

PROFESSIONAL SERVICES AGREEMENT
[Water and Sanitation Rate Study Services]

THIS PROFESSIONAL SERVICES AGREEMENT (the "Agreement") is made at Orange, California, on this ____ day of _____, 2026 (the "Effective Date") by and between the CITY OF ORANGE, a municipal corporation ("City"), and RAFTELIS FINANCIAL CONSULTANTS, INC., a North Carolina corporation ("Contractor"), who agree as follows:

1. Services. Subject to the terms and conditions set forth in this Agreement, Contractor shall provide to the reasonable satisfaction of City the services set forth in Exhibit "A," which is attached hereto and incorporated herein by reference. As a material inducement to City to enter into this Agreement, Contractor represents and warrants that it has thoroughly investigated and considered the scope of services and fully understands the difficulties and restrictions in performing the work. The services which are the subject of this Agreement are not in the usual course of City's business and City relies on Contractor's representation that it is independently engaged in the business of providing such services and is experienced in performing the work. Contractor shall perform all services in a manner reasonably satisfactory to City and in a manner in conformance with the standards of quality normally observed by an entity providing such services to a municipal agency. All services provided shall conform to all federal, state and local laws, rules and regulations and to the best professional standards and practices. The terms and conditions set forth in this Agreement shall control over any terms and conditions in Exhibit "A" to the contrary.

2. Compensation and Fees.

a. Contractor's total compensation for all services performed under this Agreement, shall not exceed EIGHTY-NINE THOUSAND SEVEN HUNDRED EIGHTEEN DOLLARS and 00/100 (\$89,718.00) without the prior written authorization of City.

b. The above compensation shall include all costs, including, but not limited to, all clerical, administrative, overhead, insurance, reproduction, telephone, travel, auto rental, subsistence and all related expenses.

3. Payment.

a. As scheduled services are completed, Contractor shall submit to City an invoice for the services completed, authorized expenses and authorized extra work actually performed or incurred.

b. All such invoices shall state the basis for the amount invoiced, including services completed, the number of hours spent and any extra work performed.

c. City will pay Contractor the amount invoiced within thirty (30) days after the approval of the invoice.

d. Payment shall constitute payment in full for all services, authorized costs and authorized extra work covered by that invoice.

4. **Change Orders.** No payment for extra services caused by a change in the scope or complexity of work, or for any other reason, shall be made unless and until such extra services and a price therefor have been previously authorized in writing and approved by City as an amendment to this Agreement. City's Project Manager is authorized to approve a reduction in the services to be performed and compensation therefor. All amendments shall set forth the changes of work, extension of time, and/or adjustment of the compensation to be paid by City to Contractor and shall be signed by the City's Project Manager, City Manager or City Council, as applicable.

5. **Licenses.** Contractor represents that it and any subcontractors it may engage, possess any and all licenses which are required under state or federal law to perform the work contemplated by this Agreement and that Contractor and its subcontractors shall maintain all appropriate licenses, including a City of Orange business license, at its cost, during the performance of this Agreement.

6. **Independent Contractor.** At all times during the term of this Agreement, Contractor shall be an independent contractor and not an employee of City. City shall have the right to control Contractor only insofar as the result of Contractor's services rendered pursuant to this Agreement. City shall not have the right to control the means by which Contractor accomplishes services rendered pursuant to this Agreement. Contractor shall, at its sole cost and expense, furnish all facilities, materials and equipment which may be required for furnishing services pursuant to this Agreement. Contractor shall be solely responsible for, and shall indemnify, defend and save City harmless from all matters relating to the payment of its subcontractors, agents and employees, including compliance with social security withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever. Contractor acknowledges that it and any subcontractors, agents or employees employed by Contractor shall not, under any circumstances, be considered employees of City, and that they shall not be entitled to any of the benefits or rights afforded employees of City, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits.

7. **Contractor Not Agent.** Except as City may specify in writing, Contractor shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Contractor shall have no authority, express or implied, to bind City to any obligation whatsoever.

8. **Designated Persons.** Only those qualified persons authorized by City's Project Manager, or as designated in Exhibit "A," shall perform work provided for under this Agreement. It is understood by the parties that clerical and other nonprofessional work may be performed by persons other than those designated.

9. **Assignment or Subcontracting.** No assignment or subcontracting by Contractor of any part of this Agreement or of funds to be received under this Agreement shall be of any force or effect unless the assignment has the prior written approval of City. City may terminate this

Agreement rather than accept any proposed assignment or subcontracting. Such assignment or subcontracting may be approved by the City Manager or his/her designee.

10. Time of Completion. Except as otherwise specified in Exhibit "A," Contractor shall commence the work provided for in this Agreement within five (5) days of the Effective Date of this Agreement and diligently prosecute completion of the work in accordance with the time period set forth in Exhibit "A" hereto or as otherwise agreed to by and between the representatives of the parties.

11. Time Is of the Essence. Time is of the essence in this Agreement. Contractor shall do all things necessary and incidental to the prosecution of Contractor's work.

