

CONSULTING SERVICES AGREEMENT

This Agreement, effective August 11, 2003, is between City of Mason (CLIENT) and BLACK & VEATCH CORPORATION (CONSULTANT). CONSULTANT shall perform the services described in attached Exhibit A--Scope of Services (Services) and shall be paid in accordance with attached Exhibit B--Compensation.

- 1. CONSULTANT warrants that it shall perform the Services in accordance with the standards of care and diligence normally practiced by recognized consulting firms in performing services of a similar nature. No other warranty, express or implied, is included in this Agreement or in any drawing, specification, report, or opinion produced pursuant to this Agreement.
2. CONSULTANT shall maintain in force, during the period that the Services are performed, workers' compensation insurance in accordance with the laws of the states having jurisdiction over CONSULTANT's employees who are engaged in the Services and employer's liability insurance with a limit of \$100,000 each occurrence. CONSULTANT also shall maintain commercial general liability and automobile liability insurance policies, each with combined single limits of \$1,000,000 per occurrence, and professional liability insurance with an aggregate limit of \$1,000,000.
3. CONSULTANT shall indemnify CLIENT against any and all claims, demands and causes of action for bodily injury to or death of persons or for damage to or destruction of property resulting solely from any and all negligent physical acts of CONSULTANT while at CLIENT's facility.
4. In performance of the Services, it is understood that CONSULTANT may be supplied with certain information and/or data by CLIENT and/or others, and that CONSULTANT will rely on such information. It is agreed that the accuracy of such information is not within CONSULTANT's control and CONSULTANT shall not be liable for its accuracy, nor for its verification, except to the extent that such verification is expressly a part of CONSULTANT's Scope of Services.
5. CONSULTANT shall retain its rights in its standard drawing details, designs, specifications, databases, computer software, models and any other proprietary property. Rights to intellectual property developed, utilized, or modified in the performance of the Services shall remain the property of the CONSULTANT.
6. CLIENT may, with or without cause, terminate the Services at any time upon ten working days written notice to CONSULTANT. In such case, CONSULTANT shall be paid costs incurred and fees earned to the date of termination and through demobilization and neither party shall be entitled to any other compensation or damages from the other.
7. CLIENT may audit and inspect CONSULTANT's records and accounts covering reimbursable costs for a period of six months following the completion of CONSULTANT's Services. The purpose of any such audit shall be only for verification of such costs. CONSULTANT shall not be required to keep records of or provide access to those of its costs expressed as fixed rates, a lump sum, or as a percentage of other costs.
8. CONSULTANT's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made on the basis of available information and CONSULTANT's expertise and qualifications as a professional. CONSULTANT does not warrant or guarantee that its opinions, estimates, projections or forecasts of current and future levels and events will not vary from CLIENT's estimates or forecasts or from actual outcomes.
9. The parties agree to look solely to each other with respect to performance of this Agreement. CONSULTANT may subcontract portions of the Services to its successor, related or affiliated entities. Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than CLIENT and CONSULTANT. Except for CLIENT'S obligation to make payments, neither party shall be in default hereunder to the extent such default is caused by a cause or circumstance beyond such party's reasonable control.
10. Neither party shall be responsible or held liable to the other party for special, indirect, incidental, punitive, exemplary, or consequential damages, including, but not limited to, loss of profit, loss of investment, loss of product, or business interruption. CONSULTANT's total aggregate liability under this Agreement for any reason whatsoever shall not exceed the compensation received by CONSULTANT under this Agreement, and CLIENT agrees to release, defend, indemnify, and hold CONSULTANT harmless from and against any and all further liability in excess thereof arising in any manner from the Services. In the event such provision is determined to exceed the maximum scope allowed by law, said provision shall be interpreted and enforced so as to preserve the indemnity, release or limitation to the maximum extent allowable. The warranties, obligations, liabilities and remedies of the parties, as provided herein, are exclusive and in lieu of any others available at law, equity or otherwise. Indemnifications against, releases from, and limitations of liability and waivers of subrogation shall apply notwithstanding the fault, negligence (whether active, passive, joint or concurrent), strict liability or other theory of legal liability of the party indemnified, released or whose liability is limited and shall be effective to, and only to, the maximum extent allowable by law.
11. Any purchase orders issued by CLIENT shall be deemed to be for CLIENT'S convenience only and, notwithstanding acceptance of such orders by CONSULTANT, shall in no way change or add to the terms and conditions of this Agreement.

