual who discusses the content of an investigatory interview will be subject to discipline or other appropriate sanction.
15. Conduct follow-up interviews, if warranted.
16. Prepare report of findings and discuss with management and designated legal staff.

VI. RESPONDING TO THE COMPLAINT

- A. Following the completion of the fact-finding investigation, either the department head or the Director of Human Resources (or either of their designees), depending on who is responsible for the investigation, shall

**CITY OF STOCKTON, CALIFORNIA
CITY MANAGER ADMINISTRATIVE DIRECTIVE**

Subject: DISCRIMINATION AND HARASSMENT POLICY	Directive No. HR-15	Page No. 12 of 14
	Effective Date: 5/1/2015	Revised From: 7/27/09 4/6/09 3/1/2010 (see below)

PER-015 (Sexual Harassment in the Workplace) revised from 10/21/94, 5/1/95, 1/1/98
PER-037 (Sexual Harassment Investigative Procedures) revised from 2/15/93

make a report of findings, along with a recommendation regarding the appropriate remedial action to be taken, if warranted. The recommendation shall be made after reviewing the findings of the investigation, giving consideration to all factual information, the nature of the alleged conduct, and the totality of the circumstances. If the investigation was conducted by the Director of Human Resources, or designee, the Director, or designee, shall confer with the affected department head and both shall concur on the remedial action to be taken, if any. If the investigation was conducted by the department head, the department head shall confer with the Director of Human Resources prior to making the report of findings and both shall concur on the remedial action to be taken, if any.

- B. If either the department head or the Director of Human Resources does not concur with the findings and recommendation of the other, the City Attorney (or designee) shall review and resolve the matter in dispute.
- C. Report of findings and recommendation shall be treated as a confidential document and no other distribution shall be made without first consulting with the City Attorney's Office. A completed investigation report will not be disclosed, except as it is deemed necessary to support a disciplinary action, to take remedial action, to defend the City in adversarial proceedings, or to comply with the law or court order.
- D. Either the department head or the Director of Human Resources (or either of their designees), depending on who is responsible for the investigation shall provide a written response to the complainant and the person alleged to have committed the misconduct, discrimination and/or harassment. The response shall include a copy of the City's discrimination and harassment policy and a memorandum indicating the City's determination as to whether the complaint is:
 - 1. Unsustained: The investigation failed to disclose sufficient evidence to substantiate the allegation(s).
 - 2. Unfounded: The investigation proved that the act(s) or omission(s)

**CITY OF STOCKTON, CALIFORNIA
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complained of did not occur. The finding also applies when the individual employee(s) named in the complaint were not involved in the act(s) or omission(s) alleged.

3. Sustained: The investigation disclosed sufficient evidence to substantiate the allegation(s) made in the complaint; appropriate action will be taken.

- E. Details regarding any specific fact-findings or disciplinary action to be taken will not be communicated to the complainant. The City Attorney shall review the response for legal sufficiency before dissemination.
- F. The City shall close and retain the investigation file, in accordance with applicable laws, regulations, and City policy regarding retention of City records.

VII. DISCIPLINE

Disciplinary action imposed as a result of any investigation conducted pursuant to this policy shall be commensurate with the severity of the offense, up to and including discharge, even for a first offense.

VIII. ALTERNATIVE REMEDIES

If upon exhausting all internal remedies to file, investigate, and respond to a charges of discrimination/harassment, pursuant to title VII of the Federal Civil Rights Act of 1964 (42 U.S.C §§ 2000e *et seq.*), any person has a right to file a charge of discrimination/harassment with the Equal Employment Opportunity Commission ("EEOC"). In addition, pursuant to the California Fair Employment and Housing Act (Gov. Code §§ 12900 – 12996.) a person may also file a complaint of discrimination/harassment with the California Department of Fair Employment and Housing ("DFEH"). Employees or non-employees who believe that they have been subjected to discrimination/harassment may file a complaint with either of these

**CITY OF STOCKTON, CALIFORNIA
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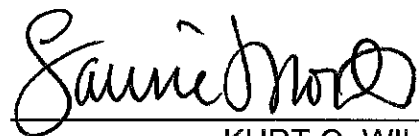
PER-015 (Sexual Harassment in the Workplace) revised from 10/21/94, 5/1/95, 1/1/98
PER-037 (Sexual Harassment Investigative Procedures) revised from 2/15/93

agencies. Both the EEOC and DFEH serve as neutral fact-finders and attempt to assist parties in resolving disputes voluntarily.

IX. COMMUNICATION OF POLICY

This policy shall be provided to all managers, supervisors, employees, volunteers, unpaid interns, agents or contractors of the City and shall be posted in the appropriate places. All employees shall participate in City approved harassment awareness training as directed by management or Human Resources; and all supervisors, as required by law, shall participate in City approved interactive harassment awareness training and education sessions at least once every two years, or as otherwise specified by law.

APPROVED:



KURT O. WILSON
CITY MANAGER

::ODMA\GRPWISE\COS.PER.PER_Library:96180.1

January 23,
2020



Proposal

Water Cost of Service Rate Study

(PUR 19-037)

City of Stockton, California



PROPOSAL DOCUMENTS

- A) RFP – WATER COST OF SERVICE RATE STUDY
- B) PUR 19-039
- C) January 23, 2020

COMPANY NAME: HDR Engineering, Inc.

CONTACT NAME: Mr. Shawn Koorn

ADDRESS: 929 108th Ave NE
Bellevue, WA 98004-4361

TELEPHONE NUMBER: (425) 450-6366


EMAIL: Shawn.Koorn@hdrinc.com

**CITY OF STOCKTON
REQUEST FOR PROPOSAL (RFP)**

PROPONENT'S AGREEMENT

In submitting this proposal, as herein described, the proponent agrees that:

1. They have carefully examined the Scope of Work and all other provisions of this document and understand the meaning, intent and requirements of same.
2. They will enter into contract negotiations and furnish the services specified.
3. They have signed and notarized the attached Non-Collusion Affidavit form, whether individual, corporate or partnership. Must be 'A Jurat' notarization.
4. They have reviewed all clarifications/questions/answers on the City's website at www.stocktonca.gov/MUDbid .
5. Confidentiality: Successful Proponent hereby acknowledges that information provided by the City of Stockton is personal and confidential and shall not be used for any purpose other than the original intent outlined in the Request for Proposal. Breach of confidentiality shall be just cause for immediate termination of contract agreement.

<p>HDR Engineering, Inc.</p> <hr/> <p>FIRM</p> <p>Ken Jong </p> <hr/> <p>SIGNED BY</p> <p>(925) 974-2638 phone</p> <p>(925) 974-2533 fax</p> <hr/> <p>TELEPHONE NO./FAX NO.</p> <p>Ken.Jong@hdrinc.com</p> <hr/> <p>E-MAIL ADDRESS</p>	<p>2365 Iron Point Road, Suite 300</p> <p>Folsom, CA 95630</p> <hr/> <p>ADDRESS</p> <p>Vice President</p> <hr/> <p>TITLE OR AGENCY</p> <p>January 21, 2020</p> <hr/> <p>DATE</p>
---	--

NON-COLLUSION

No. 1 AFFIDAVIT FOR INDIVIDUAL PROPONENT

STATE OF CALIFORNIA, _____)ss.

County of _____
(insert)

_____ being first duly sworn, deposes and says: That on behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

(Signature Individual Proponent)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

No. 2 AFFIDAVIT FOR CORPORATION PROPONENT

STATE OF CALIFORNIA, _____)ss.

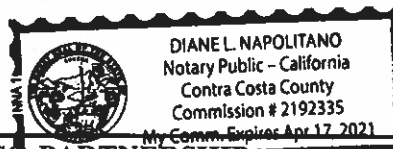
County of Contra Costa
(insert)

KEN JONG being first duly sworn, deposes and says: That they are the VICE PRESIDENT of HDR ENGINEERING, INC a corporation, which corporation is the party making the foregoing bid, that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

(Signature Corporation Proponent)

Subscribed and sworn to (or affirmed) before me on this 15th day of January, 2020
by Diane L. Napolitano, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature Diane L. Napolitano

No. 3 AFFIDAVIT FOR FIRM, ASSOCIATION, OR CO-PARTNERSHIP

STATE OF CALIFORNIA, _____)ss.

County of _____
(insert)

each being first duly sworn, depose and say: That they are a member of the firm, association or co-partnership,

designated as _____ who is the party making the foregoing bid; that the other partner, or partners, are _____ that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation shall or should refrain from proposing; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

(Signature)

(Signature)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____



January 21, 2020

Mr. Danny Trejo
c/o City Clerk
City of Stockton
Municipal Utilities Department
425 North El Dorado Street
Stockton, California 95202-1997

RE: Water Cost of Service Rate Study (PUR 19-039)

Dear Mr. Trejo:

The City of Stockton (City) has requested a proposal to conduct a water cost of service rate study. HDR Engineering, Inc., (HDR) has a strong and successful history of working with the Municipal Utilities Department (MUD) on their water rates, and has the qualifications and experience to conduct this study. Please find attached HDR's proposal to complete this work and a summary of our team and project experience. In accordance with the City's Request for Proposal (RFP), attached under separate cover is our fee proposal.