12. Reserved.

13. Delays and Extensions of Time. Contractor's sole remedy for delays outside its control, other than those delays caused by City, shall be an extension of time. No matter what the cause of the delay, Contractor must document any delay and request an extension of time in writing at the time of the delay to the satisfaction of City. Any extensions granted shall be limited to the length of the delay outside Contractor's control. If Contractor believes that delays caused by City will cause it to incur additional costs, it must specify, in writing, why the delay has caused additional costs to be incurred and the exact amount of such cost at the time the delay occurs. No additional costs can be paid that exceed the not to exceed amount stated in Section 2.a, above, absent a written amendment to this Agreement.

14. Products of Contractor. The documents, studies, evaluations, assessments, reports, plans, citations, materials, manuals, technical data, logs, files, designs and other products produced or provided by Contractor for this Agreement shall become the property of City upon receipt. Contractor shall deliver all such products to City prior to payment for same. City may use, reuse or otherwise utilize such products without restriction.

15. Equal Employment Opportunity. During the performance of this Agreement, Contractor agrees as follows:

a. Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, mental or physical disability, or any other basis prohibited by applicable law. Contractor shall ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, national origin, mental or physical disability, or any other basis prohibited by applicable law. Such actions shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants for employment, a notice setting forth provisions of this non-discrimination clause.

b. Contractor shall, in all solicitations and advertisements for employees placed by, or on behalf of Contractor, state that all qualified applicants will receive consideration

for employment without regard to race, color, religion, sex, national origin, mental or physical disability, or any other basis prohibited by applicable law.

c. Contractor shall cause the foregoing paragraphs (a) and (b) to be inserted in all subcontracts for any work covered by this Agreement, provided that the foregoing provisions shall not apply to subcontracts for standard commercial supplies or raw materials.

16. Conflicts of Interest. Contractor agrees that it shall not make, participate in the making, or in any way attempt to use its position as a consultant to influence any decision of City in which Contractor knows or has reason to know that Contractor, its officers, partners, or employees have a financial interest as defined in Section 87103 of the Government Code.

17. Indemnity.

a. To the fullest extent permitted by law, Contractor agrees to indemnify, defend and hold City, its City Council and each member thereof, and the officers, officials, agents and employees of City (collectively the "Indemnitees") entirely harmless from all liability arising out of:

(1) Any and all claims under workers' compensation acts and other employee benefit acts with respect to Contractor's employees or Contractor's subcontractor's employees arising out of Contractor's work under this Agreement, including any and all claims under any law pertaining to Contractor or its employees' status as an independent contractor and any and all claims under Labor Code section 1720 related to the payment of prevailing wages for public works projects; and

(2) Any claim, loss, injury to or death of persons or damage to property caused by any act, neglect, default, or omission of Contractor, or person, firm or corporation employed by Contractor, either directly or by independent contract, including all damages due to loss or theft sustained by any person, firm or corporation including the Indemnitees, or any of them, arising out of, or in any way connected with the work or services which are the subject of this Agreement, including injury or damage either on or off City's property; but not for any loss, injury, death or damage caused by the active negligence or willful misconduct of City. Contractor, at its own expense, cost and risk, shall indemnify any and all claims, actions, suits or other proceedings that may be brought or instituted against the Indemnitees on any such claim or liability covered by this subparagraph, and shall pay or satisfy any judgment that may be rendered against the Indemnitees, or any of them, in any action, suit or other proceedings as a result of coverage under this subparagraph.

b. To the fullest extent permitted by law, and as limited by California Civil Code 2782.8, Contractor agrees to indemnify and hold Indemnitees harmless from all liability arising out of any claim, loss, injury to or death of persons or damage to property to the extent caused by its negligent professional act or omission in the performance of professional services pursuant to this Agreement.

c. Except for the Indemnitees, the indemnifications provided in this Agreement shall not be construed to extend any third party indemnification rights of any kind to any person or entity which is not a signatory to this Agreement.

d. The indemnities set forth in this section shall survive any closing, rescission, or termination of this Agreement, and shall continue to be binding and in full force and effect in perpetuity with respect to Contractor and its successors.

18. Insurance.

a. Contractor shall carry workers' compensation insurance as required by law for the protection of its employees during the progress of the work. Contractor understands that it is an independent contractor and not entitled to any workers' compensation benefits under any City program.

b. Contractor shall maintain during the life of this Agreement the following minimum amount of comprehensive general liability insurance or commercial general liability insurance: the greater of (1) One Million Dollars (\$1,000,000) per occurrence; or (2) all the insurance coverage and/or limits carried by or available to Contractor. Said insurance shall cover bodily injury, death and property damage and be written on an occurrence basis.

c. Contractor shall maintain during the life of this Agreement, the following minimum amount of automotive liability insurance: the greater of (1) a combined single limit of One Million Dollars (\$1,000,000); or (2) all the insurance coverage and/or limits carried by or available to Contractor. Said insurance shall cover bodily injury, death and property damage for all owned, non-owned and hired vehicles and be written on an occurrence basis.

