

**ROSS VALLEY SANITARY DISTRICT**

2960 Kerner Blvd
San Rafael, CA 94901
(415) 259-2949 ~ rvsd.org

STAFF REPORT**For the Meeting of September 20, 2023**

September 12, 2023

To: Board of Directors

From: Felicia Newhouse, Assistant General Manager

Subject: **Authorize the General Manager, upon Review and Approval of Counsel, to Approve a Consultant Services Agreement with Hildebrand Consulting for a Sewer Rate, Capacity Charge and Permit Fee Study in the Amount of \$68,000**

Summary

Ross Valley Sanitary District's five-year rate schedule adopted in 2019 will conclude this fiscal year in June 2024. The District requires consultant services to conduct a new wastewater rate, capacity charge, and permit fee study for Fiscal Years 2024-25 through 2028-29.

Discussion

Ross Valley Sanitary District is committed to maintaining sound financial health and providing high quality wastewater service at the lowest sustainable cost. The operational and capital costs of delivering wastewater utility service – both conveyance and treatment – must be adequately covered by wastewater utility rates to avoid debt financing and support “pay-as-you-go” funding for capital projects.

Performing regular sewer rate studies ensure that the revenues generated by the utility rates are adequate to maintain operations at desired service levels and account for anticipated expense increases over the financial plan horizon. The District must also address unfunded deferred maintenance of infrastructure by incorporating reasonable projections for facility replacement within the revenue rate calculations. Equally important, proposed rates must be in conformance with all applicable laws, including the provisions of Proposition 218.

In 2018, staff issued a Request for Proposal (RFP) for wastewater rate study services. The District received six qualified responses to the RFP and the Finance Committee and Board of Directors selected Hildebrand Consulting (Mark Hildebrand) to perform the work. Earlier this year, staff contacted Mr. Hildebrand for a scope, schedule and cost estimate for an updated cost of service analysis, including calculation of sewer rates, capacity charges, and permit fees. The proposal is included in Exhibit A of the attached Consultant Services Agreement. Staff believes that the Hildebrand proposal is competitive for the deliverables. The cost for these rate study services was included in the District's adopted budget.

Recommendation

Authorize the General Manager, upon review and approval of Counsel, to approve a consultant services agreement with Hildebrand Consulting for a sewer rate, capacity charge and permit fee study in the amount of \$68,000.

Attachment(s):

- A) Consultant Services Agreement between RVSD and Hildebrand Consulting, including Exhibit A "Proposal for Sewer Rate Study and Capacity Charge Update"

CONSULTANT SERVICES AGREEMENT

THIS CONSULTANT SERVICES AGREEMENT ("Agreement") is entered into as of the Effective Date (defined below) by and between the ROSS VALLEY SANITARY DISTRICT ("District") and Hildebrand Consulting.

Recitals

A. WHEREAS, District desires to obtain Sewer Rate, Capacity Charge and Permit Fee Study services; and

B. WHEREAS, Consultant is skilled and able to provide such services described in Section 3 of this Agreement; and

C. WHEREAS, District desires to retain Consultant pursuant to this Agreement to provide the services described in Section 3 and Exhibit A of this Agreement.

Agreement

NOW, THEREFORE, in consideration of their mutual covenants, the parties hereto agree as follows:

1. Incorporation of Recitals. The recitals set forth above, and all defined terms set forth in such recitals and in the introductory paragraph preceding the recitals, are hereby incorporated into this Agreement as if set forth herein in full.

2. Project Coordination.

A. District. The General Manager or his/her designee shall represent District for all purposes under this Agreement.

B. Consultant. Consultant shall assign Mark Hildebrand to supervise the progress and implementation of this Agreement for Consultant.

3. Scope and Performance of Services.

A. Scope of Services. Subject to such policy direction and approvals as District through its staff may determine from time to time, Consultant shall perform the services set out in the "*Scope of Work*" attached hereto as Exhibit A and incorporated herein by this reference.

B. Time of Performance. The services of Consultant are to commence no sooner than **September 20, 2023** and be completed not later than **June 30, 2024**. Consultant shall perform its services in accordance with the schedule attached hereto as Exhibit A. Any changes to these dates in either this Section 3 or Exhibit A must be approved in writing by the Project Manager.

C. Standard of Quality. District relies upon the professional ability of Consultant as a material inducement to entering into this Agreement. All work performed by Consultant under this Agreement shall be in accordance with all applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise and experienced in the performance of the work specified in the Scope of Work.