Many of the services being requested in this study were key elements of the water cost of service rate studies conducted by HDR for the City in 2009 and 2015. As a part of the 2009 study, HDR worked closely with the City to develop the funding/financial plan and water rates to support the Delta Water Supply Project (DWSP). This study also included a detailed review of the City's water rate structures and the implementation of conservation-oriented water rate structures. Our update of the City's water rates in 2015 focused on the changing consumption patterns, particularly as it related to and impacted the adequacy of the existing rates to prudently fund operating and capital expenses. In addition, the 2015 study focused on meeting the required minimum debt service coverage (DSC) ratios in accordance with the long-term debt requirements (covenants). The 2015 study also continued to review the water rate structures given the drought conditions at that time and established the City's drought surcharges. Both prior studies required effective communication by our team, along with productive work study sessions, City Council meetings, and public outreach. In summary, **HDR has an intimate understanding and knowledge of the City's water rates, but, more importantly, we have clearly demonstrated our ability to work successfully with the City to achieve their goals and objectives when conducting their water rate studies.**

MUD has stated that the objective of this water rate study is to "develop a financial plan and cost-based rates for the MUD's water system customers." Establishing cost-based rates is critical in that the study must be developed and documented such that it meets the requirements of California Constitution Article XIII D, Section 6 (i.e., Proposition 218). **To meet the intent of Proposition 218, the study will develop rates that are cost-based, equitable, and based on the City's specific costs and customer characteristics.** Additionally, in 2015, the *Capistrano* decision¹ found that

¹ Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano

Mr. Danny Trejo
January 21, 2020
Page 2

tiered rates are only consistent with Proposition 218 if the tiers correspond to the actual cost of providing service at a given level of usage. To meet the new legal requirements posed by *Capistrano*, the study must provide clear documentation of the cost-basis for the City's proposed water rates, which not only includes both the amount of revenue collected from the rates, but also the cost-basis for the fixed monthly service charges and each consumption tier or charge. To meet this expanded requirement, HDR has proposed a task to conduct a cost of service analysis to equitably allocate MUD's revenue requirements to the various customer classes of service and calculate average unit costs (e.g., \$/meter size/month and \$/CCF). This analysis will provide the needed cost-basis to analytically support each water rate's proposed fixed and consumption charges. With these key issues in mind, HDR has proposed a comprehensive approach to the City's water rate study.

HDR is nationally recognized for its expertise in financial planning and rate studies. We have successfully developed financial plans and performed water rate studies for hundreds of utilities around the U.S. **We are highly experienced working with utilities in California and understand the complexities of meeting the requirements of Proposition 218.**

The proposed project manager for the study will be Shawn Koorn, an Associate Vice President with HDR. Shawn was the Project Manager for the City's 2009 and 2015 water rate studies, and led all public meetings for these efforts. Most recently, Shawn was the Project Manager for the City's wastewater rate study. Shawn is nationally recognized as an expert in financial planning and rates and is a co-instructor for the American Water Works Association (AWWA) three-day financial management seminar, and a contributing author to the AWWA M-54 Manual.

Provided below is our proposal contact information.

Proposal Contact:

Mr. Ken Jong, PE
Vice President
Ken.Jong@hdrinc.com
(925) 974-2638

Proposed Project Manager:

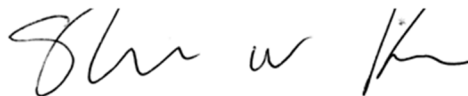
Mr. Shawn Koorn
Associate Vice President
Shawn.Koorn@hdrinc.com
(425) 450-6366

We appreciate the opportunity to provide this proposal to the City and we look forward to discussing our proposal with you. Should you have any questions about our approach to this important project or any information contained herein, please do not hesitate to contact us.

Sincerely,
HDR ENGINEERING, INC.



Ken Jong, PE
Vice President



Shawn W. Koorn
Associate Vice President

20-10204308

1. Experience and Qualifications

1.1 Introduction

HDR is a well-established and highly respected firm with technical and professional expertise in a variety of areas, including utility rate setting and economics. **HDR has a Utility Rates and Finance Group, consisting of financial planners, accountants, and economists who have attained a national reputation in the areas of financial planning, utility rates, and fees.** Each rate study is led by a project manager who has extensive experience in utility financial planning and rates. To provide a successful study, our project teams are staffed with dedicated utility financial/rate analysts. Finally, we leverage our local office personnel to provide engineering and planning expertise to our study, given that financial/rate studies are a blend of financial/rate expertise and engineering/planning expertise. HDR combines innovation with practical, cost-effective solutions which are tailored to the needs of each client.

“To provide a successful study, our project teams are staffed with dedicated utility financial/rate analysts.”

1.2 HDR’s Qualifications and Relevant Experience

Led by widely recognized experts, it is not surprising that HDR has attained a national reputation in the area of financial planning, rates, and connection fee studies. A more detailed discussion will demonstrate why we can make this claim.

► Excellent Communication Skills

Ultimately, the success of all cost of service rate studies hinges on the ability to convey complex and detailed information to the governing body to gain support for the study’s recommendations. **A study with a strong technical analysis may fail due if the consultant cannot explain the study’s findings, conclusions, and recommendations in a clear and understandable manner.** HDR believes communication is one of the key attributes that sets us apart. As nationally recognized experts, HDR project team members teach a number of courses and workshops on the subjects of financial planning, revenue requirements, cost of service, rate design, and connection fees. In particular, **Shawn Koorn, HDR’s proposed project manager for the City’s study, is a co-instructor for the three-day AWWA Financial Management Seminar**, which covers the theory and methodologies associated with utility financial planning, cost of service, rates, and connection fees.

► Practical Work Experience within Utilities

HDR personnel have been involved in every facet of actual utility operations. Prior to consulting, many of our employees have spent considerable time working for a utility. This understanding of the day-to-day workings of a utility is invaluable in helping HDR work effectively with clients and successfully manage projects. We understand the challenges of limited time and budgets. HDR works closely with our clients to provide the most efficient and cost-effective solutions. HDR does not cut corners or scrimp to conduct our studies. **We understand that all of our studies must be comprehensive in nature and legally defensible.**

► Breadth of Consulting Services Provided by the Project Team

By virtue of being a multi-disciplinary engineering and consulting firm, HDR has a number of individuals with highly specialized expertise, such as financial planning and rates. While the areas that HDR does specialize in is financial planning, cost of service, and rates/connection

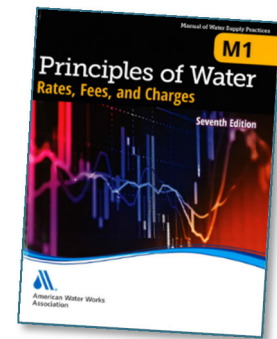
fees, **HDR does not lose sight of the overall need for wise, prudent and informed policy decisions**, along with good utility management and engineering practices. When necessary, HDR can draw on the other areas of expertise throughout the firm. HDR has experts available in every area of utility operations and management, including master planning and asset management.

► **Depth of Experience in Rate and Connection Fee Related Issues/Projects**

HDR personnel have performed hundreds of water cost of service rate and connection fee studies throughout the U.S. and Canada. By virtue of working with a wide variety of utilities (large and small) and in a variety of locations, we have an intimate understanding of the trends and practices occurring in the industry. **Our experience and knowledge of the industry and current best management practices bring great creditability to our analyses and resulting recommendations.** This diversity simply adds breadth of knowledge and expertise to all of our projects.

► **Teaching Experience**

As nationally recognized experts, the principals of HDR teach a number of courses and workshops on the subject of rates and capacity charges. Shawn Koorn, HDR's proposed project manager for the City's study is a nationally recognized expert in rate setting. As noted above, Shawn teaches the American Water Works Association (AWWA) Financial Management Seminar. In addition, **HDR staff have been active in developing publications and manuals in this area of expertise.**



Our combination of knowledge and experience make us highly qualified in the area of cost of service rate setting and connection fee studies. However, HDR believes that the best way to understand the quality of services provided by HDR is to talk to our clients.

1.3 Legal Challenges to HDR's Rate Studies

Proposition 218 requires utilities to establish cost-based rates and meet certain procedural requirements in the rate setting process. Legal challenges to utility rates are becoming more prevalent in California and the cost of defending the rates is high. **We think it is important for the City to know that HDR, since the inception of Proposition 218, has a nearly unblemished record² of not being legally challenged over the rates that we have developed and implemented for our clients.** Very few rate consulting firms can make that statement and we attribute that record to the overall quality of technical work that we conduct, the level of quality control we put into our analyses, and the extent to which we provide a well-written and detailed report. Furthermore, and more importantly, we help guide our clients to make reasonable and responsible policy choices and understand the importance customer feedback and rate transition.

² In 2011, an HDR study was challenged by a local customer over their rate classification (Stanley R. Miller v. City of Big Bear Lake. The City (and HDR) prevailed and the court cited the quality of the report documentation as providing a clear record of decision. In summary, the Court stated: *"The Court further finds that the City has fairly, equitably, and reasonably allocated its water costs and properly documented the methodology used and the justification for the allocation of costs among various types of properties and users located within the City and that the water rates and fees are proportional to the costs of providing water service to the ratepayer in the service area. The Court finds that the water rates and fees are consistent with the Constitutional requirements of Proposition 218. The Court shall enter Judgment in favor of Respondent City of Big Bear Lake and Petitioner Stanley R. Miller shall recover nothing."*

2. Management/Method of Operation

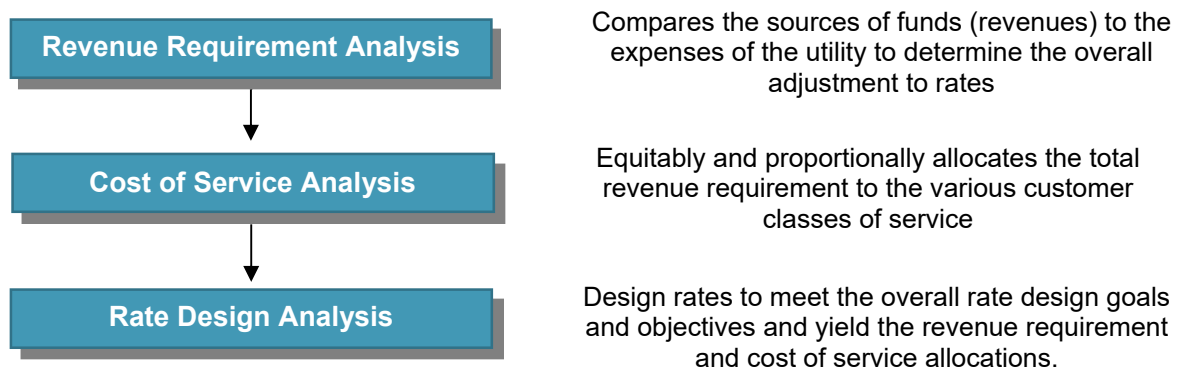
2.1 Introduction

HDR provided professional and technical services to the City's Municipal Utilities Department (MUD) in the development of the 2009 and 2015 water rate studies. These studies resulted in the adoption of water rates to prudently and adequately fund the operating and capital improvements to the water system, as well as the long-term debt associated with the Delta Water Supply Project (DWSP).