d. Any insurance proceeds in excess of or broader than the minimum required coverage and/or minimum required limits which are applicable to a given loss shall be available to City. No representation is made that the minimum insurance requirements of this Agreement are sufficient to cover the obligations of Contractor under this Agreement.

e. Each policy of general liability and automotive liability shall provide that City, its officers, officials, agents, and employees are declared to be additional insureds under the terms of the policy, but only with respect to the work performed by Contractor under this Agreement. A policy endorsement to that effect shall be provided to City along with the certificate of insurance. In lieu of an endorsement, City will accept a copy of the policy(ies) which evidences that City is an additional insured as a contracting party. The minimum coverage required by Subsection 18.b and c, above, shall apply to City as an additional insured. Any umbrella liability insurance that is provided as part of the general or automobile liability minimums set forth herein shall be maintained for the duration of the Agreement.

f. Contractor shall maintain during the life of this Agreement professional liability insurance covering errors and omissions arising out of the performance of this Agreement with a minimum limit of One Million Dollars (\$1,000,000) per claim. Contractor agrees to keep

such policy in force and effect for at least five (5) years from the date of completion of this Agreement.

g. The insurance policies maintained by Contractor shall be primary insurance and no insurance held or owned by City shall be called upon to cover any loss under the policy. Contractor will determine its own needs in procurement of insurance to cover liabilities other than as stated above.

h. Before Contractor performs any work or prepares or delivers any materials, Contractor shall furnish certificates of insurance and endorsements, as required by City, evidencing the aforementioned minimum insurance coverages on forms acceptable to City, which shall provide that the insurance in force will not be canceled or allowed to lapse without at least ten (10) days' prior written notice to City.

i. Except for professional liability insurance coverage that may be required by this Agreement, all insurance maintained by Contractor shall be issued by companies admitted to conduct the pertinent line of insurance business in California and having a rating of Grade A or better and Class VII or better by the latest edition of Best Key Rating Guide. In the case of professional liability insurance coverage, such coverage shall be issued by companies either licensed or admitted to conduct business in California so long as such insurer possesses the aforementioned Best rating.

j. Contractor shall immediately notify City if any required insurance lapses or is otherwise modified and cease performance of this Agreement unless otherwise directed by City. In such a case, City may procure insurance or self-insure the risk and charge Contractor for such costs and any and all damages resulting therefrom, by way of set-off from any sums owed Contractor.

k. Contractor agrees that in the event of loss due to any of the perils for which it has agreed to provide insurance, Contractor shall look solely to its insurance for recovery. Contractor hereby grants to City, on behalf of any insurer providing insurance to either Contractor or City with respect to the services of Contractor herein, a waiver of any right to subrogation which any such insurer may acquire against City by virtue of the payment of any loss under such insurance.

l. Contractor shall include all subcontractors, if any, as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor to City for review and approval. All coverages for subcontractors shall be subject to all of the requirements stated herein.

19. Termination. City may for any reason terminate this Agreement by giving Contractor not less than five (5) days' written notice of intent to terminate. Upon receipt of such notice, Contractor shall immediately cease work, unless the notice from City provides otherwise. Upon the termination of this Agreement, City shall pay Contractor for services satisfactorily provided and all allowable reimbursements incurred to the date of termination in compliance with

this Agreement, unless termination by City shall be for cause, in which event City may withhold any disputed compensation. City shall not be liable for any claim of lost profits.

20. Maintenance and Inspection of Records. In accordance with generally accepted accounting principles, Contractor and its subcontractors shall maintain reasonably full and complete books, documents, papers, accounting records, and other information (collectively, the “records”) pertaining to the costs of and completion of services performed under this Agreement. City and its authorized representatives shall have access to and the right to audit and reproduce any of Contractor’s records regarding the services provided under this Agreement. Contractor shall maintain all such records for a period of at least three (3) years after termination or completion of this Agreement. Contractor agrees to make available all such records for inspection or audit at its offices during normal business hours and upon three (3) days’ notice from City, and copies thereof shall be furnished if requested.

21. Compliance with all Laws/Immigration Laws.

a. Contractor shall be knowledgeable of and comply with all local, state and federal laws which may apply to the performance of this Agreement.

b. If the work provided for in this Agreement constitutes a “public works,” as that term is defined in Section 1720 of the California Labor Code, for which prevailing wages must be paid, to the extent Contractor’s employees will perform any work that falls within any of the classifications for which the Department of Labor Relations of the State of California promulgates prevailing wage determinations, Contractor hereby agrees that it, and any subcontractor under it, shall pay not less than the specified prevailing rates of wages to all such workers. The general prevailing wage determinations for crafts can be located on the website of the Department of Industrial Relations (www.dir.ca.gov/DLSR). Additionally, to perform work under this Contract, Contractor must meet all State registration requirements and criteria, including project compliance monitoring.

c. Contractor represents and warrants that it:

(1) Has complied and shall at all times during the term of this Agreement comply, in all respects, with all immigration laws, regulations, statutes, rules, codes, and orders, including, without limitation, the Immigration Reform and Control Act of 1986 (IRCA); and