4. Compensation and Method of Payment.

A. Compensation. The compensation to be paid to Consultant, including both payment for professional services and reimbursable expenses, shall be at the rate and schedules attached

hereto as Exhibit A. However, in no event shall the amount District pays Consultant exceed **sixty eight thousand dollars (\$68,000.00)**. Payment by District under this Agreement shall not be deemed a waiver of unsatisfactory work, even if such defects were known to District at the time of payment.

B. Timing of Payment.

OPTION 3: Consultant shall submit itemized monthly statements for work performed. District shall make payment, in full, within thirty (30) days after approval of the invoice by the Project Manager.

C. Changes in Compensation. Consultant will not undertake any work that will incur costs in excess of the amount set forth in Section 4.A without prior written amendment to this Agreement. Consultant shall receive no premium or enhanced pay for overtime or holiday hours.

D. Taxes. Consultant shall pay all taxes, assessments and premiums under the federal Social Security Act, any applicable unemployment insurance contributions, Workers Compensation insurance premiums, sales taxes, use taxes, personal property taxes, or other taxes or assessments now or hereafter in effect and payable by reason of or in connection with the services to be performed by Consultant.

E. Disputed Payments. If District objects to all or any portion of any invoice, District shall notify Consultant of the objection within thirty (30) days from receipt of the invoice, give reasons for the objection, and pay that portion of the invoice not in dispute. It shall not constitute a default or breach of this Agreement for District not to pay any invoiced amounts to which it has objected until the objection has been resolved by mutual agreement of the parties.

5. Amendment to Scope of Work. District shall have the right to amend the Scope of Work within the Agreement by written notice to Consultant. In the event of a material change in the Scope of Work, the compensation and time of performance shall be subject to renegotiation of the contract price upon written demand of either party to the Agreement. Consultant shall not commence any work exceeding the Scope of Work without prior written authorization from District. Failure of Consultant to secure District's written authorization for extra or changed work shall constitute a waiver of any and all right to adjustment in the contract price or time due, whether by way of compensation, restitution, quantum meruit, etc. for work done without the appropriate District authorization.

6. Term. This Agreement shall commence as of the Effective Date and shall continue in full force and effect until completed, amended pursuant to Section 20, or otherwise terminated as provided herein.

7. Inspection. Consultant shall furnish District with every reasonable opportunity for District to ascertain that the services of Consultant are being performed in accordance with the requirements and intentions of this Agreement. All work done and all materials furnished, if any, shall be subject to the Project Manager's inspection and approval. The inspection of such work shall not relieve Consultant of any of its obligations to fulfill the Agreement as prescribed.

8. Ownership of Documents. Title to all plans, specifications, maps, estimates, reports, manuscripts, drawings, descriptions and other draft and final work products compiled by Consultant under the Agreement shall be vested in District, none of which shall be used in any manner whatsoever, by any person, firm, corporation, or agency (including Consultant) without the expressed written consent of District. Basic survey notes and sketches, charts, computations, and other data prepared or obtained under the Agreement shall be made available, upon request, to District without restriction or limitations on their use and without further employment of or payment of any compensation to Consultant. Consultant may retain copies of the above-described information but agrees not to disclose or discuss any information gathered, discussed or generated in any way through this Agreement without the written permission of District during the term of this Agreement, unless required by law.

9. Employment of Other Consultants, Specialists or Experts. Consultant will not employ or otherwise incur an obligation on behalf of District to pay other consultants, specialists, or experts for services in connection with this Agreement without the prior written approval of District.

10. Conflict of Interest.

A. Consultant covenants and represents that neither it, nor any officer or principal of its firm, has, or shall acquire any investment, income, business entity, interest in real property, or other interest, directly or indirectly, which would conflict in any manner with the interests of District, hinder Consultant's performance of services under this Agreement, or be affected in any manner or degree by performance of Consultant's services hereunder. Consultant further covenants that in the performance of the Agreement, no person having any such interest shall be employed by it as an officer, employee, agent, or subcontractor without the express written consent of District. Consultant agrees to at all times avoid conflicts of interest, or the appearance of any conflicts of interest, with the interests of District in the performance of the Agreement.

B. Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

(1) will conduct research and arrive at conclusions with respect to its rendition of information, advice, recommendation, or counsel independent of the control and direction of District or of any District official, other than normal contract monitoring; and

(2) possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation, or counsel. (2 Cal. Code Regs. § 18700(a)(2).)

11. Liability of District and Employees. Neither the District nor any representative officer, employee or agent of District shall be personally liable to Consultant or otherwise in the event of any default or breach of District, or for any amount which may become due to Consultant or any successor in interest, or for any obligations directly or indirectly incurred under the terms of this Agreement.