The City has requested a water cost of service rate study, utilizing industry recognized water rate setting principles and methodologies which will provide the basis for adopting and implementing water rates which are cost-based, equitable and defensible to the MUD's customers. This study is designed to evaluate the adequacy of the existing water rates to prudently fund current operating and capital expenses and, more importantly, maintain required debt service coverage (DSC) ratios in accordance with the long-term debt requirements (covenants). HDR has developed a detailed approach and scope of services to meet the City's goals and objectives in conducting this study.

2.2 Overview of the General Methodology

In reviewing and evaluating the MUD's water rates, HDR relies upon "generally accepted" principles and methodologies. These generally accepted principles and methodologies are best defined by the AWWA M-1 Manual, *Principles of Water Rates, Fees and Charges*. A comprehensive water rate study is generally comprised of three interrelated analyses as shown below.



The MUD's comprehensive water cost of service rate study will be developed around these three interrelated analyses. It is important to understand that these methodologies and technical analyses will be tailored to the MUD's specific and unique facilities and customer characteristics.

2.3 Scope of Services

HDR has developed a proposed scope of services based upon our understanding of the MUD's needs. HDR's proposed scope of services is based upon "generally accepted" financial planning and rate setting methods, HDR's understanding of the MUD's past water rate setting practices, and current industry "best practices" and trends. A discussion of the proposed scope of services and the interrelated tasks is provided below.

Task 1—Initial Project (Kick-Off) Meeting and Written Data Request

Task Objective: *Bring the HDR project team, MUD management and staff together, at the start of the project, to allow the parties to have a mutual understanding of the goals, objectives, issues, and concerns related to the study. Gather and review the data and information needed to conduct the water rate study update.*

The initial project (kick-off) meeting allows both parties to discuss the overall goals and objectives for this study, while at the same time discussing any issues and concerns that either party may have. A written data request will be provided to the MUD prior to the kick-off meeting to allow for the gathering of data and discussion during the meeting. It is proposed that this meeting be held at the MUD's office and be approximately two hours in length.

Expected MUD Support for Task 1:

- ✓ Have key management/project team members attend a two-hour kick-off meeting.
- ✓ Provide the needed data and information from the written data request.

Deliverables as a Result of Task 1:

- ✓ Written data request detailing the needed data and information.
- ✓ Identification of objectives, issues, and concerns by both parties.
- ✓ Review and confirm scope of work, general approach, and project time schedule.

Task 2 – Review/Evaluation of the City's Current Written Financial Policies

Task Objective: *Review and evaluate the City's current written financial policies. As appropriate, provide recommendations to update the policies.*

The City has requested a review and evaluation of the City's current policies. This review is critical to the study since it provides the policy basis for certain financial planning targets (e.g., minimum reserves, debt service coverage). HDR emphasizes written financial/rate setting policies for two reasons. First, HDR believes that utilities should be run in a business-like manner, and therefore, should be managed in a financially prudent manner. The other reason for emphasizing this aspect of

“HDR believes that utilities should be run in a business-like manner, and therefore, should be managed in a financially prudent manner.”

the process, is that by developing financial (rate-setting) policies, the City is taking a step towards stability in the decision-making process. That is, the policies are adopted based upon prudent financial management of the utilities (industry best practices), and decisions should not necessarily be driven by the politics or timing of the process. The development of written financial policies to establish rates and fees is an industry best management practice.

Given that, HDR will review the City's existing financial and rate setting policies and practices in order to comply with those policies during the study. HDR will develop and recommend, as appropriate, additional financial/rate policies for consideration by the City for possible adoption.

Expected MUD Support for Task 2:

- ✓ Provide current financial policies and any needed clarification of current practices.

Deliverables from Task 2:

- ✓ Review the current written financial/rate setting policies of the City.
- ✓ As appropriate, recommend changes/additions to the current financial/rate setting policies.

Task 3—Revenue Requirement Analysis (Financial Plan)

Task Objective: *Using “generally accepted” financial planning methodologies, develop the MUD's water revenue requirement analysis (financial plan) for a projected 10-year period. The revenue*

requirement analysis or financial plan will establish the cost-based 'level' of revenue to be collected from customers to prudently fund the water utility operating and capital expenses. As necessary, develop a rate transition plan to move toward cost-based levels.

The development of the revenue requirement analysis is the first major analytical portion of the water rate study process. This portion of the study entails reviewing the various sources of funds (revenues) and comparing them to the applications of funds (expenses) for the utility. This task considers the prudent and proper funding for operation and maintenance (O&M) and capital expenditures and determines the need for rate adjustments over the time period selected. A more detailed discussion of the various steps involved in developing the revenue requirements is provided below.

“This task considers the prudent and proper funding for operations and maintenance (O&M) and capital expenditures and determines the need for rate adjustments over the time period selected.”

STEP 1 – SELECTION OF A TEST PERIOD: The first step in the development of the revenue requirements is the selection of a “test period.” In this case, a 10-year test period or projected time period is proposed (e.g., FY 2021/22 – FY 2030/31). By reviewing costs over this extended time frame, the MUD can determine when major rate adjustments may be required and potentially take steps today to help minimize future impacts (e.g., rate adjustment transition, accumulation of capital reserves, etc.). However, the focus of the study will be the next five-year period for rate setting in order to align with the requirements of Proposition 218.

STEP 2 – METHOD OF ACCUMULATING COSTS: The City has historically used the “cash basis” methodology. Under this methodology, the City’s revenue requirements are composed of O&M expenses, taxes/transfers, annual debt service, and capital projects funded from rates.

STEP 3 – ACCUMULATION OF REVENUES AND EXPENSES: Once the test period and method of accumulating costs has been determined, HDR, in conjunction with MUD management and staff, will develop the test period revenue requirements for the water utility.

Revenue requirements are composed of two major types of costs: operational and capital expenses. The operational costs are generally projected from historical or budgeted costs, using assumed escalation factors, and adjusted for known changes in operations (e.g., additional personnel, growth/expansion, regulatory). While the projection of the operational costs is fairly straightforward, the capital cost projections are generally the focus of the analysis and require more thought and planning.

Within this study, the starting point for projecting capital costs (expenditures) will be the MUD’s capital improvement plan, 2020 Urban Water Management Plan, and the most current Water Master Plan. In the financial planning process, consideration must be given to maximizing the capital improvements (expenditures) for the system, while minimizing rates to its customers. This is accomplished in a variety of ways. However, the most important aspect of this discussion is that there are multiple methods of financing capital expenditures and it is through this process that rates can be minimized. An overview of the general approach that is used to develop a capital funding plan within the revenue requirement analysis is shown in the table on the following page.

The basic framework shown is developed on a year-by-year basis for each of the projected 10 years. In summary form, the general approach is to list capital projects in each year, and then determine the various outside funding sources for each of the projects. These outside funding sources may include capital reserves, grants, and capital contributions. The balance of projects not funded by these other sources must be financed from a combination of long-term debt and rates. It is the balancing of the use of long-term debt to the impact upon rates, which is critical to the analysis.

Overview of the General Methodology for Reviewing the Financing of Capital Project Expenses

- + **Total Capital Projects –**
 - ✓ Replacement and Refurbishment Capital Projects
 - ✓ Legally Mandated Capital Projects
 - ✓ System Growth and Expansion Capital Projects
- **Outside Funding Sources –**
 - ✓ Capital Reserves
 - ✓ Grants
 - ✓ Low-Interest Loans (e.g. State and/or Federal)
 - ✓ Contributed Capital/Connection Fees
 - ✓ Borrowed Funds/Long Term Debt (e.g. Revenue Bond)
- = **Capital Projects Financed with Rate Revenues (≥ Deprec. Exp.)**

In balancing the use of debt³ to equity (rate) financing of capital projects, a number of financial planning aspects are taken into consideration. Initially, the utility's debt service coverage ratio is an important financial measure or indication of the utility's ability to repay debt, and a key component of the rate study update. The strength of the debt service coverage ratio is a direct function of the amount of capital projects that are financed from rate revenues. A simple financial test that HDR utilizes is that a utility should fund, at a minimum, an amount equal to or greater than the utility's annual depreciation expense for renewal and replacement capital projects. By following this simple financial rule, the utility is not only establishing a potentially strong debt service coverage ratio, but at the same time, it helps provide consistent funding to maintain existing infrastructure at acceptable service levels, with minimal or no long-term debt financing.

In summary, given a better understanding of the overall magnitude of the needed capital projects, a final financing plan can be developed that meets the MUD's goals and objectives, while attempting to minimize rates and costs over time. At the same time, if a rate transition plan is needed to smooth out potential rate adjustments, it will be developed.

Expected MUD Support for Task 3:

- ✓ Provide "as-needed" data refinements or additional data needs as determined during the process of developing the revenue requirements.
- ✓ Attend a one-half day project meeting to review the draft revenue requirement analysis to review the overall methodology and confirm all model assumptions and key inputs.