(2) Has not and will not knowingly employ any individual to perform services under this Agreement who is ineligible to work in the United States or under the terms of this Agreement; and

(3) Has properly maintained, and shall at all times during the term of this Agreement properly maintain, all related employment documentation records including, without limitation, the completion and maintenance of the Form I-9 for each of Contractor’s employees; and

(4) Has responded, and shall at all times during the term of this Agreement respond, in a timely fashion to any government inspection requests relating to immigration law compliance and/or Form I-9 compliance and/or worksite enforcement by the Department of Homeland Security, the Department of Labor, or the Social Security Administration.

d. Contractor shall require all subcontractors or subconsultants to make the same representations and warranties as set forth in Subsection 21.c.

e. Contractor shall, upon request of City, provide a list of all employees working under this Agreement and shall provide, to the reasonable satisfaction of City, verification that all such employees are eligible to work in the United States. All costs associated with such verification shall be borne by Contractor. Once such request has been made, Contractor may not change employees working under this Agreement without written notice to City, accompanied by the verification required herein for such employees.

f. Contractor shall require all subcontractors or sub-consultants to make the same verification as set forth in Subsection 21.e.

g. If Contractor or subcontractor knowingly employs an employee providing work under this Agreement who is not authorized to work in the United States, and/or fails to follow federal laws to determine the status of such employee, that shall constitute a material breach of this Agreement and may be cause for immediate termination of this Agreement by City.

h. Contractor agrees to indemnify and hold City, its officers, officials, agents and employees harmless for, of and from any loss, including but not limited to fines, penalties and corrective measures City may sustain by reason of Contractor's failure to comply with said laws, rules and regulations in connection with the performance of this Agreement.

22. Governing Law and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California and Contractor agrees to submit to the jurisdiction of California courts. Venue for any dispute arising under this Agreement shall be in Orange County, California.

23. Integration. This Agreement constitutes the entire agreement of the parties. No other agreement, oral or written, pertaining to the work to be performed under this Agreement shall be of any force or effect unless it is in writing and signed by both parties. Any work performed which is inconsistent with or in violation of the provisions of this Agreement shall not be compensated.

24. Notice. Except as otherwise provided herein, all notices required under this Agreement shall be in writing and delivered personally, by e-mail, or by first class U.S. mail, postage prepaid, to each party at the address listed below. Either party may change the notice address by notifying the other party in writing. Notices shall be deemed received upon receipt of same or within three (3) days of deposit in the U.S. Mail, whichever is earlier. Notices sent by e-mail shall be deemed received on the date of the e-mail transmission.

“CONTRACTOR”

Raftelis Financial Consultants, Inc.
611 Wilshire Boulevard, Suite 900
Los Angeles, CA 90017
Attn.: Steve Gagnon

Telephone: 213-262-9308
E-Mail: sgagnon@raftelis.com

“CITY”

City of Orange
300 E. Chapman Avenue
Orange, CA 92866-1591
Attn.: Sonny Tran

Telephone: 714-288-2497
E-Mail: stran@cityoforange.org

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically shall have the same effect as original signatures.

[Remainder of page intentionally left blank; signatures on next page]

IN WITNESS of this Agreement, the parties have entered into this Agreement as of the year and day first above written.

"CONTRACTOR"

RAFTELIS FINANCIAL CONSULTANTS,
INC., a North Carolina corporation

*By: Steve Gagnon
Printed Name: STEVE GAGNON
Title: Vice President

*By: Christine McIntyre
Printed Name: Christine McIntyre
Title: CFO

"CITY"

CITY OF ORANGE, a municipal corporation

By: _____
Daniel R. Slater, Mayor

ATTEST:

Pamela Coleman, City Clerk

APPROVED AS TO FORM:

Connor Hyland
Senior Assistant City Attorney

- *NOTE:** City requires the following signature(s) on behalf of the Contractor:
- (1) the Chairman of the Board, the President or a Vice-President, AND (2) the Secretary, the Chief Financial Officer, the Treasurer, an Assistant Secretary or an Assistant Treasurer. If only one corporate officer exists or one corporate officer holds more than one corporate office, please so indicate. OR
 - The corporate officer named in a corporate resolution as authorized to enter into this Agreement. A copy of the corporate resolution, certified by the Secretary close in time to the execution of the Agreement, must be provided to City.

X \

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“CONTRACTOR”

RAFTELIS FINANCIAL CONSULTANTS,
INC., a North Carolina corporation

*By: _____
Printed Name: _____
Title: _____

*By: _____
Printed Name: _____
Title: _____

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Daniel R. Slater, Mayor

ATTEST:

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Connor Hyland
Senior Assistant City Attorney

- *NOTE:**
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 - The corporate officer named in a corporate resolution as authorized to enter into this Agreement. A copy of the corporate resolution, certified by the Secretary close in time to the execution of the Agreement, must be provided to City.

X√

EXHIBIT “A”

SCOPE OF SERVICES

[Beneath this sheet.]