12. Indemnity. To the fullest extent permitted by law, Consultant hereby agrees to defend (by counsel reasonably satisfactory to District), indemnify, and hold harmless District, its officers, agents, employees, volunteers, and servants, from and against any and all negligent claims, demands, damages, costs, liabilities, or obligations to the extent arising out of, pertaining to, or related to the negligence, recklessness, or willful misconduct of Consultant, its officers, employees, agents, and subcontractors undertaken pursuant to this Agreement excepting liabilities due to the sole negligence, active negligence, or willful misconduct of District. This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable by or for Consultant under Worker's Compensation, disability or other employee benefit acts or the terms, applicability or limitations of any insurance held or provided by Consultant and shall continue to bind the parties after termination/completion of this agreement.

13. Consultant Not an Agent of District. Consultant, its officers, employees and agents shall not have any power to bind or commit District to any decision.

14. Independent Contractor. It is expressly agreed that Consultant, in the performance of the work and services agreed to be performed by Consultant, shall act as and be an independent contractor as defined in Labor Code 3353 and not an agent or employee of District; and as an independent contractor, Consultant shall obtain no rights to retirement benefits or other benefits which accrue to District's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

15. Compliance with Laws.

A. General. Consultant shall use the standard of care in its profession to comply with all applicable federal, state, and local laws, codes, ordinances, and regulations. Consultant has and shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement

any licenses, permits, insurance and approvals which are legally required for Consultant to practice its profession. Consultant shall maintain a District business license. District is not responsible or liable for Consultant's failure to comply with any or all of the requirements contained in this Section.

B. Workers' Compensation. Consultant certifies that it is aware of the provisions of the California Labor Code which require every employee to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and Consultant certifies that it will comply with such provisions before commencing performance of the Agreement and at all times in the performance of the Agreement.

C. District Not Responsible. District is not responsible or liable for Consultant's failure to comply with any and all of its requirements under this Section or otherwise under this Agreement. All such legal compliance obligations shall be borne by Consultant.

16. Assignment; Subcontractors; Employees.

A. Assignment. Consultant shall not assign, delegate, transfer, or convey its duties, responsibilities, or interests in this Agreement or any right, title, obligation, or interest in or to the same or any part thereof without District's prior written consent. Any assignment without such approval shall be void and, at District's option, shall immediately cause this Agreement to terminate.

B. Subcontractors; Employees. Consultant shall be responsible for employing or engaging all persons necessary to perform the services of Consultant hereunder. No subcontractor of Consultant shall be recognized by District as such; rather, all subcontractors are deemed to be employees of Consultant, and Consultant agrees to be responsible for their performance. Consultant shall give its personal attention to the fulfillment of the provisions of this Agreement by all of its employees and subcontractors, if any, and shall keep the work under its control. If any employee or subcontractor of Consultant fails or refuses to carry out the provisions of this Agreement or appears to be incompetent or to act in a disorderly or improper manner, it shall be discharged immediately from the work under this Agreement on demand of the Project Manager.

17. Insurance.

A. Minimum Scope of Insurance.

(1) Consultant agrees to have and maintain, for the duration of this Agreement, a Commercial General Liability insurance policy insuring it and its firm to an amount not less than \$2,000,000 (Two Million Dollars) combined single limit per occurrence and in the aggregate for bodily injury, personal injury, and property damage.

(2) Consultant agrees to have and maintain, for the duration of this Agreement, an Automobile Liability insurance policy insuring it and its staff to an amount not less than \$1,000,000 (One Million Dollars) combined single limit per accident for bodily injury and property damage.

(3) Consultant shall maintain professional errors and omissions liability insurance for protection against claims alleging negligent acts, errors, or omissions which may arise from Consultant's operations under this Agreement, whether such operations be by Consultant or by its employees, subcontractors, or subconsultants. The amount of this insurance shall not be less than \$1,000,000 (One Million Dollars) on a claims-made annual aggregate basis.

(4) A Workers' Compensation and Employers' Liability policy written in accordance with the laws of the State of California and providing coverage for any and all employees of Consultant:

(a) This policy shall provide coverage for Workers' Compensation (Coverage A).

(b) This policy shall also provide required coverage for Employers' Liability (Coverage B).

(5) All of the following endorsements are required to be made a part of each of the required policies, except for the Professional Liability and Workers' Compensation and Employers' Liability policies, as stipulated below:

(a) "District its officials, officers, agents, employees, and volunteers are hereby added as additional insureds, but only as respects work done by, for, or on behalf of the named insured."