This Agreement and the attached Exhibits constitute the entire Agreement. No other representations of any kind, oral or otherwise, shall have any effect. This Agreement shall be governed by the laws of the state of Missouri, without giving effect to the principles thereof relating to conflicts of law.

City of Mason (CLIENT)
By: [Signature]
Date: 8/20/03

Black & Veatch Corporation (CONSULTANT)
By: [Signature]
Date: 8-29-03

# EXHIBIT A

## SCOPE OF SERVICES

Black & Veatch Corporation (“Black & Veatch”) will conduct a comprehensive financial study for the City’s Wastewater Utility. The objectives of the work effort include providing an independent, expert review of the adequacy of the Utility’s revenues to meet revenue requirements and an analysis of the extent to which existing rates and charges result in equitable recovery of the costs of serving customers.

The proposed project will include projections of revenue requirements, analyses of the costs of providing utility service to utility customers, design of rates and charges and assistance in implementing the rates and charges. The scope of services is divided into five separate and distinct sections, each of which is interrelated:

1. Revenue Requirements
2. Cost of Service Analyses
3. Rates and Charges Analysis
4. Report Preparation
5. Implementation Assistance.

The individual tasks associated with each of these sections are discussed herein.

### **REVENUE REQUIREMENTS**

Revenue requirements will be projected for a six-year study period, (current year plus five future years) initiating with the most current budget.

### **TASK A – DATA COLLECTION**

This task will involve collecting and reviewing basic data provided by the City, reports by others, historical and current financial information, bond prospectuses, and operating and capital budgets. Where possible, financial data will be reviewed in the current computer model or collected in electronic form, to avoid duplication of effort with regard to data entry and to ensure data accuracy. Specific subtasks will include:

#### ***Data Request***

We will furnish the City with a list of basic data needed to conduct the study. The list may include detailed information regarding: customer information by service area, background information on current billing policies, financial and operating data, historical customer account and billing records, reports by others, audits, budgets, fixed asset records, bond prospectuses, debt service schedules, and ordinances.

#### ***Review and Evaluation of Basic Data***

We will review all data received in detail to ensure its completeness and our understanding of historical operations and requirements reflected therein.

#### ***Supplemental Data Request***

As the study progresses after initial data is evaluated, we may submit requests for additional data and clarifications of initial data received.

## **TASK B – REVIEW OF EXISTING RATES AND CHARGES**

The purpose of this task will be to analyze the current rate methodologies, miscellaneous charges, and billing policies in order to gain an understanding of the existing cost recovery mechanisms of the utility. Specific subtasks of this analysis will include:

### ***Review of Existing Rate Methodologies***

We will conduct a review of the current methodologies the City utilizes to develop rates and charges for wastewater service. This review will include discussions with utility management regarding rate policy issues and if applicable, review of contractual provisions with entities that receive utility service from the City. This review will form the foundation for assessing the adequacy of the existing methodologies to equitably recover cost of service allocations developed in subsequent tasks.

## **TASK C – PROJECTION OF REVENUES UNDER EXISTING RATES**

This task will include a detailed analysis of historical sales and customers served by class and corresponding projections for the six-year study period. The results of this analysis will provide a sound basis for estimating future revenue levels under existing and proposed rates and provide a basis of future operating expenses such as power and chemicals and needed capital improvements. Specific activities include:

### ***Customer Account, Volume, Area, and Consumption Projections***

We will project the number of utility customers and billable volumes for the six-year planning period by considering historical population and customer growth trends, major local economic events, changes in customer class usage patterns over time, and experienced judgment provided by City staff. The volume projections will be based on the projected number of utility customers by customer class and a usage per account analysis to differentiate the historical effects of account growth and increased or decreased usage by existing customers. Through our work with GCWW, Cincinnati MSD, and our previous work for the City, we are very familiar with the information available from GCWW's billing system.

### ***Projection of Revenues under Existing Rates***

Projection of utility revenues under existing rates and charges will be developed for the six-year study period, recognizing projected accounts, volumes, and customer class revenue per unit volume. This projection will also include evaluation of revenues to be generated by the existing schedule of miscellaneous charges.

## **TASK D – REVENUE REQUIREMENTS AND CASH FLOW ANALYSES**

The development of revenue requirements will be based on an examination of historical financial reports, current operating budgets, and capital improvement programs. By combining the revenue and revenue requirements projections, a cash flow analysis of the utility's operations will be developed for the six-year study period. Detailed utility analyses will provide an indication of the degree of overall adjustments in respective annual revenue levels needed to meet the projected revenue requirements. The cash flow analyses developed will provide the utility with an updated projection of its operations. These projections will be produced in formats that facilitate cost of service and rate design efforts as well as any formats that are traditionally used by the City.