Deliverables as a Result of Task 3:

- ✓ A water revenue requirement analysis for a projected 10-year period that evaluates funding options and considers the necessary operating and capital needs of the utility (i.e., long-range financial plan).
- ✓ A capital financing plan within the revenue requirement analysis, utilizing the comprehensive plans, Water Master Plan, Urban Water Management Plan or capital planning documents.
- ✓ If needed, a transition plan to "phase in" needed rate adjustments.
- ✓ Recommendations regarding key financial indicators (e.g., debt service coverage, capital replacement, reserve levels).

³ Within this study, HDR is not acting as a municipal (financial) advisor regarding the issuance of long-term debt. The Department has a financial advisor to fulfill this municipal advisory role as it relates to the size, timing and structuring of any proposed debt issues.

- ✓ Project meeting at the MUD's location to discuss the development of the revenue requirement and recommendations.

Task 4 – Cost of Service Analysis

Task Objective: *Using generally accepted methodologies, develop a cost of service analysis to equitably distribute the revenue requirements of the water utility. Develop average unit costs (cost-based rate designs) to comply with the costing requirements of Proposition 218.*

A cost of service analysis equitably and proportionally allocates the revenue requirement between the various customer classes of service. The basis for establishing water rates that are fair, equitable, and defensible has traditionally been cost of service principles and methodologies.⁴

The State of California has certain well-established legal constraints regarding utility ratemaking, of which Proposition 218 (California Constitution Article XIII D) is at the forefront. In short, Proposition 218 requires the utility to establish cost-based rates for the services provided. Although Proposition 218 provided certain direction, it lacked clarity and definition in certain areas. Hence, there have

“The basis for establishing water rates that are fair, equitable, and defensible has traditionally been cost of service principles and methodologies.”

been a number of lawsuits in recent years related to utility rates and Proposition 218. In the *Capistrano Taxpayers Association v. City of San Juan Capistrano*, the City was challenged, among other items, over the cost-basis for the pricing tiers (price blocks) in their water rates. This ruling has a direct impact upon the need to provide clear documentation regarding the cost-basis for the City's proposed water rates. This includes both the amount of revenue collected from the rates, but also the cost-basis for the fixed and consumption charges. This task is designed to specifically address

this legal requirement to provide a cost-basis for each rate schedule and its components. A brief discussion of the major steps associated with the water cost of service analysis is provided below.

Step 1 – Selection of Test Period – A cost of service analysis typically reviews a one-year period to establish cost-based rates. For cost of service purposes, allocating the FY 2021/22 revenue requirements would appear to be appropriate.

Step 2 – Selection of the Method to Accumulate Costs – The “cash basis” revenue requirement developed in Task 3 will be equitably distributed within the cost of service analysis.

Step 3 – Functionalization and Allocation of Expenses – Functionalization refers to the arrangement of cost data into its basic cost categories. For a water utility, it is generally source of supply, treatment, transmission, and distribution. Given functionalized costs, the costs are then allocated to their various cost components based upon the reason why the cost was incurred. For example, allocation determines whether a specific water cost is incurred as a result of a base (average day), extra-capacity (peak day), customer, or fire-protection-related need. The allocation of the City's water costs will be based upon “generally accepted” cost of service techniques (i.e., AWWA base/extra-capacity methodology) and the specific system characteristics of the City's water system.

Step 4 – Determination of Classes of Service – The City currently has rates for single-family residential, multi-family, non-residential, and irrigation. As a part of this study, HDR will review with the City the current customer classes of service and determine whether modifications or changes to

⁴ Generally accepted cost of service principles and methodologies are best defined and discussed within the AWWA M-1 Manual, Principles of Water Rates, Fees and Charges.

the existing customer classes of service are suggested or required.

Step 5 – Review of Customer Consumptive Use – An important objective of the cost of service is to provide the cost basis for any “tiered” rates. In this case, the City does have a tiered rate for single-family residential (0 – 15 CCF and > 15 CCF), but for other classes of service a seasonal rate structure is used. The cost of service study will need to review and evaluate customer usage patterns. Customer usage (i.e., daily/hourly and seasonal usage) patterns have operational and cost impacts upon the water system. A cornerstone principle of a cost of service study is “those who create the cost should pay for the cost.” That implies, for example, that the customer group which creates a peak demand on the system should pay their proportional (equitable) share of the cost to meet that peak demand.

Given that, this step will review the consumptive water data of the City’s customer classes of service. This will provide a rational basis for an equitable distribution of seasonal and extra-capacity (peak) related costs. This will be accomplished by developing peaking factors for each class of service, which is simply the relationship between a customer group’s average use and peak use. Seasonal distribution factors will also be developed to equitably assign costs between winter and summer time periods.

Step 6 – Distribution of Expenses – The next step is to distribute each of the allocated costs to the various customer classes of service using distribution factors. HDR will develop distribution factors that are “equitable” to all customers, and which rely upon City-specific data. In particular, the development of the extra capacity distribution factor(s) will require a significant level of care and effort. Based upon the prior step, HDR will have reviewed the individual customer billing data in order to sort and analyze consumptive and peak use by customer class of service.

Step 7 – Summary of the Cost of Service – From the above process, a summary page of the cost of service analysis is developed. The summary page compares the difference between the current level of rate revenues received from each class of service, and the equitably distributed cost of service for each class. This provides an understanding of the relationship between the costs each customer class of service places on the system and the revenues received from the customers. From this summary, a determination can be made as to the revenue/rate adjustments, by class of service, which are reflective of cost responsibility.

“The summary page compares the difference between the current level of rate revenues received from each class of service, and the equitably distributed cost of service for each class.”

Step 8 – Development of Average Unit Costs – The cost of service analysis provides the allocation of total costs to each class of service, but it also provides average unit costs, or cost-based rates. These cost-based rates are used as the starting point for the development of the final proposed water rates. Average unit costs also provide the City with an understanding of the cost/rate relationship between fixed and variable costs. The variable costs are distributed to pricing tiers for each class of service, thus, providing the necessary link required by Proposition 218 between the proposed rate and the cost to provide the service.

Expected MUD Support for Task 4:

- ✓ Provide “as-needed” assistance to explain the MUD’s data and information as it relates to developing the cost of service analysis
- ✓ Attend a half-day meeting to review the draft results of the cost of service analysis

Deliverables as a Result of Task 4

- ✓ Review of the customer classes of service and determine any revisions for cost allocation or

rate design alternative purposes.

- ✓ A review of the consumption characteristics of the City's customers to confirm the number and size of tiers for each customer class of service.
- ✓ An equitable distribution of the FY 2021/22 water revenue requirement to the various customer classes.
- ✓ A summary of the average unit costs (cost-based rates).
- ✓ A half-day project meeting to review the cost of service analysis.

Task 5—Rate Design Analysis

Task Objective: Develop “baseline” water rates and then review alternative rate structures to meet the MUD’s rate design goals and objectives. Update the MUD’s drought surcharges.

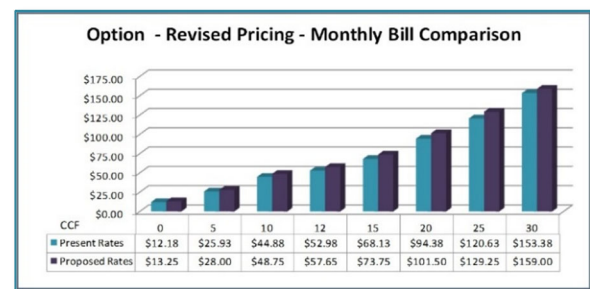
The revenue requirement analysis addressed the MUD’s overall revenue sufficiency and determined necessary revenue (rate) adjustments. Next, the cost of service analysis utilized the revenue requirement and equitably and proportionally distribute costs to each of the classes of service while also establishing the average unit costs, or cost-based rates (e.g., \$/customer/month and \$/CCF by pricing tier). This task is designed to provide a detailed review the MUD’s water rates and provide alternatives for consideration.

An important starting point for the rate design process is understanding the MUD’s rate design goals and objectives. These objectives may include conservation, revenue sufficiency, revenue stability, ease of administration, and simplicity. The MUD’s current rates will be reviewed to determine how well they conform to contemporary rate-setting goals and objectives. From this review HDR will have an understanding of potential rate structure alternatives that may be explored as a part of this task.

Critical to this task is providing the cost-basis for each rate design; both the monthly fixed meter charge and the consumption charge. As noted in the previous task, the *Capistrano* decision has placed a greater legal requirement on utilities to directly link a proposed rate to the cost incurred by the utility (cost of service). To meet this legal requirement, HDR will provide a revenue proof and cost of service average unit costs to support any alternative rate designs and the MUD’s final proposed rates.

The MUD has requested the development of a “baseline” scenario for rates. HDR interprets that to imply cost-based rate designs using the existing rate structure (i.e., fixed charges and consumption charges) for each class of service. This task will provide up to two alternative water rate structures for each of the MUD’s customer classes of service.

For each rate alternative developed, a bill comparison and graph will be provided that shows a comparison between the present bill and the proposed bill at various levels of usage. Bill comparisons are useful in assessing the potential impacts to a wide variety of customers. The MUD has also requested a comparative rate analysis to at least 10 other comparable communities in the Northern San Joaquin Valley.



The MUD also has drought surcharges. These surcharges apply to the various drought stages of the City. HDR originally developed these surcharges and understands their cost-basis and the most appropriate method to update them. As a part of this study, HDR will update the MUD’s drought surcharges.

Expected MUD Support for Task 5:

- ✓ Discuss with HDR the MUD's rate design goals and objectives.
- ✓ Assist, as necessary, in the development of the water rate structure alternatives, bill comparisons and neighboring comparative rate analysis.
- ✓ Attend a two-hour project meeting to review and discuss the water rate structure alternatives.