PROJECT APPROACH

Project Approach

A SUMMARY OF OUR SCOPE OF WORK IS AS FOLLOWS:

1. Hold a kick-off meeting to understand main concerns
2. Analyze customer data, which we will use to project revenue in the financial planning process and allocate costs to customers in the cost-of-service analysis
3. Prepare a financial plan that projects all expenses and revenues to assess future revenue needs
4. Perform a cost-of-service analysis, which allocates the City's costs to customer classes
5. Calculate rates for water and sanitation and survey surrounding agencies' water and sanitation, single-family water bills
6. Present or assist staff in presenting results to council, which includes a public hearing
7. Prepare draft and final reports

Task 1: Project Initiation, Management, and Kick-Off

Initial Data Request

Raftelis will submit a comprehensive data request seeking information needed to complete the study. We will come prepared with questions if we receive this data before the kick-off meeting.

Project Kickoff Meeting

A kick-off meeting helps orient the project. Topics will include:

- Discussing project drivers
- Acquainting staff with our project team
- Identifying areas of concern or key issues and confirming study goals and objectives
- Finalizing the work plan and schedule
- Discussing rate objectives
- Discussing the data request and any additional data requirements
- Points of contact and communications protocols

Quality Assurance/Quality Control (QA/QC)

Quality assurance/quality control (QA/QC) is performed at two project milestones: 1) at the completion of the financial plan and 2) after the completion of the cost-of-service and rate design. Our QA/QC procedure is as follows:

1. **Built-In Model Checks:** The model will have several built-in checks to ensure that all expenditures are included. The built-in checks include: 1) ties to the client's total operating budget; 2) a revenue requirement check to ensure rates are collecting the right amount of revenue derived from the financial plan; and 3) a revenue proof to ensure rates are designed to collect the total revenue requirement.
2. **Project Manager Review:** The Project Manager reviews each model worksheet at each project milestone.
3. **Senior Consultant Review:** A Senior Consultant, who is not involved with the project, performs a complete model review. This review includes both modeling integrity and adherence to common rate setting practices. We use an analyst not involved with the project to provide a fresh perspective.

In addition, Raftelis has a 40-point checklist for QA/QC to check the most common modeling oversights. A portion of the checklist is shown below. Raftelis does not do external quality reviews. With the depth of more than 180 consultants, we are confident in our ability to provide QA/QC internally.

Item	Worksheet	Review Step
1	Revenue	Confirm the rates are bimonthly or monthly
2	Revenue	Confirm the latest rates are in the model
3	Revenue	Is calculated revenue within 1 to 2 % of actual revenue?
4	Revenue	Check revenue from year-to-year, does it vary much?
5	Revenue	Do any one-time revenue items need to be removed like sale of assets?
6	O&M	Does the total O&M entered for a particular year tie back to the source document? If not, are you clear why not?
7	O&M	Has depreciation been removed?
8	O&M	Are there any capital items in the budget that need to be removed so as not to double count.
9	O&M	If debt is shown in the budget, is it also in the debt sheet?
10	O&M	Review the year-to-year changes in O&M expenses, is there a big change in one year, if so, why?
11	O&M	Water purchase costs - do they tie back to actuals for a year?
12	O&M	Are calculated water purchase costs close to the budget for years that have a water purchase cost budget?

PLANNED MEETINGS:

- One virtual kick-off meeting

DELIVERABLES:

- Pre-kick-off meeting data request
- Kick-off meeting agenda and meeting minutes

Task 2: Water and Sanitation Financial Plan

Revenue Calculation

After obtaining the City's historical billing data, we will recalculate the City's revenue by multiplying fixed charges by the number of accounts and volumetric use by rates. This confirms that we have the correct number of accounts and water use with which to calculate rates. Other consultants often skip this confirmatory step.

Financial Plan

Raftelis will prepare a 7- to 10-year financial plan model in excel to establish multi-year revenue needs. We will project revenue and expenses so that we can assess if revenue is adequate. Expense projections will be based on current operating and capital budgets, reserve funding needs, and debt service, as applicable. Revenue projections will be based on estimated water consumption, and rates/charges. City staff can adjust expenses and revenue to see the effect on financial health.