(b) "This policy shall be considered primary insurance as respects any other valid and collectible insurance District may possess, including any self-insured retention District may have, and any other insurance District does possess shall be considered excess insurance only and shall not contribute with it."

(c) "This insurance shall act for each insured and additional insured as though a separate policy had been written for each. This, however, will not act to increase the limit of liability of the insuring company."

(6) Consultant shall provide to District all certificates of insurance with original endorsements effecting coverage required by this Section. Certificates of such insurance shall be filed with District on or before commencement of performance of this Agreement. District reserves the right to require complete, certified copies of all required insurance policies at any time.

(7) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to District, its officials, officers, agents, employees, and volunteers.

(8) Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(9) Coverage for District, its officers, directors and employees as additional insureds shall be provided by a policy provision or by an endorsement providing coverage at least as broad as Additional Insured (Form B) endorsement form CG 2010 as published by the Insurance Services Office (ISO).

B. All Coverages. Each insurance policy required shall provide that coverage shall not be canceled, except after 30-days' prior written notice by certified mail, return receipt requested, has been given to District. Current certification of such insurance shall be kept on file with the General Manager at all times during the term of this Agreement.

C. Acceptability of Insurers. Insurance is to be placed with insurers with a Best's rating of no less than A:VII.

D. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by District. At District's option, Consultant shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

E. Verification of Coverage. Consultant shall furnish District with original Certificate(s) of Insurance verifying Consultant's receipt of the insurance coverage required herein.

F. Waiver of Subrogation. Owner and Consultant mutually waive any right of subrogation, which one may have against the other, with regard to any loss or damage arising out of or incident to the perils insured against by any policy of insurance required to be issued and maintained under this Contract. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, or did not pay the insurance premium directly or indirectly, whether or not such person or entity had an insurable interest in the property damaged.

18. Termination of Agreement; Default.

A. This Agreement and all obligations hereunder may be terminated at any time, with or without cause, by District upon 5-days' written notice to Consultant.

B. If Consultant fails to perform any of its obligations under this Agreement within the time and in the manner herein provided or otherwise violate any of the terms of this Agreement, in addition to all other remedies provided by law, District may terminate this Agreement immediately upon written notice. In such event, Consultant shall be entitled to receive as full payment for all services satisfactorily rendered and expenses incurred hereunder, an amount which bears the same ratio to the total fees specified in the Agreement as the services satisfactorily rendered hereunder by Consultant bear to the total services otherwise required to be performed for such total fee; provided, however, that District shall deduct from such amount the amount of damages, if any, sustained by District by virtue of the breach of the Agreement by Consultant.

C. Upon termination of this Agreement with or without cause, Consultant shall turn over to the District immediately any and all copies of studies, sketches, drawings, computations, and other data, whether or not completed, prepared by Consultant or its subcontractors, if any, or given to Consultant or its subcontractors, if any, in connection with this Agreement. Such materials shall become the permanent property of District. Consultant, however, shall not be liable for District's use of incomplete materials nor for District's use of complete documents if used for other than as contemplated by this Agreement.

D. In addition to the foregoing right to terminate for default, District reserves the absolute right to terminate this Agreement without cause, upon written notice to Consultant. In the event of termination without cause, Consultant shall be entitled to payment in an amount not to exceed the Not-To-Exceed Amount which shall be calculated as follows: (1) Payment for Services then satisfactorily completed and accepted by District, plus (2) Payment for Additional Services satisfactorily completed and accepted by District, plus (3) Reimbursable Expenses actually incurred by Consultant prior to the date of termination, as approved by District. The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deducted from the amounts described in (1), (2) and (3) above. Consultant shall not be entitled to any claim or lien against District for any additional compensation or damages in the event of such termination and payment, it being understood that any payments are full compensation for services rendered prior to the time of payment and not for work that will not be performed. Consultant hereby waives all claims for damages and loss of anticipated profits on account of District's termination of the Agreement.

E. If this Agreement is terminated by District for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section 18 and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

19. Suspension. District shall have the authority to suspend this Agreement and the services contemplated herein, wholly or in part, for such period as it deems necessary due to unfavorable conditions or to the failure on the part of Consultant to perform any provision of this Agreement. Consultant will be paid for satisfactory Services performed through the date of temporary suspension.

20. Merger; Amendment. This Agreement constitutes the complete and exclusive statement of the agreement between District and Consultant and shall supersede all prior negotiations, representations, or agreements, either written or oral. This Agreement may be amended only by written instrument, signed by both District and Consultant. All provisions of this Agreement are expressly made conditions.

