

**EXHIBIT A
SCOPE OF WORK**

Prepared for:

**CITY OF ROY
WATER RATE STUDY**

March 06, 2024

The City of Roy (City) has retained Skillings Inc. (Skillings) to provide Engineering Services for the City. The city desires Skillings to conduct a rate study for their Water System utility. The following Scope of Work identifies the work effort to document the revenue requirements and System Development Charges (SDC) updates desired by the city. The work will include an evaluation of the existing water system revenues received from water rates and/or other system charges. The city records will be reviewed for existing and anticipated future Operation and Maintenance costs and required funding for projected future capital costs.

The Rate study will help create a funding strategy for critical and mandated capital projects and allow the city to address questions about customer rate equity. The rate study is a financial evaluation process by which the City establishes the amount of revenue required to fully fund the water utility while also proportionally distributing those costs among various users in accordance with their impact on the total water utility system.

The analytical efforts will evaluate the sufficiency of existing revenues to meet the total annual obligations of the system including current and identified future financial and policy obligations, operation, and maintenance (O&M) needs, and the ability to execute necessary capital projects. The resulting plans will serve to establish a blueprint for achieving revenue stability, sufficiency, and cost-based utility rates. In addition, system development charges will be evaluated to ensure new customers are paying their allocated share of system infrastructure costs.

The following tasks will be provided:

Task 1 Project Initiation

Assumptions

- One in-person kickoff meeting
- The City will provide the existing water system financial documents.

Work Task Description:

1. Prepare for and attend a project kickoff meeting with the city before the commencement of the project. This meeting will establish the goals and objectives of the overall project and focus the efforts of the team. The items covered at the meeting include review of the scope of work, identification of project objectives, expectations, and deliverables, outlining the project schedule and key milestone review points and discussion of appropriate lines of communication.
2. Prepare a list of materials to be provided by the city.
3. Prepare a Master List of Deliverables
4. Prepare a Project Schedule

Deliverables:

- Meeting Minutes
- List of required materials need from City.
- Master deliverable list
- Project Schedule

Task 2 | Data Collection / Review**Assumptions:**

- City has provided critical data necessary to evaluate the water utility financial status.
- The 2017 Water System Plan will be used to identify future capital improvements.

Work Task Description:

1. Review the data provided by the City that will include the historical and projected revenue, expenses, fiscal policies, capital plans, fund balances, fixed asset schedules and system planning data. The data will be reviewed, analyzed, and validated for inclusion in the study process.
2. Review the existing Water System Plan (WSP) with the city to get concurrence on planning data included in the WSP and any planned projects that may not be included in the WSP.
3. Review existing financial policies as a means to establish a foundation for the rate study/structure.
4. Review City's water rate ordinance.
5. Prepare a summary sheet of revenue and expenses.

Deliverables:

- Summary sheet

Task 3 | Historical Budget vs. Actual Expenses Evaluation**Work Task Description:**

1. Evaluate actual revenues received, and expenses incurred, against budgeted values.
2. Identify over/under spending against budget values to achieve a realistic financial forecast based on historical data. Cross check with WSP document.
3. Summarize in a report

Deliverables:

- Summary Report of Revenue and Budgeted values

Task 4 | Financial Plan and Rate Forecast

This task evaluates a sustainable 5-year plan that will meet the projected financial needs of the water utility through the generation of sufficient, sustainable revenue to meet anticipated expenses.

Work Task Description:

1. Evaluate annual cash flow needs, identifying expenses needed to operate and manage the water system including:
 - a. Capital investment for planned improvements, expansions, and/or replacements.

