

AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is made and entered into this ____ day of _____, 20__, by and between the City of Merced, a California Charter Municipal Corporation, whose address of record is 678 West 18th Street, Merced, California 95340, (hereinafter referred to as "City") and Hildebrand Consulting, LLC, a California Limited Liability Company, whose address of record is 3378 Guido Street, Oakland, CA 94602, (hereinafter referred to as "Consultant").

WHEREAS, City is in need of a sewer and water rate study; and,

WHEREAS, Consultant represents that it possesses the professional skills to provide rate study services in connection with said project.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, hereby agree as follows:

1. **SCOPE OF SERVICES.** The Consultant shall furnish the following services: Consultant shall provide the rate study services described in Exhibit "A" attached hereto.

No additional services shall be performed by Consultant unless approved in advance in writing by the City, stating the dollar value of the services, the method of payment, and any adjustment in contract time. All such services are to be coordinated with City and the results of the work shall be monitored by the Director of Public Works or designee. However, the means by which the work is accomplished shall be the sole responsibility of the Consultant.

2. **TIME OF PERFORMANCE.** All of the work outlined in the Scope of Services shall be completed in accordance with the Schedule outlined in Exhibit "A" attached hereto and incorporated herein by reference. By mutual agreement and written addendum to this Agreement, the City and the Consultant may change the requirements in said Schedule.

3. **TERM OF AGREEMENT.** The term of this Agreement shall commence upon the day first above written and end on November 1, 2025.

4. **COMPENSATION.** Payment by the City to the Consultant for actual services rendered under this Agreement shall be made upon presentation of an invoice detailing services performed under the Scope of Services, in accordance

with the fee schedule set forth in Exhibit "B" attached hereto and incorporated herein by reference. The Consultant agrees to provide all services required under the Scope of Services in Exhibit "A" within the compensation amount set forth in Exhibit "B". For Consultant's services rendered under this Agreement, City shall pay Consultant the not to exceed sum of Eighty-Three Thousand Two Hundred Fifty Dollars (\$83,250.00).

5. METHOD OF PAYMENT. Compensation to Consultant shall be paid by the City after submission by Consultant of an invoice delineating the services performed.

6. RECORDS. It is understood and agreed that all plans, studies, specifications, data magnetically or otherwise recorded on computer or computer diskettes, records, files, reports, etc., in possession of the Consultant relating to the matters covered by this Agreement shall be the property of the City, and Consultant hereby agrees to deliver the same to the City upon termination of the Agreement. It is understood and agreed that the documents and other materials including but not limited to those set forth hereinabove, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use.

7. CONSULTANT'S BOOKS AND RECORDS. 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 the City for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement. Any records or documents required to be maintained shall be made available for inspection, audit and/or copying at any time during regular business hours, upon oral or written request of the City.

8. INDEPENDENT CONTRACTOR. It is expressly understood that Consultant is an independent contractor and that its employees shall not be employees of or have any contractual relationship with the City. Consultant shall be responsible for the payment of all taxes, workers' compensation insurance and unemployment insurance. Should Consultant desire any insurance protection, the Consultant is to acquire same at its expense.

In the event Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System

(PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, protect, defend, and hold harmless the City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

9. INDEMNITY. Consultant shall indemnify, protect, defend (with legal counsel selected by the City), save and hold City, its officers, employees, and agents, harmless from any and all claims or causes of action for death or injury to persons, or damage to property resulting from intentional or negligent acts, errors, or omissions of Consultant or Consultant's officers, employees, volunteers, and agents during performance of this Agreement; Consultant shall indemnify, protect, defend (with counsel selected by the City) save and hold City, its officers, employees and agents harmless from any and all claims or causes of action for any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct, negligent acts, or omissions of Consultant or its employees, subcontractors, or agents, or by the quality or character of Consultant's work. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall survive the termination of this Agreement and shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

10. INSURANCE. During the term of this Agreement, Consultant shall maintain in full force and effect at its own cost and expense, the following insurance coverage:

a. Workers' Compensation Insurance. Full workers' compensation insurance shall be provided with a limit of at least One Hundred Thousand Dollars (\$100,000) for any one person and as required by law, including Employer's Liability limits of \$1,000,000.00 per accident. The policy shall be endorsed to waive the insurer's subrogation rights against the City.

b. General Liability.

- (i) Consultant shall obtain and keep in full force and effect general liability coverage at least as broad as ISO commercial general liability coverage occurrence Form CG 0001.
- (ii) Consultant shall maintain limits of no less than One Million Dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage.
- (iii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects liability arising out of work or operations performed by or on behalf of the Consultant.
- (iv) The policy shall stipulate that this insurance will operate as primary insurance for work performed by Consultant and its sub-contractors, and that any other insurance or self insurance maintained by City or other named insureds shall be excess and non-contributory.
- (v) Consultant shall maintain its commercial general liability coverage for three (3) years after completion of the work and shall add an additional insured endorsement form acceptable to the City naming the City of Merced, its officers, employees, agents and volunteers for each year thereafter for at least three (3) years after completion of the work. Copies of the annual renewal and additional insured endorsement form shall be sent to the City within thirty (30) days of the annual renewal.

c. Automobile Insurance.