21. Interpretation. This Agreement shall be interpreted as though it was a product of a joint drafting effort and no provisions shall be interpreted against a party on the ground that said party was solely or primarily responsible for drafting the language to be interpreted.

22. Litigation Costs. If either party becomes involved in litigation arising out of this Agreement or the performance thereof, the court in such litigation shall award reasonable costs and expenses, including attorneys' fees, to the prevailing party.

23. Time of the Essence. Time is of the essence of this Agreement.

24. Written Notice. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing and either served personally or sent by prepaid, first class mail. Any such notice, demand, etc. shall be addressed to the other party at the address set forth below. Either party may change its address by notifying the other party of the change of address. Notice shall be deemed communicated within 72 hours from the time of mailing if mailed as provided in this Section.

If to District: Ross Valley Sanitary District
 2960 Kerner Boulevard
 San Rafael, CA 94901
 Attention: General Manager

If to Consultant: Hildebrand Consulting
 3378 Guido Street
 Oakland, CA 94602
 Attention: Mark Hildebrand

25. Consultant's Books and Records.

A. Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services, or expenditures and disbursements charged to District and all documents and records which demonstrate performance under this Agreement for a minimum period of four (4) years, or for any longer period required by law, from the date of termination or completion of this Agreement.

B. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time during regular business hours, upon written request by the General Manager, District Counsel, or a designated representative of any of the foregoing. Copies of such documents shall be provided to District for inspection when it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at Consultant's address indicated for receipt of notices in this Agreement.

C. District may, by written request by any of the above-named officers, require that custody of the records be given to District and that the records and documents be maintained in the District office. Access to such records and documents shall be granted to any party authorized by Consultant, Consultant's representatives, or Consultant's successor-in-interest.

D. Pursuant to California Government Code Section 10527, the parties to this Agreement shall be subject to the examination and audit of representative of the Auditor General of the State of California for a period of three (3) years after final payment under the Agreement. The examination and audit shall be confined to those matters connected with the performance of this Agreement including, but not limited to, the cost of administering the Agreement.

26. Agreement Binding. The terms, covenants, and conditions of this Agreement shall apply to, and shall bind, the heirs, successors, executors, administrators, assigns, and subcontractors of both parties.

27. Equal Employment Opportunity. Consultant is an equal opportunity employer and agrees to comply with all applicable state and federal regulations governing equal employment opportunity. Consultant will not discriminate against any employee or applicant for employment because of race, age, sex, creed, color, sexual orientation, marital status or national origin. Consultant will take affirmative action to ensure that applicants are treated during such employment without regard to race, age, sex, creed, color, sexual orientation, marital status, or national origin. Such action shall include, but shall not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-offs or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Consultant further agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

28. Section Headings. The headings of the several sections, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof.

29. District Not Obligated to Third Parties. District shall not be obligated or liable for payment hereunder to any party other than Consultant.

30. Remedies Not Exclusive. No remedy herein conferred upon or reserved to District is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

31. Severability. If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

32. No Waiver Of Default. No delay or omission of District to exercise any right or power arising upon the occurrence of any event of default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to District shall be exercised from time to time and as often as may be deemed expedient in the sole discretion of District.

33. Successors And Assigns. Subject to Section 16.A. above, all representations and covenants set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

34. Exhibits. The following exhibits are attached to this Agreement and incorporated herein by this reference as if set forth herein in full:

A. Exhibit A: Scope of Work, Compensation, and Schedule of Performance

35. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

36. Applicable Law; Venue. This Agreement shall be construed and interpreted according to California law. In the event that suit shall be brought by either party hereunder, the parties agree that trial of such action shall be held exclusively in a state court in the County of Marin, California.

IN WITNESS WHEREOF, District and Consultant have executed this Agreement as of the date first above written.

DISTRICT:

Consultant:

ROSS VALLEY SANITARY DISTRICT

HILDEBRAND CONSULTING

By: _____
Name: Steve Moore
Title: General Manager
"Effective Date": _____

By: _____
Name: Mark Hildebrand
Title: Owner
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: _____
Name: Andrea P. Clark
Title: District Counsel

By: _____
Name: _____
Title: _____

EXHIBIT A

Scope of Work



January 10, 2023

Felicia Newhouse
Interim General Manager
Ross Valley Sanitary District
2960 Kerner Blvd.
San Rafael, CA 94901

Subject: Proposal for Sewer Rate Study and Capacity Charge Update

Dear Ms. Newhouse,

In response to your recent request, Hildebrand Consulting, LLC is pleased to submit this proposal to provide the Ross Valley Sanitary District (District) with consulting services to update the District's sewer rates and update the District's existing Capacity Charges and the associated permit fees. In 2018, Hildebrand Consulting performed a comprehensive sewer rate study for the District. The final rate increase adopted through that study will go into effect on July 1, 2023. It is anticipated that a new 5-year rate schedule will be adopted starting on July 1, 2024.