- b. Expenses required to operate, maintain, and manage the water system: Develop a forecast of operating revenues and expenses to reflect the City's most recent budget. Adjust for any known future changes in annual non-capital costs associated with the operation, maintenance, and administration of the system. Changes may include additional staffing needs or other changes to operating costs associated with maintaining the system.
 - c. Repayment schedules for existing and projected debt repayment: Incorporate the most recent capital plans from the City's water system plan. Develop a capital funding analysis that balances available funding from internal resources such as rate revenue and reserve funds with external funding from system development charges, grants, and additional loan debt, if needed.
 - d. Cash flow needs: Evaluate cash flow needs to meet existing and anticipated new annual debt service requirements and any debt coverage requirements.
 - e. Cross reference City Water Rate Ordinance: Provide a fiscal policy review that compares existing Ordinance requirements to industry practices to determine whether there are any potential revisions that would strengthen the financial health of the system.
2. Evaluate the Water Fund's historical operating and capital fund performance. This analysis will include the past 3 years of annual income and expenditures and will evaluate the fund balances for compliance with established or recommended targets.
3. Evaluate the sufficiency of the system's current revenues in meeting all annual obligations. Identify any projected shortfalls over the forecast period. Rate revenue sufficiency will be tested from two perspectives: the ability to meet all cash obligations, and the attainment of any potential debt coverage requirements. (Based on anticipated WSP-identified capital projects).
4. Design a rate implementation strategy that meets the system's financial obligations over the five-year planning horizon and provides acceptable impacts to ratepayers.
5. Develop rate scenarios to evaluate the impact of changes to key variables such as funding sources, growth rates, capital project timing, or others identified by the city. The budget includes up to three (3) alternative scenarios.
6. At the end of the engagement, we will deliver an electronic copy of the financial planning toolset for internal use.

Task 5 | Rate Design

Rate design determines how the target revenue will be generated for the utility. No rate structure changes are anticipated at this time. Any needed adjustments, if recommended, will be applied equally to each rate class and rate component (fixed and/or variable).

Work Task Description:

1. If expenses exceed revenue, prepare an analysis of needed revenue and a schedule for implementation.
2. Performed a comparative survey with up to five (5) neighboring jurisdictions / Water Districts

Deliverables:

- An implementation schedule
- Comparative survey results

Task 6 | System Development Charge Update

A system development charge (SDC) is a one-time charge imposed as a condition of service on new development or on expanded connections to the system. The charge represents a prorated share of the capital investment made by the City to provide the system capacity. The SDC is calculated based on the intent and structure of the Revised Code of Washington (RCW) statute for Water-Wastewater Cities and Towns (RCW 35.92.025). In general, each connection shall bear a proportional share of the cost of the system capacity required.

Assumptions:

- City staff or the City's consulting engineer will be required to support this effort.

Work Task Description:

1. Evaluate the City's existing water charge. The SDC developed for the water system shall reflect an updated inventory of existing system assets, the most recent approved capital improvement program costs identified in the water system plan related to growth, and current expectations for future capacity. The City's asset register will be used to compile the initial system values, year of construction, and service lives.
2. Review the information with City staff to determine if all assets and asset values have been captured or if additional work is required to complete the system's records.
3. Provide recommendations for updates to the City's existing System Development Charges.

Deliverables:

- Report on recommendations for SDC.

Task 7 Review Meetings

Assumptions:

- This task includes three (3) staff project team review meetings.
- All project review meetings to be conducted via Teams.

Work Task Description:

1. Review study results at key milestones. Receive input and provide status reports
2. Additional meetings as requested will be billed on time and materials.

Deliverables:

- Meeting minutes

Task 8 Workshops/Presentations

The success of a rate study relies on an open and involved process for informing and educating staff, Council, and the public on the rate study process and to clearly define the cost basis for the fees imposed on customers by linking the financial requirements to costs.

Assumptions:

- There will be two (2) presentations to the City Council
- Work sessions will be conducted in a workshop or work session format to maximize interaction and collaboration.
- Workshops/presentations to be conducted via remote session/Teams.

Work Task Description:

1. Conduct workshops to discuss key assumptions, methodology, and proposed rates
2. Facilitate Council input and discussion.

Deliverables:

- Meeting minutes
- Memorandum documenting the analytical findings and proposed rate forecast strategy.