Deliverables as a Result of Task 5:

- ✓ A "baseline" scenario set of rates and up to two water rate structure alternatives for each customer class of service (i.e., single-family, multi-family, others).
- ✓ Development of bill comparisons for each of the rate structure alternatives developed and regional bill comparisons.
- ✓ Comparison of the preferred rate structure and customer bills to other local water utilities.
- ✓ Update of the MUD's drought surcharges.
- ✓ A two-hour project meeting at the MUD's offices to review and discuss the water rate structure alternatives.

Task 6—Written Report

Task Objective: *Provide a written report to summarize the findings, conclusions, and recommendations of the MUD's water cost of service rate study. Provide a summary of the recommended and proposed rates over the next one to five years.*

At the conclusion of the analysis, HDR will develop a draft written report. The report is intended to summarize the activities undertaken as a part of this project, along with our findings, conclusions, and recommendations. The report will provide a detailed discussion of the methodology used to develop the recommended rates. Similar to our prior water rate study for the MUD, HDR will include within the written report a technical appendix of the analyses undertaken by HDR. This provides a clearer administrative record documenting the study and the analyses undertaken to establish the cost-basis for the proposed rates.

HDR will provide an electronic copy of the draft final report to the MUD for its review and comment. All comments, suggestions, or corrections from the MUD concerning the draft final report will be incorporated into the final report. HDR will provide ten bound copies of the final report and an electronic version in a PDF file format.

Expected MUD Support for Task 6:

- ✓ Review and comment on the draft final written report.

Deliverables as a Result of Task 6: From the work accomplished above, the deliverables will be:

- ✓ Electronic copy of the draft final written report.
- ✓ Ten bound copies of the final written report and a PDF of the report.

Task 7—Public Meetings/Presentations

Task Objective: *During the course of the study, meet with the Water Advisory Group, Council Water Committee, and the City Council to discuss the findings, conclusions and recommendations of the study. Provide clear and concise presentations which will allow for input and feedback from these advisory and governing bodies.*

The City's RFP has provided a detailed list of the anticipated meetings associated with the water cost of service rate study. The list of meetings includes both internal project meetings and public meetings/presentations. The internal project meetings include the following:

- 1 – Kick-off Meeting (Task 1)
- 3 – City Staff Meetings (included in Tasks 3, 4 and 5)
- 4 – Webinars/Conference Calls (minimum) [assumed within Tasks 2 – 6]

The public meetings and presentations associated with this study include the following:

- 4 – Public Outreach (includes community meetings)
- 4 – Water Advisory Group Meetings/Study Sessions
- 4 – Council Water Committee Meetings/Study Sessions
- 3 – City Council Meetings

HDR will work with the City/MUD to develop these public meetings/presentations. HDR will provide assistance with public outreach including press releases and other media strategies for educating affected property owners. HDR will be responsible for developing all presentation materials. The City will be responsible for coordinating and setting up the public meetings/presentations. HDR's Project Manager will provide all public presentations. Any requested meetings beyond those noted above will be provided by HDR on a time and material basis.

Expected MUD Staff Support for Task 7:

- ✓ Coordinate and set up the public meetings/presentations
- ✓ Review and comment on proposed presentation materials
- ✓ Attend all internal project meetings and public meeting/presentations.

Deliverables as a Result of Task 7:

- ✓ Attend the public outreach, Water Advisory Group, Council Water Committee and City Council public meetings and presentations
- ✓ Prepare all handout materials.

Task 8—Proposition 218 Assistance

Task Objective: *Assist the City in the development of the Proposition 218 public hearing notices required as a part of the Proposition 218 process. The City will be responsible for the required mailings to all affected property owners and the content of the final published notification. Provide any additional requested assistance as it pertains to the requirements of Proposition 218.*

Given final City Council direction, HDR will assist the MUD in the development of the rate notification required to be sent to all customers no later than 45 days prior to the public hearing date. HDR will provide input and review on the customer notification and provide the information on the final proposed rates. Similar to our role in the MUD's wastewater rate study, the City will be responsible for the coordination and mailing of notices to all affected property owners, along with the content in the final published notification.

Expected MUD Staff Support for Task 8:

- ✓ Provide information necessary to develop the customer rate notification.
- ✓ Print and mail the customer rate notification.

Deliverables as a Result of Task 8:

- ✓ Assist the MUD, as requested and necessary, in the development of the customer rate notification.

Task 9—Rate Models

Task Objective: *Develop rate models to support the MUD's water cost of service rate study.*

As a part of this study, HDR will develop Excel™-based models for the water cost of service rate

study. All models will be developed specifically for the MUD's system and be provided at the conclusion of the study. The models will be designed to evaluate the impacts of future efforts such as water treatment alternatives, environmental compliance and other legislative mandates imposed by regulatory agencies. The models are designed to be easy to use and update. HDR has not assumed the development of a user manual or City training in the use of this model.

Expected MUD Staff Support for Task 9:

- ✓ None

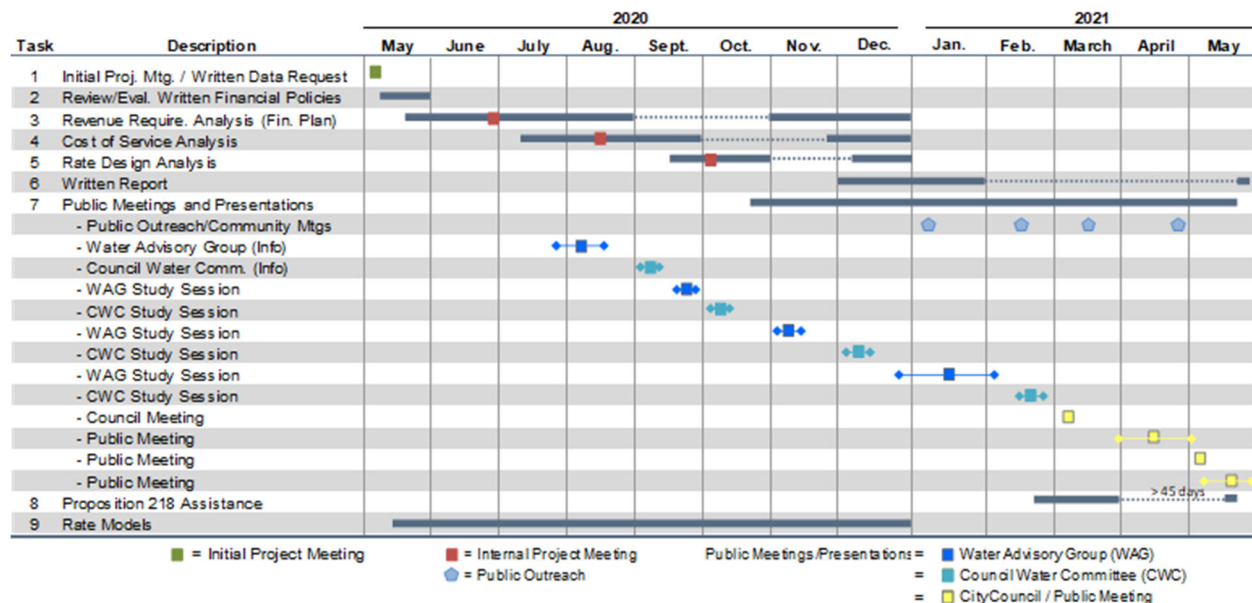
Deliverables as a Result of Task 8:

- ✓ Provide a copy of all rate models developed as a part of the MUD's water cost of service rate study.

This concludes the proposed scope of services for the MUD's water cost of service rate study. HDR is willing to expand upon and adjust our proposed scope of services to meet the specific needs of the City and the MUD.

2.4 Project Time Schedule

The City provided an estimated start and completion date for the study and the estimated dates for the public meetings and presentations. Provided below is a more detailed project time schedule using the key dates included within the City's RFP.



This project time schedule complies with the City's start and completion dates. HDR is willing to modify its project time schedule to meet the City's needs.

2.5 Summary

This concludes HDR's discussion of the proposed scope of services and project time schedule for the MUD's water cost of service rate study. HDR is willing to modify and adjust our proposed scope of services and project time schedule to meet the specific needs of the MUD and the City. Any additional out-of-scope work will be provided on a time-and-materials basis. Out-of-scope work will only be provided with the written authorization of the MUD.

3. References

3.1 Introduction

Provided below are HDR's client references for projects similar to the City's requested services. Should the City desire additional client references, HDR will gladly provide them.

3.2 Client References

CITY OF STOCKTON – WATER AND WASTEWATER RATE STUDY – In 2007, the City retained HDR to



conduct a comprehensive water rate study. The study involved the development of a 10-year financial plan that included the funding and rates to support the \$200 million plus Delta Water Supply Project. The study also included the development of a set of financial/rate setting policies to aid in setting the City's water rates. Since that time, HDR has continued to provide updated water and wastewater rate

studies and rate analyses to the City. **Contact Information:** Ms. Deedee Antypas, Deputy Director of Wastewater Operations, Deedee.Antypas@stocktonca.gov, (209) 937-7425.

CITY OF SANTA MARIA – WATER AND SEWER RATE STUDY – In 2016, HDR conducted a



comprehensive water and sewer rate study. The goal for the study was to develop cost-based rates that adequately balanced the short and long-term financial and environmental sustainability goals of the City. HDR developed a five-year financial plan and implemented rates for a five-year period. A major component of the study was a cost of service analysis for each utility that provided the

necessary technical support for establishing cost-based rate designs. The City's water rate structures were reviewed and updated to comply with cost-based requirements. **Contact Information:** Mr. Shad Springer, sspringer@cityofsantamaria.org, (805) 925-0951.