### ***Project Other Income***

Interest income and revenue from other non-operating sources will be reviewed and projections made.

### ***Project Operation and Maintenance Expense***

Projections of operation and maintenance expense will be developed by Black & Veatch to facilitate analysis and cost allocations. We will project operation and maintenance expense based on an analysis of historical financial records and trends, and budgeted operation and maintenance expense incurred in providing service to utility customers. Projections will recognize estimated increases in the number of customers served and utility sales volume, as well as the potential effects of continued inflation in cost levels, the addition of new system facilities, anticipated changes in operation and staffing, and other factors which may influence future expense levels. Costs analyzed will include salaries and fringes, insurance, utility, and treatment supplies.

### ***Routine Capital Expenditures***

Based on analysis of historical data and discussions with City staff, we will forecast the requirements for capital outlays that recur on an annual basis. Such expenditures consist of expenditures for the normal and ongoing replacement of worn out or obsolete equipment. These requirements are typically financed directly from utility operating revenues.

### ***Capital Improvement Program Financing Plan***

We will develop a financing plan for the City's six-year major capital improvement program. Recommended financing of the major capital improvement program will be based on consideration of available funding, revenue bond covenants, impact on utility rate levels, and City policy.

### ***Debt Service Expense***

Projections of principal and interest payments on outstanding debt obligations and any additional bonds for major capital improvements will be developed for the forecast study period. Where appropriate, we will work with the City's underwriter to develop debt service schedules for future debt. The debt service on additional bonds and bond sizing will consider the amount of bond proceeds required for construction, issuance costs, and funding of any reserves required.

### ***Projected Revenue Adjustments***

We will prepare cash flow analyses summarizing the above projections of revenues and revenue requirements to determine the adequacy of revenues under existing rate levels for the six-year study period. Forecasted revenues will include revenue under existing rates for utility service, other operating income and interest income. Revenue requirements will be determined on a cash needs basis and will include operation and maintenance expense, routine capital expenditures, the revenue financed portion of major capital improvements, debt service on currently outstanding and any required additional bonds, bond covenant requirements, and any other indicated revenue requirements. In addition, the revenue requirements will include nominal allowances for working capital and contingency balances as considered necessary for a fully self-supporting utility operation. Such allowance is considered necessary for providing operating funds during periods of depressed sales and for unscheduled or emergency expenditures.

### ***Review by the City***

The proposed financial plan will be presented to City staff for their review and comments. At this time adjustments may be made in the major capital improvement program so that projected rate increases are at levels acceptable to the City.

### ***Test Year Cost of Service***

A test year will be selected for the purpose of conducting cost allocations and initial rate design. Typically, the test year is the most recent fiscal year or a year during the forecast period. The overall

cost of service to be recovered is equal to revenue under existing rates plus the recommended overall revenue increase.

### **COST OF SERVICE ANALYSES**

The cost of service to be paid from utility revenues is equal to operation and maintenance expense plus all capital related costs less revenues from interest income and other non-operating sources. Costs of service will be apportioned among customer classes on a utility basis, that is, in terms of operating expenses, depreciation expense, and return.

### **TASK E – DETERMINATION OF CUSTOMER CLASSES**

Cost of service will be allocated to groups of customers with similar service requirements and ownership status of the utility. Customers are typically grouped into residential, commercial, industrial, high volume and high strength users, and wholesale groups. We will:

#### ***Determine Appropriate Customer Classes***

Review the existing customer class designations to determine appropriateness and equitability and recommend to the City any revised and/or new customer class designations, as needed.

#### ***Determine Customer Class Characteristics***

Determine usage and billing characteristics of each customer class. The characteristics include total annual billable contributed volume, wastewater pollutant characteristics, responsibility for infiltration and inflow in the wastewater system, and customer billing requirements. Estimates of class loading will be based on bill tabulation data, system operating statistics, available special studies, and our judgment and experience.

### **TASK F – ALLOCATION OF COSTS OF SERVICE**

Costs of service, or revenue requirements to be met from rates, will be first allocated to functional cost components to provide a basis for subsequent allocations to customer classes, which will recognize estimates of each class' service requirements. Class allocations will be compared to estimates of corresponding class revenues under existing rates to identify relative adjustments by class, and in total for the utility system, to align revenues with allocated costs.