END SCOPE OF WORK

EXHIBIT B-1
CONSULTANT COST COMPUTATION – MAN-HOURS

PROJECT NO 23097 CITY OF ROY WATER RATE STUDY		PRINCIPAL-IN-CHARGE	SENIOR PROJECT ENGINEER	UTILITIES MANAGER	PROJECT ADMINISTRATOR
TASK #	TASK DESCRIPTION				
1	PROJECT INITIATION MEETING				
1	Prepare for and attend project kickoff meeting with the city before the commencement of the project. Meeting will establish the goals and objectives of the overall project and focus the effort of the team.	1.0	2.0	1.0	
2	Prepare a list of materials to be provided by the city;			0.5	
3	Prepare a Master List Deliverables.			0.5	
4	Prepare a Project Schedule.		1.0		
2	DATA COLLECTION / REVIEW				
1	Review the data provided by the city that will include the historical and projected revenue, expenses, fiscal policies, capital plans, fund balances, fixed asset schedules and system planning data. The data will be reviewed, analyzed, and validated for inclusion in the study.		3.0	0.5	
2	Review the existing Water System Plan (WSP) with the city to get concurrence on planning data included in the WSP and any planned projects that may not be included in the WSP.	1.0	4.0	2.0	
3	Review existing financial policies as a means to establish a foundation for the rate study/structure.		2.0		
4	Review City's water rate ordinance.		1.0	0.5	
5	Prepare a summary sheet of revenue and expenses.		2.0		
3	HISTORICAL BUDGET vs. ACTUAL EXPENSES EVALUATION				
1	Evaluate actual revenues received and expenses incurred against budgeted values.	1.0	2.0	1.0	
2	Identify over/under spending against budget values to achieve a realistic financial forecast based on historic data. Cross check with WSP document.		2.0		
3	Summarize in a report.		1.0	1.0	
4	FINANCIAL PLAN AND RATE FORECAST				
1	Evaluate annual cash flow needs, identifying expenses needed to operate and manage the water system including:		2.0	2.0	
a	Capital investment for planned improvements expansions and/or replacements.		2.0		

PROJECT NO 23097 CITY OF ROY WATER RATE STUDY		PRINCIPAL-IN-CHARGE	SENIOR PROJECT ENGINEER	UTILITIES MANAGER	PROJECT ADMINISTRATOR
TASK #	TASK DESCRIPTION				
b	Expenses required to operate, maintain, and manage the water system. Develop a forecast of operating revenues and expenses to reflect the city's most recent budget. Adjust for any known future charges in annual non-capital costs associated with the operation, maintenance, and administration of the system. Changes may include additional staffing needs or other changes to operating costs associated with maintaining the system.		2.0	2.0	
c	Repayment schedules for existing and projected dept repayment: Incorporate the most recent capital plans from the City's water system plans. Develop a capital funding analysis that balances available funding from internet resources such as rate revenue and reserve funds with external funding from internal resources such as rate revenue and reserve funds with external funding from system development charges, grants, and additional loan debt if needed.		4.0	2.0	
d	Cash flow needs: Evaluate cash flow needs to meet existing and anticipated new annual debt service requirements and any debt coverage requirements.		2.0	1.0	
e	Cross reference City Water Rate Ordinance: Provide a fiscal policy review that compares existing Ordinance requirements to industry practices to determine whether there are any potential revisions that would strength the financial health of the system.		2.0		
2	Evaluate the Water Fund's historical operating and capital fund performance. The analysis will include the past 3 years of annual income and expenditures and will evaluate the fund balances for compliance with established or recommended targets.		2.0		
3	Evaluate the sufficiency of the system's current revenues in meeting all annual obligations identify any projected shortfalls over the forecast period. Rate revenue sufficiency will be tested from two perspectives: the ability to meet all cash obligations, and the attainment of any potential debt coverage requirements (Based on anticipated WSP identified capitol project(s)).		8.0		
4	Develop rate scenarios to evaluate the impact of changes to key variables such as funding sources growth rates capital; project timing or identified by the city.		8.0	2.0	