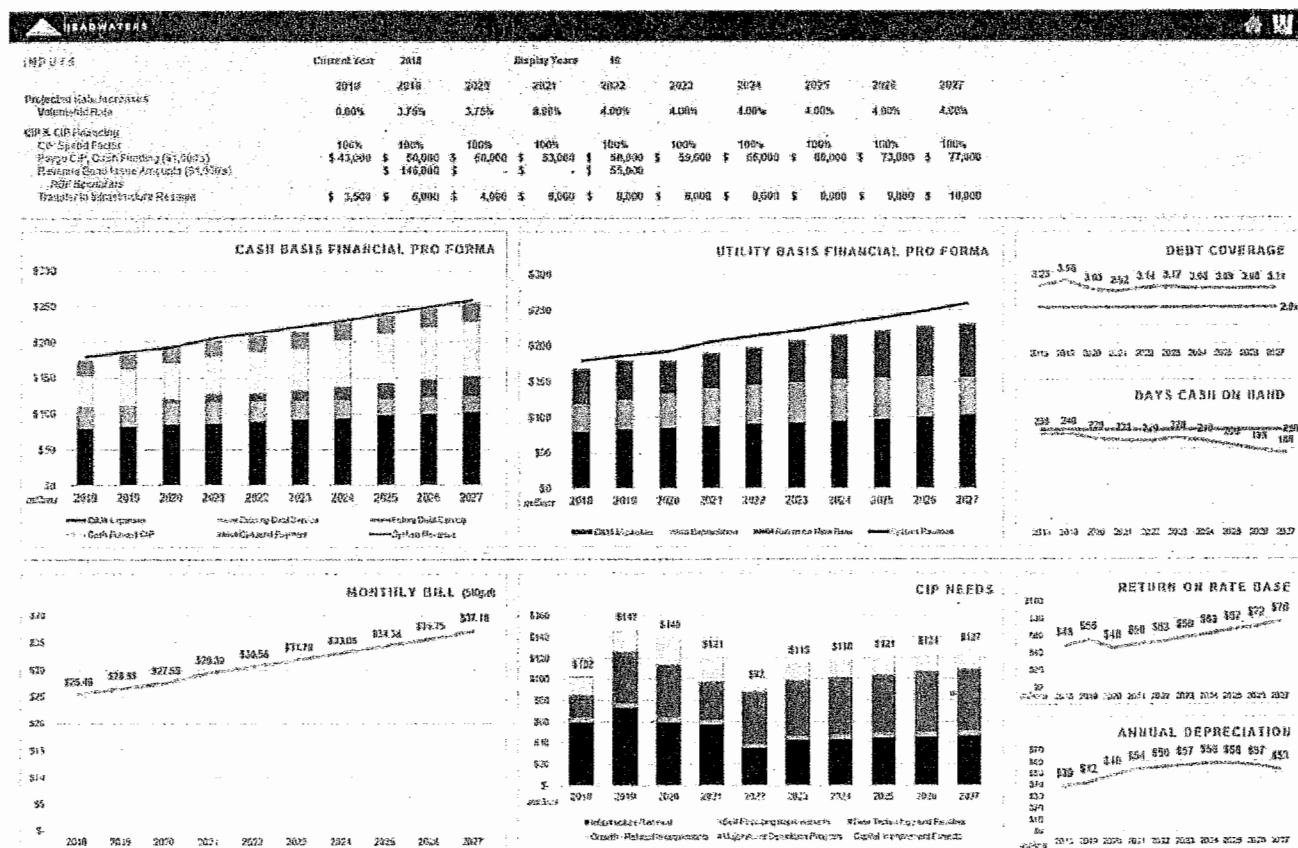
Our models include a dashboard and incorporate the following:

- Flexibility to change assumptions such as water sales, CIP levels, and revenue adjustments
- Error flagging of results such as failure to meet debt coverage, unmet reserve targets, etc.
- Financial metric displays (i.e., operating reserve, debt service coverage, reserve levels)
- Sensitivity analysis that can be viewed immediately

Our model allows the client to analyze different capital investments or other scenarios. The dashboard has proven particularly useful when making presentations to staff or sometimes policymakers by allowing them to appreciate the impacts of their decisions instantly. The figure below shows an example of a typical model dashboard that we developed.

Future Water Volumes

Revenue projections will be based on future water volumes sold. We will discuss reasonable water sales in light of California's Making Water Conservation a Way of Life water use standards and recent water use trends. It is important to be conservative because an agency can always lower rates if sales volumes (revenue) are higher than expected, but it cannot increase rates beyond what has been already shown in the public notice.



Raftelis will develop a customized financial model incorporating a dashboard to allow you to run scenarios and see the impacts in real time easily. A sample dashboard that we developed for another project is shown above.

PLANNED MEETINGS:

- Two virtual meetings to review the Financial Plan

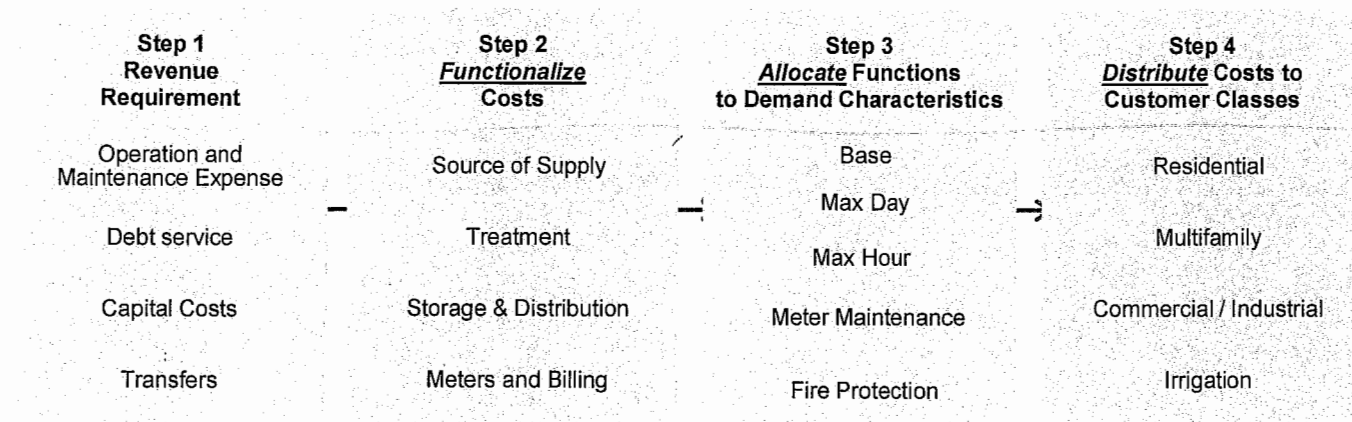
DELIVERABLES:

- Financial Plan model in Microsoft Excel

Task 3: Water and Sanitation Cost-of-Service Analysis

Figure 2 illustrates the water cost of service process. We follow guidelines from the American Water Works Association Manual M1 for water. For wastewater, we follow the Water Environment Federation Manual 27. The cost-of-service analysis provides rate defensibility considering Proposition 218 and determines the total cost to serve each customer class, as shown in the Step 4 box of Figure 2 below.

Figure 2: Water Cost-of-Service Process



PLANNED MEETINGS:

- One virtual meeting if needed

DELIVERABLES:

- Water and sanitation cost-of-service in Microsoft Excel

Task 4: Water and Sanitation Rate Calculation

Proposed Rates and Rate Structure Alternatives

Raftelis will calculate water and sanitation rates for a five-year period, the maximum period allowed by Proposition 218. Proposition 218 will inform our rate calculations.

Though we don't believe recent court cases will affect the City's rates, we will discuss recent Otay, San Diego and LA DWP court cases.

Customer Bill Impact Calculations and Rate Survey

Raftelis will prepare graphs and/or tables to calculate the bill impacts to each customer class from the new water and sanitation rates. We will show the bill impacts for low, average, and high users. We will research bills for at least 7 neighboring agencies. The City likely has neighboring cities it tends to compare itself to – we will include those per the City's direction.

PLANNED MEETINGS:

- Two virtual meetings to discuss the rates

DELIVERABLES:

- Rate calculations in Microsoft Excel
- Comprehensive customer bill impacts for all three utilities
- Rate and bill survey for neighboring cities/agencies

Task 5: Two City Council Presentations or Support Staff During Presentations

We have assumed two on-site City Council presentations. Staff has historically presented, however, at Staff direction we can present or be present to support staff. We have included time to prepare two presentations summarizing study results and the need for revenue increases. We anticipate the first City Council meeting to put forth study results and solicit feedback from council and/or the public. We will incorporate Council feedback from the first presentation into the rate study and present at a second meeting where we will seek Council direction to proceed with the public hearing. We will share the presentation with Staff and incorporate Staff comments.

PLANNED MEETINGS:

- Attendance at two on-site City Council meetings

DELIVERABLES:

- PowerPoint Presentations

Task 6: Draft and Final Rate Study Reports

Raftelis will prepare a draft report including an executive summary. The report will discuss the financial plan assumptions and walk readers through the complete rate derivation. Raftelis will incorporate City staff and attorney comments into the final version.

PLANNED MEETINGS:

- Virtual meetings as needed to discuss reports

DELIVERABLES:

- Draft Water and Sanitation Rate Study Report
- Final Water and Sanitation Rate Study Report

Task 7: Proposition 218 Public Hearing Attendance & Presentation

At Staff's direction, Raftelis can prepare a presentation and present study results at a public hearing or simply attend for Staff support. Raftelis has presented at more than 50 public hearings and is skilled at clearly and concisely explaining the need for rate increases and the risks of inaction. Presentation materials will be provided to the city leadership team for review and comment.

MEETINGS:

- Two virtual meetings to prepare for the Proposition 218 process
- One in-person presentation for the public hearing

DELIVERABLES:

- Proposition 218 presentation in Microsoft PowerPoint

Optional Services

These optional services were not requested in the RFP. However, they can increase rate acceptance, reduce staff workload, and help assess future capital needs.

Community Outreach Open Houses

Engaging the community equitably, to hear and understand their needs and concerns, is integral to building awareness and support for investing in the City's utilities and rate adjustments. Benefits of effective outreach and public participation during the rates' study process include community acceptance of rate changes, enhanced credibility with stakeholders and policymakers, and increased awareness about the need for utility investments. Raftelis offers specialized communication outreach support for which we are prepared to provide at any level desired. We can provide significant value all along the spectrum from low to high. A higher level of support could mean developing a strategic communications and outreach plan on your behalf or designing a robust suite of supporting communications tools, like bill inserts, postcard mailers, FAQs, infographics, fact sheets, and explainer videos.