#### **Functional Cost Allocations**

We will allocate test year costs of service to various cost components that constitute functional classifications of the types of service each utility is required to provide. The development of functional cost allocations will recognize cost-causative factors including volume, strengths, and service considerations of specific customer classes.

#### **Development of Customer Class Units of Service**

We will estimate customer class service characteristics associated with each of the functional cost elements recognizing the bill distribution analysis, applicable data available in City records, engineering judgment about customer class service requirements, and experience with other utility operations with similar usage characteristics and patterns.

#### **Allocation of Costs to Customer Classes**

We will distribute costs by functional component to customer classes using unit costs of service applicable to all system users and class units of service to determine each class' proportional responsibility for total system costs. The relative responsibility of each class of utility customers will be specifically determined based on each class' or users' estimated service requirements.

### **Determination of Revenue Adequacy**

We will prepare a comparison of class revenues under existing utility rates with allocated class costs of service to determine the level of cost recovery by class, and in total, and to demonstrate any needed adjustments to align class revenues and allocated costs.

### **RATES AND CHARGES ANALYSES**

Rates and charges designed to recover the costs of service from each customer class will be designed. Findings of the miscellaneous charges review will be incorporated into the rate design.

### **TASK G – DESIGN OF RATES AND CHARGES**

A schedule of rates and charges will be developed, which approximately recover the costs of service from each customer class over the six-year implementation period. Specific subtasks will include:

#### ***Determination of Revenue to be Generated by Rates and Charges.***

Revenue to be recovered from the rate structures will reflect the total cost of service as determined by the utility-based analysis.

#### ***Development of Rates***

We will develop a schedule of rates and charges that equitably and efficiently recover total revenue requirements. Specific issues to be addressed include:

#### ***Proposed Rate Revenue Adequacy***

We will compare revenues expected from each customer class under proposed rates to determine cost recovery from individual customer classes and for the System in general.

#### ***Typical Bill Comparison***

We will prepare comparisons of typical bills under existing and proposed rates for each customer class under various levels of billable usage and meter sizes.

### **REPORT PREPARATION**

#### **TASK H – REPORT PREPARATION**

A report will be developed which summarize the study approach, assumptions, findings and recommendations. The report will be submitted in draft form for review by City staff before a final report is published. Specific subtasks will include:

#### ***Draft Report Preparation***

We will prepare a draft report covering development of revenue requirements, financial plans, cost of service allocations, rate design findings, and recommendations. This draft report will be available for the City's review and approval. We will make every reasonable effort to accommodate any recommendations made by the City as a result of the review process.

#### ***Final Report Preparation***

Based on the City's review comments, we will revise the draft reports as necessary for delivery of the final reports to the City. We will be available to present the findings and study results to various City of Mason governmental entities.

## **IMPLEMENTATION ASSISTANCE**

### **TASK I – PUBLIC HEARINGS**

Recognizing the importance of public input and acceptance of the study recommendations, we will be available to participate in one council and/or public meeting. Presentations will incorporate needed graphics to explain methodologies used in developing proposed revenue requirements and corresponding rates.

## EXHIBIT B

### Compensation

#### Standard Billing Rates

Principal Consultant	\$215/hr
Consultant	\$145/hr
Senior Associate	\$110/hr
Administrative Support	\$ 60/hr

Technology Charge (includes computer, telephone, postage) \$10/billed hr; all other direct expenses are charged at cost.

#### Contract Amount

Consulting services will be provided on a not to exceed basis. Work effort, at the above stated billing rates, plus expenses are not anticipated to exceed \$24,980. Barring any unforeseen issues with access to needed data, we anticipate delivery of the scope of services to require a work effort of approximately 50 hours for the not to exceed amount.

#### Payment Terms

Charges will be invoiced at the end of each of our standard monthly accounting periods based on the work performed during the respective accounting period. All invoices are due upon receipt. Payments due Consultant under this Agreement shall be electronically transferred either by ACH, specifically in CCD+ or CTX format, or wire transfer to the bank account and in accordance with the bank instructions identified in Consultant's most recent invoice in immediately available funds no later than the payment due date. Invoice number and project name shall be referenced in the bank wire reference fields or the ACH addenda information. In the event that such electronic funds transfer methods are not available to Client, then payments due Consultant under this Agreement shall be made by check and mailed to the PO Box identified in the remittance instructions on the Consultant's most recent invoice, and received by Consultant no later than the payment due date. Invoice number and project name shall be referenced on the remittance advice and mailed with the check to the PO Box.