PROJECT NO 23097 CITY OF ROY WATER RATE STUDY		PRINCIPAL-IN-CHARGE	SENIOR PROJECT ENGINEER	UTILITIES MANAGER	PROJECT ADMINISTRATOR
TASK #	TASK DESCRIPTION				
5	The budget includes up to three (3) alternative scenarios.		8.0	2.0	
5	RATE DESIGN				
1	If expenses exceed revenue, prepare an analysis of needed revenue and a schedule for implementation.	1.0	8.0	4.0	
2	Perform a comparative survey with up to five neighboring jurisdictions.		4.0		
6	SYSTEM DEVELOPMENT CHARGE UPDATE				
1	Evaluate the City's existing water charge. The SDC developed for the water system shall reflect an updated inventory of existing system assets, the most recent approved capital improvement program costs identified in the water system plan related to growth, and current expectations for future capacity.	1.0	8.0	2.0	
2	Review the information with City staff to determine if all assets and asset values have been captured or if additional work is required to complete the system's records.		4.0	1.0	
3	Provide recommendations for updates to the City's existing System Development Charges.	1.0	2.0		
7	REVIEW MEETINGS				
1	Review study results at key milestones. Receive input and provide status reports.		2.0	1.0	
2	Additional meetings as requested will be billed on time and materials.				
8	WORKSHOPS / PRESENTATIONS				
1	Conduct workshops to discuss key assumptions, methodology, and proposed rates.	1.0	4.0	4.0	
2	Facilitate Council input and discussion.	1.0	4.0	4.0	
	HOURS PER DISCIPLINE	8.0	96.0	34.0	0.0

EXHIBIT B-2
CONSULTANT COST COMPUTATION – SUMMARY

NEGOTIATED HOURLY RATE (NHR):					
Classification	Man Hours	X	Rate	=	Cost
PRINCIPAL-IN-CHARGE	8	x	\$301.00	=	\$2,408.00
SENIOR PROJECT ENGINEER	96	x	\$221.54	=	\$21,268.13
UTILITIES MANAGER	34	x	\$178.00	=	\$6,052.00
ENGINEER	0	x	\$108.00	=	\$0.00
Total Hours =	138				Total NHR =
					\$29,728.13
REIMBURSABLES:					
Mileage	100	x	\$0.670	=	\$67.00
Miscellaneous Expenses	\$100.00	x	10%	=	\$110.00
				Total Expenses=	\$177.00
SUB-TOTAL (NHR + REIMBURSABLES + SUBCONSULTANTS):					
				Sub Total =	\$29,905.13
GRAND TOTAL					
			GRAND TOTAL	=	\$29,905.13
PREPARED BY:	Thomas E. Skillings, P.E.				DATE: 3/6/2024
REVIEWED BY:	John Hnatishin, EIT				DATE: 3/6/2024

EXHIBIT B-3
CONSULTANT COST COMPUTATION – EXPENSES

Item	Description	Basis	Quantity	Rate	Total
1	Telephone	Month			\$0.00
2	Auto Rental	Each			\$0.00
3	Lodging	Day			\$0.00
4	Per Diem-Meal	Day			\$0.00
5	Photocopies - Blk & White	Each		\$0.10	\$0.00
6	Photocopies - Color	Each		\$0.35	\$0.00
7	Half Sized Prints	Each		\$0.50	\$0.00
8	Full Sized Prints	Each		\$6.00	\$0.00
9	Postage	Month			\$0.00
10	Shipping	Month			\$0.00
11	FAXs	Each			\$0.00
12	Miscellaneous Project Costs	Month	2	\$50.00	\$100.00
13	Miscellaneous Survey Costs	Estimated		\$200.00	\$0.00
14	InRoads Software	Month-No of years		\$950.00	\$0.00
15	Traffic Control	Estimated			\$0.00
Total Miscellaneous Expenses					\$100.00
	Mileage	Per Mile	100	0.670	\$67.00
Total Expenses					\$167.00
Assumptions					
1	Telephone	Estimated			
2	Auto Rental	Estimated trips			
3	Mileage	Estimated miles			
4	Lodging				
5	Per Diem-Meal				
6	Photocopies - Blk & White	Estimated			
7	Photocopies - Colored	Estimated			
8	Half Sized Prints				
9	Full Sized Prints				
10	Postage	Estimated			
11	Shipping	Estimated			
12	FAXs	Estimated			
13	Miscellaneous Project Costs	Estimated			
14	Miscellaneous Survey Costs	Estimated			
15	Purchase Order	Estimated			
Prepared by: Tom Skillings, PE		03/06/2024			