CITY OF SAN LUIS OBISPO – WATER AND SEWER RATE STUDY – HDR has been assisting the City in



the development of their water and sewer rates since 2004. In particular, HDR has worked with the City to review and update their water rate structures to meet their overall objectives. In 2012, the key rate structure goal was revenue stability as the City was beginning to incur revenue impacts due to declining consumption for both utilities. HDR recently worked with the City's management team

and City Council to determine their prioritized rate design goals and objectives. **Contact Information:** Mr. Aaron Floyd, Utilities Director, afloyd@slocity.org, 805.781.7237.

CITY OF FOLSOM – WATER AND SEWER RATE STUDY – HDR has been assisting the City with their



water and sewer rates since 2007. In 2019, HDR updated the City's water and sewer rate study. A focus of the study was on the funding and financing of capital projects, along with the needed revenue stability to support the needed long-term debt funding. **Contact Information:** Mr. Marcus Yasutake, Environmental and Water Resources Director, myasutake@folsom.ca.us, 916.461.6161.

4. Financial Statement and Insurance

4.1 Introduction

The City has requested that HDR provide a demonstration of our financial sufficiency to satisfactorily provide the required services. This section is intended to provide the needed documentation.

4.2 Financial Sufficiency

Formed in 1917, HDR is a major engineering and consulting firm with significant financial resources to satisfactorily provide the City's water cost of service rate study. HDR is an employee-owned firm with more than 10,000 employees and approximately 213 project offices and regular offices. HDR has successfully worked with the City and the MUD on a number of projects over the years.

If selected and requested, HDR is willing to provide a copy of our audited financial statements⁵. However, in summary form, as of December 29, 2018, HDR had total assets of approximately \$1.485 billion and total liabilities of approximately \$913 million. HDR's shareholder equity is \$572 million. From an income perspective, in 2018, HDR had a total net income of approximately \$1.15 billion. Finally, HDR has cash or cash equivalents of approximately \$284 million and an available line of credit of \$300 million. HDR has significant financial sufficiency and resources to conduct this study.

4.3 Insurance Requirements

As a major engineering and consulting firm, HDR maintains proper insurance coverage. HDR has always met the insurance requirements of past studies/contracts with the City. If selected, HDR will provide proof of insurance to the City.

4.4 City Business License Requirements

HDR has worked extensively with the City in the past and has always met the business license requirements of the City. If selected, HDR will again meet the City's stipulated business license requirements for this project.

⁵ HDR 2018 Audited Consolidated Financial Statements, Ernest &Young LLP

5. Corporate Structure / Organization

5.1 Introduction

This section of the proposal will discuss HDR's corporate structure and project team organization. It will also provide a brief overview of the key project team members.

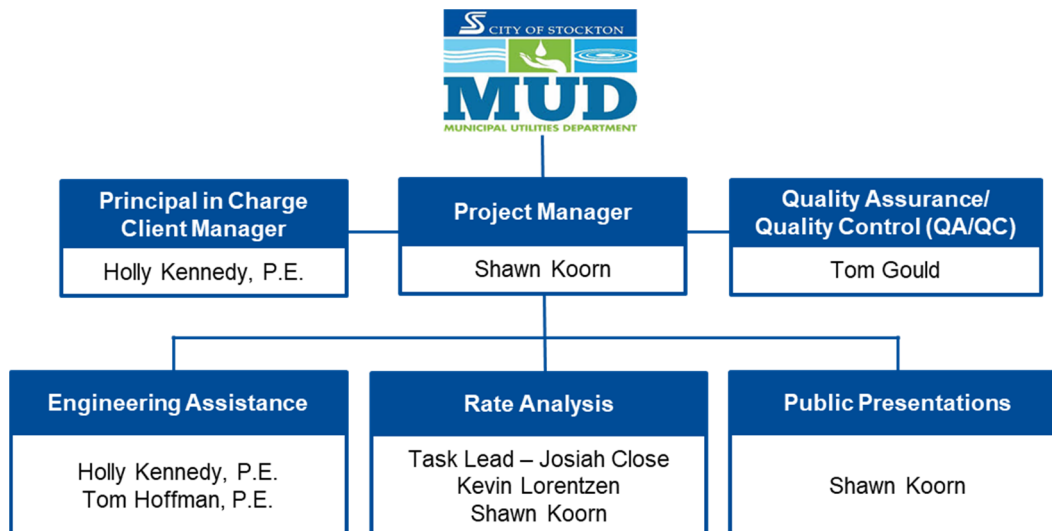
5.2 Corporate Structure

Organizationally, HDR is divided between Engineering and Architecture lines of business. The study being proposed for the City would be performed under our Engineering business line. The Engineering line of business is further subdivided into three regional locations; our Folsom and Walnut Creek offices are in the Western region. Each local office is managed by a Department Manager with the authority to enter into agreements with our clients. The project is further managed by a Project Principal from the local office. Projects are then staffed with the appropriate team members to successfully deliver the requested services.

5.3 Project Team Organization

HDR has an established and highly experienced Utility Rates and Finance Group capable of providing the technical expertise needed for the City's water cost of service rate study. **The key project team members to be assigned to this study are nationally recognized experts in water utility cost of service rate studies**, and they focus 100% of their time and effort on this specialized area of expertise. Provided below is an overview of the organization of HDR's proposed project team. **No subconsultants are assumed for the City's rate study.**

"The key project team members to be assigned to this study are nationally recognized experts in utility financial planning and rate making . . ."



5.4 Key Project Team Members

Provided below is a brief discussion of HDR's key project team member expertise, their roles in the project, and their experience related specifically to this project. **More detailed resumes for key project team individuals are included in the appendix of this proposal.**

Shawn Koorn – Project Manager



- More than 20 years of experience in water and sewer utility rate setting.
- Project manager for numerous water rate studies conducted across the U.S. and Canada.
- Project Manager for the City of Stockton's most recent water and sewer rate studies and has worked extensively with the City's Financial Advisors.
- Worked with numerous California utilities on rate studies and the legal requirements of Proposition 218.
- Co-instructor for the AWWA Financial Management seminar.
- Provides effective presentations to City Councils, the public, and industry conferences (e.g., WEF, AWWA).
- Shawn is located in HDR's Bellevue, WA office

Holly Kennedy, P.E. – Project Principal



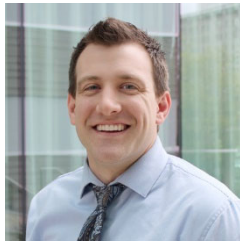
- Holly is the Water Business Group Manager for the Walnut Creek office
- More than 17 years of experience in the planning of water, wastewater, and recycled water facilities.
- Worked extensively with HDR's Financial Group to provide engineering assistance for clients such as the City of Folsom, City of Reedley, Zone 7 and the Dublin San Ramon Services District.
- Assistant project manager for preparation of financial plans for San Benito County Water District's water and wastewater facilities.
- California registered professional civil engineer
- Holly is located in our Walnut Creek office

Tom Gould – QA/QC



- More than 40 years of experience providing financial planning and rate studies for water and wastewater utilities.
- Nationally recognized expert in utility rate setting.
- Extensive experience in California working with water and wastewater utilities to meet the legal requirements of Proposition 218.
- Project Manager for the City of Stockton's 2008 water rate study and DWSP funding plan; provided QA/QC for all subsequent City rate studies.
- Previously co-instructor for the AWWA three-day Financial Management seminar for more than 25 years.
- Contributing author to the chapter on system development charges (i.e., impact fees/capacity charges in the AWWA M-1 Manual, *Principles of Water Rates, Fees and Charges*.
- Tom is located in HDR's Bellevue, WA office

Josiah Close – Task Leader – Rate Analysis



- Over eight years of experience in developing cost of service and rate design models for water and sewer systems.
- Worked extensively with California water and sewer utilities on rate studies.
- Conducted the rate analysis for the City of Stockton's most recent wastewater rate study.
- Highly experienced in reviewing/assimilating customer consumption data
- Conducted similar water rate studies for the Cities of Folsom, San Luis Obispo, and Santa Barbara, and Otay W&S District.
- Josiah is located in HDR's Bellevue, WA office

Kevin Lorentzen – Rate Analyst



- More than 12 years of industry experience in utility financial planning, cost of service and rate design.
- Expert level expertise in Excel™ computer/rate modeling and financial planning models
- Previously worked in the Finance Department of the City of Bellevue as the lead forecaster.
- Worked extensively with California water and sewer utilities on a variety of water and sewer rate studies.
- Water rate study projects in California include South Tahoe Public Utilities District (PUD), Truckee Donner PUD, and Tahoe City PUD, and the cities of Pleasanton, Stockton, and Folsom.
- Kevin is located in HDR's Bellevue, WA office

Tom Hoffman P.E. – Engineering Assistance



- More than four years of civil engineering experience related to water and wastewater planning, design, and hydraulic analysis
- Registered Professional Engineer – State of California
- Provided engineering assistance for the City's DWSP Intake Pumping Station
- Tom is located in HDR's Folsom office

Should other individuals be required for the City's study, **HDR has available a number of other highly qualified financial and engineering individuals to meet any specific technical need associated with this study.** The staff described above will be dedicated to the City's study until the successful completion of the study.

Shawn Koorn | Project Manager

Shawn Koorn is an Associate Vice President with HDR. He provides financial planning, cost-benefit analysis and economic review towards development of rate and cost of service studies for water, sewer, stormwater, electric, natural gas, and solid waste utilities. This information is communicated utilizing technical abilities and presentation skills in a clear and concise manner.

Shawn's experience involves all analytical aspects of the utility financial planning and rate setting process. These include the development of revenue requirements, cost of service, and rate design studies for clients. He is highly capable and understands the finer technical issues involved with each project, as well as the broader economic issues that today's public utilities are facing.