- (i) Consultant shall obtain and keep in full force and effect an automobile policy of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage.
- (ii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects automobiles owned, leased, hired or borrowed by the Consultant.
- (iii) The policy shall stipulate that this insurance will operate as

primary insurance for work performed by Consultant and its sub-contractors, and that any other insurance or self insurance maintained by City or other named insureds shall be excess and non-contributory.

d. Professional Liability Insurance. Consultant shall carry professional liability insurance appropriate to Consultant's profession in the minimum amount of One Million Dollars (\$1,000,000). Architects and engineers' coverage is to be endorsed to include contractual liability.

e. Qualifications of Insurer. The insurance shall be provided by an acceptable insurance provider, as determined by City, which satisfies all of the following minimum requirements:

- (i) An insurance carrier admitted to do business in California and maintaining an agent for service of process within this State; and,
- (ii) An insurance carrier with a current A.M. Best Rating of A:VII or better (except for workers' compensation provided through the California State Compensation Fund).

f. Certificate of Insurance. Consultant shall complete and file with the City prior to engaging in any operation or activity set forth in this Agreement, certificates of insurance evidencing coverage as set forth above and which shall provide that no cancellation or expiration by the insurance company will be made during the term of this Agreement, without thirty (30) days written notice to City prior to the effective date of such cancellation—including cancellation for nonpayment of premium. In addition to any other remedies City may have, City reserves the right to withhold payment if Consultant's insurance policies are not current.

11. PREVAILING WAGES.

A. Labor Code Compliance. If the work performed under this Agreement falls within Labor Code Section 1720(a)(1) definition of a "public works" the Consultant agrees to comply with all of the applicable provisions of the Labor Code including, those provisions requiring the payment of not less than the general prevailing rate of wages. The Consultant further agrees to the penalties

and forfeitures provided in said Code in the event a violation of any of the provisions occurs in the execution of this Agreement.

B. These wage rate determinations are made a specific part of this Agreement by reference pursuant to Labor Code Section 1773.2. General Prevailing Wage Rate Determinations may be obtained from the Department of Industrial Relations Internet site at <http://www.dir.ca.gov/>.

C. After award of the Agreement, and prior to commencing work, all applicable General Prevailing Wage Rate Determinations, if applicable, are to be obtained by the Consultant from the Department of Industrial Relations. These wage rate determinations are to be posted by the Consultant at the job site in accordance with Section 1773.2 of the California Labor Code.

D. Consultant agrees to include prevailing wage requirements, if applicable, in all subcontracts when the work to be performed by the subcontractor under this Agreement is a "public works" as defined in Labor Code Section 1720(a)(1) and Labor Code Section 1771.

12. ASSIGNABILITY OF AGREEMENT. It is understood and agreed that this Agreement contemplates personal performance by the Consultant and is based upon a determination of its unique personal competence and experience and upon its specialized personal knowledge. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express written consent of the City.

13. TERMINATION FOR CONVENIENCE OF CITY. The City may terminate this Agreement any time by mailing a notice in writing to Consultant that the Agreement is terminated. Said Agreement shall then be deemed terminated, and no further work shall be performed by Consultant. If the Agreement is so terminated, the Consultant shall be paid for that percentage of the phase of work actually completed, based on a pro rata portion of the compensation for said phase satisfactorily completed at the time the notice of termination is received.

14. CONFORMANCE TO APPLICABLE LAWS. Consultant shall comply with its standard of care regarding all applicable Federal, State, and municipal laws, rules and ordinances. No discrimination shall be made by Consultant in the employment of persons to work under this contract because of race, color, national origin, ancestry, disability, sex or religion of such person.

Consultant hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act (8 U.S.C.A. 1101 *et seq.*), as amended; and in connection therewith, shall not employ unauthorized aliens as defined therein. Should Consultant so employ such unauthorized aliens for the performance of work and/or services covered by this Agreement, and should any agency or instrumentality of the federal or state government, including the courts, impose sanctions against the City for such use of unauthorized aliens, Consultant hereby agrees to, and shall, reimburse City for the cost of all such sanctions imposed, together with any and all costs, including attorneys' fees, incurred by the City in connection therewith.

15. **WAIVER.** In the event that either City or Consultant shall at any time or times waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or any other covenant, condition or obligation. Waiver shall not be deemed effective until and unless signed by the waiving party.

16. **INCONSISTENT OR CONFLICTING TERMS IN AGREEMENT AND EXHIBITS.** In the event of any contradiction or inconsistency between any attached document(s) or exhibit(s) incorporated by reference herein and the provisions of the Agreement itself, the terms of the Agreement shall control.