This proposal includes a scope of services, schedule, and cost estimate for the study. A resume has been attached.

This study will be delivered by Mark Hildebrand, who brings extensive knowledge and experience to utility rate setting, as well as to organizational, operational, and strategic issues related to wastewater utilities. His previous engagements with the District combined with his extensive rate consulting experience will be particularly valuable during this engagement. Mark brings over 21 years of experience as a consultant to municipal governments and provides a broad range of financial, utility rate, and management consulting services. He has performed hundreds of studies covering a diverse range of cost allocation issues, financial planning, business case evaluations, and litigation avoidance to more than 50 clients. He has been published and frequently speaks on topics such as wastewater rate-setting under the requirements of Proposition 218, cost-of-service principles, emerging regulatory issues, and strategic business planning. He is dedicated to providing clients with an exceptional level of service and responsiveness, to developing creative yet practical solutions to client needs, and to broadening understanding and facilitating consensus on complex issues.

Scope of Work

The proposed scope of work for the sewer rate study is consistent with the approach that we followed during the previous study:

Task 1 – Project Initiation and Management – Includes a kick-off meeting and conference calls with staff, as well as contract management.

Task 2 – Data Management – Collect, compile, review, and analyze financial, budget, CIP, customer account, water use data, asset register, and wastewater treatment plant inflow data, as well as relevant policy goals and objectives. An initial list of information needed for the study is provided later in this proposal.

Task 3 - Multi-Year Financial Plan Model – Develop a multi-year financial plan reflecting operation and maintenance costs, capital program needs, and debt obligations, as well as utility rate and non-rate revenues and financial reserves and reserve policies covering a five-year planning period. The multi-year financial plans will be used to identify annual revenue requirements for the recommended financial strategy. Financial plans typically span five or ten years depending on the details available in the capital improvement plan. The financial plan will also consider the terms of its agreement with Central Marin Sanitation Agency (CMSA).

Task 4 - Cost of Service Analysis and Calculate Sewer Rates – This task will include an update to the cost-of-service analysis and preparation of sewer rate schedules. The analyses will follow the requirements of Proposition 218 in determining sewer rates and in allocating costs to each customer. We will review the current rate structure with the intention of updating it to reflect current revenue needs and may recommend rate structure changes, if warranted, to better align the rates with cost-of-service requirements. *This approach both helps reduce the cost of the study and is prudent given the legal environment associated with calculating and supporting sewer rate structures.*

Task 5 - Update Collection System Capacity Charge - Hildebrand Consulting will update the capacity charges for the District’s collection system using the system buy-in methodology. The charge will reflect the estimated reasonable cost of providing sewer collection system capacity for new development, based on the estimated replacement cost, less depreciation, of the existing system and the current customer base. The calculations will also incorporate past financing costs and any financial reserves dedicated to capital improvements. A complete schedule will be developed based on the capacity associated with each equivalent dwelling unit (EDU). Calculations will be consistent with the requirements contained in Government Code Section 66013.

Task 6 – Update Permit Fees - Hildebrand Consulting will update the permit fee portion of the Connection Fee by interviewing District staff to understand the amount of time needed to administrate the new permit and to inspect the new sewer lateral.

Task 7 – Board and Finance Committee Meetings – We will meet with the District’s Finance Committee to discuss the details of the rate study. The Finance Committee meeting will be scheduled once a preliminary financial plan has been developed and revenue requirements have been identified. During this meeting we will discuss the financial information and assumptions underlying the financial plan, and the proposed strategy for meeting the utility’s financial obligations and for adjusting sewer rates. We will also discuss the current sewer rate structure on a qualitative basis and describe the work to be performed during the cost of service



and rate calculation task. Hildebrand Consulting will also present to the Board three times: Once to present preliminary recommendations, a second time to present final recommendations, and we will conclude the study by presenting the sewer rate recommendations during the Public Hearing to consider and adopt new sewer rates. We will incorporate any changes resulting from Board comments into the preparation of the final report.