Shawn also has extensive experience with capacity fees. He developed the fees for the City of Spokane (WA), City of Stockton, City of Coeur d'Alene (ID), and the Northwest Arkansas Conservation Authority. He has very strong experience and knowledge of "generally accepted" capacity fee methodologies.

Shawn has been involved in some unique and challenging projects. Most recently, Shawn completed a water rate study for Dublin San Ramon Services District. As a part of the study, the District was attempting to address the issue of revenue stability and the need for fixed charges which remain in compliance with best management practices regarding conservation-oriented rates. Shawn also assisted a California wastewater utility in evaluating volumetric wastewater rates for residential customers. He has been a project manager for a number of studies and recently completed comprehensive rate studies for the City of Stockton water, sewer and stormwater utilities. Most prominently, he is the Project Manager for the Seattle Public Utilities wholesale rate review.

Shawn is a co-instructor for the AWWA Financial Management Seminar. This three-day seminar discusses the theories and methodologies used to establish cost-based rates and system development charges (capacity fees). Shawn has also presented numerous papers on financial planning and rate setting topics for utilities.

As part of his technical skills, Shawn has worked extensively with computers and has a strong command of a number of spreadsheet, graphic, and presentation programs. He has created and developed a number of sophisticated, user-friendly spreadsheet models, which are passed along to clients for future use.



Education

B.S. Business
Administration,
Central Washington
University

B.S. Economics,
Central Washington
University

Professional Association

American Water Works
Association, Member

American Public Power
Association/Northwest,
Member

Expertise

Utility Rates/Cost of
Service

Capacity Fees

Financial Planning

Capital Planning

Cost-Benefit Analyses

Years of Experience

24 years

Years With HDR

22 Years

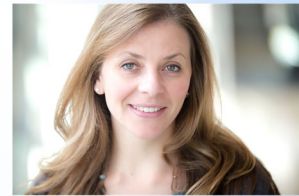
Holly Kennedy, P.E. | Project Principal

Holly Kennedy is the Water Business Group Manager for HDR's Walnut Creek office. She has more than 17 years of experience in the planning of water, wastewater, and recycled water facilities. Her experience includes development of management and operations and productivity improvement plans for utilities, asset management, procurement of design-build-operate-finance (DBOF) contracts, development of multi-objective decision support systems, preparation of master plans, and environmental engineering.

Holly is highly experienced in utility planning. For example, she prepared master plans for the City of Reedley's sanitary sewer and storm drainage systems, which was integrated with the water master plan to ensure consistency with the city's new general plan (planning horizon of 2030), as well as consistent planning criteria, approaches, and financial planning and policies among the master plans. The master plans included multiple components, including, but not limited to, evaluation of existing system, identification of existing deficiencies; condition assessment program development, evaluation and recommendations regarding connection fees and monthly service charges, and the development of a capital improvement program, including cost and timing of improvements as well as remediation of existing system deficiencies.

Over the last several years, Holly has worked extensively with the San Benito County Water District. She has provided consulting engineering services to support the implementation of the Hollister Urban Area Water and Wastewater Master Plan completed in November 2008 and the Coordinated Water Supply and Treatment Plan completed in January 2010. Her services included, but were not limited to, negotiation support of institutional agreements, evaluation of alternative benefit and allocation strategies, update of the benefit and cost allocations, and updates to the capital, operations, and maintenance cost estimates, financing support, including preparation of grant and loan applications, and development of a preliminary financial plan to support construction and operation of the new water treatment plant and North County groundwater bank, and stakeholder outreach and public involvement assistance.

Most recently, Holly worked with the Dublin San Ramon Services District on the update of their water connection (capacity) fees. This included a significant public outreach process to work with the development community.



Education

Master of Science,
Environmental
Engineering, University of
Stuttgart, 2006

Bachelor of Science,
Engineering, Cooper
Union for Adv of Sc Art,
2002

Professional Licenses

Professional Engineer -
Civil, California,
No.74682, Issued:
08/03/2009

Professional Association

American Water Works
Association

Water Environment
Federation (WEF)

Expertise

Water and Wastewater
Comprehensive Planning

Years of Experience

17 years

Years with HDR

12 Years

Tom Gould | Quality Control/Quality Assurance

Tom Gould is a Vice President and HDR's Business Leader for Finance and Rates. He is nationally recognized for his expertise in financial planning and rates. Tom has served as the Project Manager for numerous and complex water, sewer, solid waste, electric, stormwater and natural gas financial planning and rate studies. In addition, he has completed a number of management and organizational studies in addition to his financial planning and rate work. He has a strong background in organizational management, and through his consulting practice, has worked extensively within all levels and areas of utilities.

Tom has worked extensively with municipal utilities and special districts to establish fair and equitable rates for their customers. Tom's experience included assisting a municipal utility in negotiating long-term contracts for utility services with the U.S. Navy. He recently completed a study for the City of Spokane (WA) on a comprehensive water, sewer, stormwater and solid waste rate study. The study reviewed the overall financial requirements of each of the utilities and established cost-based rates. In addition, he recently completed a study in Canada for the City of Edmonton to review their financial planning, rate setting methodology and governance/regulatory structure for the City's sewer, stormwater and solid waste utility. Edmonton's utilities are unique in their approach to rate setting, governance, and regulation of their rates. In his many years in the field, he has had the opportunity to work with numerous public and private utilities throughout the U.S. and Canada.

Over the years, Tom has worked on a number of comprehensive rate studies and engagements. He has been both a Project Manager and a QA/QC reviewer for such studies. Among the clients he has provided this role to include Denver Water, City of Stockton (CA), Dublin San Ramon Services City (CA), City of Fayetteville (AR) and Anchorage Water and Sewer Utilities. He has evaluated water reuse costs/rates for a number of clients.

For over 25 years, Tom was the co-instructor for the AWWA three-day Financial Management Seminar. This course teaches the theory and methodology of establishing and setting cost-based water rates. He is a current member of the AWWA Rates and Charges Subcommittee, and a contributing author to the AWWA-M1 manual on setting cost-based water rates. Tom is also a past instructor for the American Public Power Association (APPA) and the Northwest Public Power Association (NWPPA) seminars on setting cost-based electric rates.

Tom has been a speaker and provided papers at numerous conferences and workshops. He has also provided expert witness services before Public Utility Commissions and has served as an expert witness in civil actions.



Education

Master of Business Admin, Finance, Willamette University, 1976

Bachelor of Arts, Business Administration, Central Washington University, 1974

Professional Registration

American Public Power Association/Northwest, Member

American Water Works Association, Member

Expertise

Utility Rates/Cost of Service

Connection Fees

Financial Planning

Capital Planning

Cost-Benefit Analyses

Years With HDR

40 years

Josiah Close | Financial/Rate Analyst

Josiah Close, a Financial Analyst with HDR, specializes in the area of utility financial planning, cost of service, rate setting and system development charges. Josiah is highly experienced in developing complex financial planning and utility rate studies. He is very proficient in financial modeling and in the analysis of complex data sets and information.

Prior to joining HDR, Josiah worked as a fiscal analyst for the State of Washington in the Department of Social and Health Services. His experience with the State further developed his financial modeling skills and placed a high level of importance on attention to detail and accuracy. His work with the State enhanced his Excel™ spreadsheet skills and he is a highly skilled Excel™ modeler and user.

Since joining HDR, Josiah has been responsible for developing and updating a variety of spreadsheet analyses to support revenue requirement, cost of service and rate design studies. Among the complex studies that Josiah is working on include a comprehensive water rate study which contains a wholesale water rate component. This comprehensive study includes the development of revenue requirements, cost of service and rate design.

Currently, he is working with a California utility on the evaluation of volumetric sewer rates. In performing this evaluation, he is working with different databases of information and developing usage patterns and characteristics for different types of residential and multi-family customers. He recently provided a similar study in which the drought in California had impacted the water consumption and wastewater flow estimates. He worked with precipitation and water consumption data to determine a reasonable estimate of wastewater flows.

Since joining HDR, Josiah has gained experience in working with water, wastewater and solid waste utilities. He has worked with and reviewed budget and asset record documents to support the technical analyses he has been conducting.



Education

Bachelor of Science,
Finance, Oregon State
University (2010)

Professional Association

American Water Works
Association, Member
Washington Finance
Officers Association

Expertise

Financial/Rate Modeling
Utility Financial Planning
Revenue Requirements
Cost of Service
Rate Design
System Development
Charges/Impact Fees

Years of Experience

10 years

Years With HDR

8 Years

Kevin Lorentzen | Senior Financial Analyst

Kevin Lorentzen has more than 11 years of experience municipal finance for local government and as a consultant to small and large municipalities. He specializes in the areas of financial planning and rates for utilities.

As senior project manager and financial analyst for HDR, Kevin has extensive experience in cost of service studies, rate design, capital and financial planning, funding, and policy analysis. Throughout his career, he has provided several presentations in an organized and effective style to colleagues, key decision makers, and elected officials. His broad knowledge and experience allow him to provide quality, comprehensive services to utilities.

While at the City of Bellevue, Kevin was the Fiscal Long-Range Planning Administrator responsible for the overall fiscal health of the City. His responsibilities included forecasting a diverse revenue stream over \$200 million, providing technical support for ratings agency presentation resulting in the reaffirmation of AAA bond rating, economic analysis support for the planning department for master planning purposes, worked with city departments including Utilities providing general guidance in economics and forecasting.

Kevin has taught classes at both Government Finance Officers Association (GFOA) and Washington Finance Officers Association (WFOA). In 2015, Kevin co-taught the two-day GFOA Forecasting course and a financial modeling course at WFOA.