Optional engagements for the City to consider are in-person community open houses to inform the public of the reasons for rate changes. Our strategic communications subject matter expert, Gina DePinto, APR (Accredited in Public Relations), would plan and coordinate the outreach events with City staff. We recommend offering at least two community open house events to be held at appropriate community locations and potentially virtually. Open houses allow convenient, one-on-one communication with customers in a low-conflict setting, ensuring that customers can answer their questions while City staff benefit from listening to community feedback. As proposed, we recommend two in-person community open houses.

Proposition 218 Notice

While requirements of Proposition 218 notifications are easy to satisfy, too many utilities miss the opportunity to strategically educate and inform ratepayers of the necessary investment and value in the essential services the City delivers. Raftelis has designed countless Proposition 218 notifications that go beyond the minimum dictated by statute to deliver visually appealing pieces that customers want to read. Raftelis' in-house strategic communications can prepare proposed rate adjustment notices for mailing within the required 45-day noticing period prior to holding the public hearing. Once the Notice arrives in mailboxes, City customers will be properly notified, and hopefully understand and accept the City's need to adjust rates and be more likely to support rate adjustments.

Once the content passes the City's legal review, Raftelis' in-house graphic design team will match the City's established brand guidelines and flow the content into an attractive design that will encourage your customers to read the information and have a broader understanding of the issues. Our pricing includes the development of a print-ready PDF in two languages, excluding the cost of translation. If the City does not have access to the services of a certified translator, Raftelis can recommend and coordinate translation.

Raftelis will deliver final press-ready documents for the City to print and mail to all parcel owners and customers of record. Please note that Raftelis does not undertake preparing the mailing list or the printing and mailing. The City is in the best position to compile property owners and customer account addresses and know which ones are duplicate or should be deleted. The City likely has a printer it works with, otherwise Raftelis can provide recommendations for printers that many of our California clients use to successfully print and mail the Proposition 218 public notices.

AB2257 Objection Support

AB2257 is called exhaustion of administrative remedies. It was created to give a legislative body the right to discover and remedy concerns regarding Proposition 218. AB2257 is a process that runs alongside the Proposition 218 process and gives the public the right to submit objections. Objections are different from protests in the sense that objections specify a reason why the rates do not adhere to Proposition 218. A protest is simply a statement that one is against the rate increase and does not require a specific legal basis. If AB2257 is implemented, the City must reply to all objections and summarize the objections and responses at Council meeting. Raftelis can help respond to one or two objections as part of the above scope. However, if the City implemented AB2257 and received numerous objections, we would submit a proposal to support staff in answering objections. City staff and the City attorney would review and complete the responses.

Capital Improvement Plan Review and Development

Raftelis has subject-matter experts in water and sanitation capital project development who can review your CIP and prepare probable CIP estimates if the City does not have a fully developed CIP. We recently performed similar work for the City of El Monte, CA, and helped them develop a 5-year CIP.

We would:

1. Review the City's water and sanitation capital improvement plans and master plans to understand project scopes, budgets, and fact sheets. We will discuss the projects with staff to understand details, confidence in project budgets, risks, gaps in needed projects, and whether projects will achieve the desired outcomes.
2. Review the City's current regulatory requirements and determine if the proposed capital projects meet the City's regulatory short—and long-term obligations. If gaps are identified, recommendations will be provided to close them.
3. Identify potential opportunities to reduce project costs or more cost-effectively achieve regulatory compliance and growth needs. Then, the next steps will be recommended to achieve those cost savings.
4. Identify if projects have the necessary mix of asset management (renewal of existing assets) and new asset construction to meet WEF and AWWA utility best practices, metrics, and the City's objectives and level of service. For example, is system asset renewal targeting 1% of the system's annual renewal rate? If not, should asset renewal be increased to meet this rate? If yes, identify the opportunities and costs to ramp up over time to increase asset renewal. This approach can also help prioritize asset renewal projects over new construction to meet growth needs and regulatory obligations.
5. Review the CIP and City's Asset management program for technology and software needs. For example, should future CIPs include improvements to existing GIS, maintenance management software, and/or financial information systems to address the existing and planned new assets? If yes, discuss exact needs with staff and develop appropriate costs to include in the short-term and long-term CIPs.

Schedule

Raftelis will complete the scope of services within the timeframe shown in the schedule below, assuming a notice-to-proceed by the beginning of July 2026, timely receipt of necessary data, and the ability to schedule meetings as necessary. Project completion is estimated for May 2027.

TASKS	Jul 2026	Aug 2026	Sep 2026	Oct 2026	Nov 2026	Dec 2026	Jan 2027	Feb 2027	Mar 2027	Apr 2027	May 2027
1. Project Initiation, Management, and Kick-off	NTP		●								
Raftelis Receives All Data		●									
2. Water and Sanitation Financial Plan				●							
3. Water and Sanitation Cost of Service Analysis											
4. Water and Sanitation Rate Calculation					● ●	● ●					
5. Two City Council Presentations							●	●			
6. Draft & Final Rate Study Reports					●			●			
City Mails Public Notice								●			
7. Public Hearing Attendance & Presentation										●	

- In-person Meetings
- Web Meetings
- Deliverables
- Raftelis Receives City Data
- Public Notice