Task 8 - Rate Study Report and 218 Notice – We will prepare a draft financial plan and rate study report. Study recommendations on the financial plan and sewer rates will be documented in a draft report including all underlying assumptions, proposed financial strategy, rate structure, and policy recommendations. We will also prepare a draft public notice for the proposed sewer rates. The District will be responsible for obtaining legal review, finalizing the notice, and mailing notices to property owners/customers at least 45 days prior to the public hearing. In this task we will also help District staff to update Ordinance 92, which will include an affordable housing priority policy as required by Government Code 65589.7.

Cost Estimate

The estimated cost to perform the above scope of work is **\$68,000**. The table below summarizes the cost by task. Please note that our proposed cost is less than the fees for our previous studies, due to the efficiencies conferred by our established understanding the District and its finances.

		Hildebrand Consulting	
		Hourly Rate: \$250	
		<u>Hours</u>	<u>Cost</u>
Task 1	Project Initiation and Management	12	\$3,000
Task 2	Data Management	10	\$2,500
Task 3	10-Year Financial Plan	46	\$11,500
Task 4	Cost of Service and Sewer Rate Calculation	40	\$10,000
Task 5	Capacity Charges Update	48	\$12,000
Task 6	Permit Fee Updates	28	\$7,000
Task 7	Board and Finance Committee Meetings	32	\$8,000
Task 8	Rate Study Report and 218 Notice	56	\$14,000
Total:		272	\$68,000
Estimated Direct Expenses:			\$0
Proposed Fee:			\$68,000

It is our practice to bill clients monthly for actual time and expenses incurred during the prior month. For this project, no expenses will be billed to the District.

Schedule

An initial timeline for the project is listed below, assuming that the study starts in late Summer. The timeline will be reviewed and, if necessary, adjusted during the kick-off meeting for the project. The proposed timeline would enable the District to implement new sewer rates on July 1, 2024.

Kick-off meeting	July
Financial plan development	July- September
First meeting with Finance Committee	September
Cost of service analysis and rate design	September - November
Second meeting with Finance Committee	November
Prepare draft report	December
Present preliminary recommendations to Board	January
Present final recommendations to Board	February
Finalize report and assist with preparing Prop. 218 notice	February
Public hearing to adopt new sewer rates	April

Initial Information Request

In order to facilitate the start of the project, an initial information request is provided below. It is useful to receive as much of this data and information prior to the kick-off meeting as is reasonably possible. This provides us with an opportunity to ask questions regarding the information received, and to discuss the outstanding items and/or data constraints or limits.

- Detailed FY 23/24 system budget for both revenues and expenses
- Actual FY 21/22 and estimated FY 22/23 revenues and expenses (at same level of detail as the budget)
- June 30, 2022, and June 30, 2023 (when available) cash (or cash equivalent) balances for each fund/reserve
- FY 22/23 audited financial statements, when available
- Multi-year capital improvement plan
- Official statement for any existing long-term debt (if different from debt during 2018 study)
- Description of any changes to the terms of service with CMSA
- Table summarizing the current number of active accounts by customer class and by meter size
- Data from the utility billing system for each customer account including APN, customer name, customer account number, customer classification, sewer rate code(s), number of units, EDU designation, strength classification, winter water usage, service area, and monthly bill (in dollars).
- 3-year history of total wastewater sent to CMSA, including the cost (or rate) for the treatment services.
- Current sewer rate schedule and resolution or ordinance
- Current financial reserve policies
- Detailed sewer connection system fixed asset records in electronic format including:
 - Asset name/description



- Acquisition date
- Service life
- Acquisition cost
- Book value
- Burdened hourly rate by staff title
- Time spent by staff to deliver services associated with fees (to be discussed)
- Any other pertinent planning documents or financial information
- Additional information may be requested as the project unfolds.

* * * * *

Hildebrand Consulting is grateful for the opportunity to be of service to the Ross Valley Sanitation District. Please let me know if you would like to discuss any aspect of this proposal or the planned project in greater detail.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Hildebrand", written over a light blue circular stamp.

Mark Hildebrand
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mhildebrand@hildco.com
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Owner and founder of Hildebrand Consulting, LLC., Mark Hildebrand is a finance and management consultant to local governments who bridges the disciplines of financial analysis and organizational effectiveness. He has performed scores of financial plans, fee studies, cost allocation plans, and water and wastewater rate studies. Mr. Hildebrand is an expert on Proposition 218 and California's legal requirements regarding utility finances and cost allocation principles. He has been published by the AWWA Journal for articles addressing the challenges of utility service pricing in California.