Kevin has been developing complex financial, rate and cost benefit analysis models for a number of clients. Some clients include large regional water utilities in Canada, the City of Bellevue, Jordan Valley Water Conservation District, and the City of Norfolk, VA. For these utilities, and numerous smaller utilities, Kevin has developed easy-to-use spreadsheet models that he has trained clients to use.

Kevin's experience also includes system valuations, bond feasibility studies and detailed cost benefits studies for engineering, System Development Charge analysis, and planning studies.



Education

B.S., Business, Finance
University of Idaho,
Moscow Idaho.

Professional Association

American Water Works Association (AWWA)
Washington Financial Officers Association (WFOA), Education Committee

Expertise

Excel™ modeling
Utility Rates/Cost of Service
Financial Planning
Capital Planning
Cost-Benefit Analyses
Forecasting, Budgeting
Legislative Analysis

Years of Experience

14 years

Years With HDR

9 Years

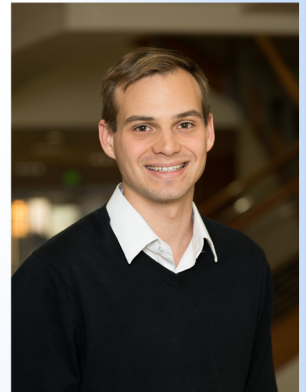
Tom Hoffman, PE | Engineering Assistance

Tom is a California-registered professional civil engineer specializing in providing engineering services for water and wastewater facilities, which have included treatment plants, piping, pumping stations, and storage facilities.

He provided design and engineering services during construction of improvements to the City's Delta Water Supply Project intake pumping station structure (PUR 16-025) to repair/replace existing structures, drainage infrastructure, and pipelines affected by levee settlement.

He was Project Engineer for design, permitting, and engineering services during construction of a new 200,000-gallon ground mounted steel water storage reservoir and booster pumping station for California American Water. The improvements were designed to allow the Isleton water system to operate at a pressure of 40 to 65 psi during peak and maximum demand times and a minimum of 20 psi or better during fire flow events.

For Nevada Irrigation District, he was the project engineer for the Lake Wildwood Water Treatment Plant Capacity Study and Master Plan project. The project determined existing and future water demands, evaluated water quality requirements (for both current and future regulations), and evaluated alternatives for increasing plant capacity. As an alternative to expansion of the Lake Wildwood Water Treatment Plant, new intertie pipeline could be installed. Tom analyzed pipeline routes from the connection point at the E. George system to the Lake Wildwood system. Modeling was also performed to assess the pressures expected along the pipeline route and potential for small hydraulic generators along the alignments. The water model was also used to determine water age and predict water quality impacts for the pipeline options. Planning level estimates were prepared for each alternative considered feasible. Elements that impact the operations staff were included, such as ease-of-access to valves and meters, and impacts on operations.



Education

Master of Science, Civil Engineering, Marquette University, 2015

Bachelor of Science, Civil Engineering, Villanova University, 2013

Professional Registration

Professional Engineer – Civil, California No. 88490

Civil Engineering

Years With HDR

4 Years



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Folsom, CA 95630
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hdrinc.com

We practice increased use of sustainable
materials and reduction of material use.

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January 21, 2020

Mr. Danny Trejo
c/o City Clerk
City of Stockton Municipal Utilities Department
425 North El Dorado Street
Stockton, California 95202-1997

RE: Water Cost of Service Rate Study (PUR 19-039)

Dear Mr. Trejo:

The City of Stockton (City) has requested a proposal to conduct a water cost of service rate study. Under separate cover, HDR Engineering, Inc., (HDR) provided a detailed proposal to conduct the City's study. The City's request for proposal (RFP) requested a fee proposal under separate cover. Please find attached HDR's fee proposal to conduct the City's water cost of service rate study.

Please note that the attached fee is based upon the requested scope of services of the City and the specific detailed tasks included within our proposal. HDR is willing to modify our scope of services to meet the City's needs and we are willing to negotiate a mutually acceptable final fee based upon the final agreed upon scope of services.

If you have any questions about HDR's proposal or this fee estimate, provided below is HDR's contact information.

Proposal Contact:

Mr. Ken Jong, PE
Vice President
Ken.Jong@hdrinc.com
(925) 974-2638

Proposed Project Manager:

Mr. Shawn Koorn
Associate Vice President
Shawn.Koorn@hdrinc.com
(425) 450-6366

We would request the opportunity to negotiate a contract similar to past contracts between HDR and the City, and we have provide a summary of the comments in the fee proposal.

We appreciate the opportunity to provide this proposal to the City and the Municipal Utilities Department. We look forward to discussing our proposal with you. Thank you again for the opportunity to propose on this interesting project.

Sincerely,
HDR ENGINEERING, INC.

Ken Jong, PE
Vice President

Shawn W. Koorn
Associate Vice President

20-10204308

hdrinc.com

6. Project Fees

6.1 Introduction

This section of the proposal discusses the overall fee estimate for the City's water cost of service rate study based on the previously developed scope of work (Section 2.3 - Scope of Services).

6.2 Project Fee Estimate

The estimated project fees were developed based upon HDR's proposed scope of services. For each task, an estimate of the labor hours, by individual, was developed. The total labor hours were then applied to the current hourly billing rates for each individual. For the proposed study, the following hourly billing rates were used to establish the proposed fees for this study. These rates will be in effect through June 30, 2021. At that time, if the project is still active, HDR's hourly billing rates may be adjusted to reflect any labor cost adjustments that were effective January 1, 2021. However, it is anticipated that the study will be completed by June 1, 2021.

<u>Individual</u>	<u>Project Role</u>	<u>Hourly Rate</u>
Shawn Koorn	Project Manager	\$285.00/hour
Holly Kennedy, PE	Project Principal	\$315.00/hour
Tom Gould	Quality Assurance/Quality Control	\$295.00/hour
Josiah Close	Task Leader	\$150.00/hour
Kevin Lorentzen	Senior Financial Analyst	\$220.00/hour
Tom Hoffman, PE	Engineering Assistance	\$150.00/hour
Others	Project Administrative/Clerical Support	\$145.00/hour

The billing rates shown above cover payroll cost, employee benefits, and HDR overhead and profit.

In-House Expenses:

Vehicle Mileage	Current Federal Travel Regulation (FTR)
Black/White Photocopies (per copy)	\$0.05 to \$0.09
Color Copies (per copy)	\$0.15 to \$0.30

Direct Expenses:

No markup on expenses. Other direct expenses (e.g., parking, mileage, airfare, etc.) will be billed at cost.

Based on the hourly billing rates, and the previously developed scope of services, provided below is a summary of the estimated fees for the services discussed above.

Task	Task Description	Shawn Koorn	Holly Kennedy	Tom Gould	Josiah Close	Kevin Lorentzen	Tom Hoffman	Admin Assistance	Total Project
	Hourly Billing Rates	\$285.00	\$315.00	\$295.00	\$150.00	\$220.00	\$150.00	\$145.00	
1	Initial Proj. Mtg. / Written Data Request								
	Hours -	6	4	0	8	0	0	2	20
	Labor Cost	\$1,710	\$1,260	\$0	\$1,200	\$0	\$0	\$290	\$4,460
2	Review/Eval. Written Financial Policies								
	Hours -	2	0	0	6	2	0	2	12
	Labor Cost	\$570	\$0	\$0	\$900	\$440	\$0	\$290	\$2,200
3	Revenue Require. Analysis (Fin. Plan)								
	Hours -	16	0	2	40	2	0	2	62
	Labor Cost	\$4,560	\$0	\$590	\$6,000	\$440	\$0	\$290	\$11,880
4	Cost of Service Analysis								
	Hours -	20	0	2	40	4	6	2	74
	Labor Cost	\$5,700	\$0	\$590	\$6,000	\$880	\$900	\$290	\$14,360
5	Rate Design Analysis								
	Hours -	8	0	2	24	2	0	2	38
	Labor Cost	\$2,280	\$0	\$590	\$3,600	\$440	\$0	\$290	\$7,200
6	Written Report								
	Hours -	4	4	4	12	0	0	2	26
	Labor Cost	\$1,140	\$1,260	\$1,180	\$1,800	\$0	\$0	\$290	\$5,670
7	Public Meetings and Presentations								
	Public Outreach/Comm Mtgs. (4)	24	0	1	6	0	0	2	33
	Water Advisory Group (4 meetings)	24	0	1	6	0	0	2	33
	Council Water Committee (4 mtgs)	24	0	1	6	0	0	2	33
	City Council Meeting (1 meeting)	6	0	0	2	0	0	2	10
	Public Meeting/Hearing (3 meetings)	18	0	1	4	0	0	2	25
	Total Hours -	96	0	4	24	0	0	10	134
	Total Labor Cost	\$27,360	\$0	\$1,180	\$3,600	\$0	\$0	\$1,450	\$33,590
8	Proposition 218 Assistance								
	Hours -	10	0	2	6	0	0	0	18
	Labor Cost	\$2,850	\$0	\$590	\$900	\$0	\$0	\$0	\$4,340
9	Rate Models								
	Hours -	0	0	0	4	0	0	0	4
	Labor Cost	\$0	\$0	\$0	\$600	\$0	\$0	\$0	\$600
	Total Hours	162	8	16	164	10	6	22	388
	% of Total Hours	42%	2%	4%	42%	3%	2%	6%	100%
	Total Labor Costs	\$46,170	\$2,520	\$4,720	\$24,600	\$2,200	\$900	\$3,190	\$84,300
Expenses									
	Airfare (20 @ \$355/RT)								\$7,100
	Hotel (18 @ \$200/night)								3,600
	Car Rental (20 days @ \$90/day)								1,800
	Meals								1,300
	Mileage/Parking								1,200
	Miscellaneous (phone, copies, fax, etc.)								665
	Total Expenses								\$15,665
	Grand Total Project Fee Estimate								\$99,965