AREA OF EXPERTISE

- » Financial Planning
- » Utility Rate/Fee Studies
- » Strategic Business Planning
- » Capital Facility Financing
- » Alternative Project Delivery

PROFESSIONAL HISTORY

- » Hildebrand Consulting, LLC., Owner, 2018 - present
- » HWH / STANTEC Consulting, Inc., Principal, 2014-2018
- » ARCADIS / Malcom Pirnie, Senior Consultant, 2004 - 2014
- » Clipper Windpower, 2003 - 2004, Researcher
- » IT Corp, Analyst, 2000 - 2002
- » Peace Corps, 1998 - 2000, Madagascar

EDUCATION

- » B.S., Ecology, University of California, Berkeley, 1998
- » M.S., Management, University of California, Santa Barbara, 2004

CERTIFICATION

- » Change Management (PROSCI)
- » Certified Document Technologist (DBIA)

PUBLICATIONS & PRESENTATIONS

"M1 Manual - Principal of Water Rates, Fees and Charges" Editor and contributing author

"Conservation Rates Made Legal: Water Budgets and California Law," Journal of the American Water Works Association, Vol. 101, No. 4, April 2009 (lead author).

"Water Rates, Fees, and the Legal Environment," American Water Works Association, 2nd Edition, 2010. ISBN 978-1-58321-796-2 (contributing editor).

"Affording Conservation Revenue Challenges Facing Utilities," Proceedings, International City Management Association, October 17-20, 2010. (Co-presenter).

"California Finance Law: Water Budgets and California Law," Proceedings, Utility Management Conference, February 17-21, 2009 (Presenter).

"Defining Latest Trends in Conservation Rate Design: Creating a Nexus Between Cost of Service Principles and Rate Structure," Utility Management Conference, February 17-20, 2009 (Co-presenter).

SAMPLE PROJECT EXPERIENCE

Mark Hildebrand has conducted over 50 rate studies for water and sewer utilities in California. The following is a sample of some of those projects.

Sewer Rate Study, Ross Valley Sanitary District

Delivering a comprehensive wastewater financial plan, cost-of-service analysis and rate design project for this relatively small special district in Marin California. The scope of work may include a consolidation assessment of two local systems.

Water Rate and Capacity Charges Study, City of Merced

Project Manager in delivering a comprehensive water rate study and capacity charge study for this Central Valley city that is facing aggressive yet uncertain future growth because of the recent addition of UC Merced. The rate study includes a financial plan, cost-of-service analysis and rate design, which primarily focused on the balance between fixed and variable revenue in order to strike a balance between financial stability, affordability and conservation. We also developed a defensible and equitable outside-city surcharge.

Water Rate Study, City of Santa Rosa

Conducting a comprehensive water and wastewater rate study including development of a 10-year financial plan, cost of service analyses, and rate updates. This study is examining recycled water pricing policies related to services offered to agricultural water users. The engagement has involved working with the Board of Public Utilities and presenting recommendations to the City Council.

Water Rates and Consolidation Study, Upper Russian River Water District

Hildebrand Consulting is assisting Russian River Flood Control (RRFC) district with a water rate study as an investigatory initial step toward potential consolidation of RRFC with three local water districts (Millview County Water District, Redwood Valley County Water District, Capella County Water District and the Willow County Water District). The water rates, and the

underlying revenue requirements of a consolidated district, would not only be affected by the organizational and operational issues, but also on capital improvement needs, debt service obligations, prudent reserve policies, governance issues, and other factors.

Coachella Valley Water District, Comprehensive Rate Study Currently Project Manager for a water budget-based water domestic water, sewer, recycled water, canal (irrigation) water, and replenishment program rate study.

Water Rate Study, 2017, Casitas Municipal Water District

Project Manager in delivering a comprehensive water financial plan, cost-of-service analysis and rate design project for this mixed agricultural community. One of the project challenges was the California drought that ended in 2017 for most of the state but persisted hydraulically isolation community. The scope included numerous Board workshops.

City of Santa Ana, Water Rate Study

Project Manager in delivering a water utility financial plan, cost-of-service analysis, and rate design project. Work included debt and bond issuance evaluation (financial strategy), and pass-through rates from wholesale water suppliers. This study also examined anticipated GSP costs and rate structures.

Soquel Creek Water District, Santa Cruz County

Project Manager in delivering a comprehensive water cost-of-service analysis and rate design project to address significant reductions in water sales. Examined a variety of scenarios to provide a cost-basis for tiered rates, consistent with the requirements of Prop 218.

Design-Build Procurement of WWTP expansion, City of Davis

Owner's agent in the delivery of a DB project for an \$80M expansion of an existing wastewater treatment plant. Lead author for the solicitation documents (RFQ & RFP) and the front-end contract documents.