Any exhibit that is attached and incorporated by reference shall be limited to the purposes for which it is attached, as specified in this Agreement. Any contractual terms or conditions contained in such exhibit imposing additional obligations on the City are not binding upon the City unless specifically agreed to in writing, and initialed by the authorized City representative, as to each additional contractual term or condition.

17. **AMBIGUITIES.** This Agreement has been negotiated at arms' length between persons knowledgeable in the matters dealt with herein. Accordingly, any rule of law, including, but not limited to, Section 1654 of the Civil Code of California, or any other statutes, legal decisions, or common-law principles of similar effect, that would require interpretation of any ambiguities in this Agreement against the party that drafted this Agreement is of no application and is hereby expressly waived.

18. **VENUE.** This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this agreement shall be held exclusively in a state court in the County of Merced.

19. AMENDMENT. This Agreement shall not be amended, modified, or otherwise changed unless in writing and signed by both parties hereto.

20. INTEGRATION. This Agreement constitutes the entire understanding and agreement of the parties and supersedes all previous and/or contemporaneous understanding or agreement between the parties with respect to all or any part of the subject matter hereof.

21. AUTHORITY TO EXECUTE. The person or persons executing this Agreement on behalf of the parties hereto warrants and represents that he/she/they has/have the authority to execute this Agreement on behalf of their entity and has/have the authority to bind their party to the performance of its obligations hereunder.

22. COUNTERPARTS. This Agreement may be executed in one or more counterparts with each counterpart being deemed an original. No counterpart shall be deemed to be an original or presumed delivered unless and until the counterparts executed by the other parties hereto are in the physical possession of the party or parties seeking enforcement thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

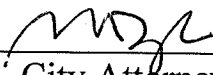
CITY OF MERCED
A California Charter Municipal
Corporation

BY: _____
City Manager

ATTEST:
STEPHANIE R. DIETZ, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:

BY:  9/27/2023
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

CONSULTANT
HILDEBRAND CONSULTING, LLC,
A California Limited Liability Company

DocuSigned by:
BY Mark Hildebrand
C8A9AD61D6794FB...
(Signature)

Mark Hildebrand

(Typed Name)

Its: Owner

(Title)

BY: _____
(Signature)

(Typed Name)

Its: _____
(Title)

Taxpayer I.D. No. 82-5365064

ADDRESS: 3378 Guido St
Oakland, CA 94602

TELEPHONE: 510-316-0621

FAX: _____

E-MAIL: mhildebrand@hildco.com



3. SCOPE OF WORK

The following proposes a detailed scope of work based our understanding of the City's needs and our scope of services for similar studies. The following scope of works includes detailed task descriptions which demonstrate that Hildebrand Consulting has considered all aspects of the study as described by the City, as well as other considerations based on our decades of experience.

Task 1. Project Kickoff and Data Collection

To initiate the study, we will submit a data request to the City. Collecting and reviewing data prior to a Kickoff Meeting will allow us to be more produce from the outset of the project. Once a majority of data has been received, we will review it in detail. This will include (but is not limited to) a review of historical financial statements, capital spending forecast, historical statements of revenue and expense, current year budgets, customer counts and classes, and historical water usage data. We will use this time to build on our existing understanding of the City's current financial requirements (such as bond covenants) and operational/capital improvement drivers.

Shortly thereafter, we will conduct a Project Kickoff Meeting with City staff to:

- ✓ Discuss key issues, roles, and responsibilities
- ✓ Confirm study objectives, priorities, and further explore project drivers such as revenue stability
- ✓ Confirm data requirements and discuss the data already received
- ✓ Finalize the project schedule, including key milestone dates and deliverables

Follow-up calls with staff will be made to ensure full understanding of all data received.

Task 1 Meeting: Kickoff Meeting (video conference) and conference calls as needed

Task 1 Deliverable: Data request list

Task 2. 10-Year Financial Plans

In this task, our team will use a revenue sufficiency and financial planning model to update the City's 10-year Financial Plans for both water and wastewater and recommend a 5-year schedule of rate adjustments. Our financial planning models will be tailored to directly load the City's budget (for seamless updates) and project annual revenue and fee adjustments requirements. The financial plans will consider projected changes to operating expenses, alternative spending levels, operating reserves targets, debt service coverage ratios and other financial policies/goals that affect the revenue requirements of the funds. It will also consider historical operating expenses, growth projections and other trends that paint a complete financial picture and provide for informed decision-making. Our model's dashboard clearly displays key scenarios and assumptions in a format that is easy to understand. This function, coupled with our ability to make real-time changes to the model, is particularly useful when engaging in interactive planning meetings.



The financial plans will address how the costs of the capital improvement programs and operations plan can be financed relative to proposed rates (perhaps using debt), and how adequate reserves can be achieved consistent with standard AWWA and credit rating guidelines. The financial plans include a review of existing revenues, operating expenses and non-operating revenues (expenses) to determine if the allocation of these revenues and expenses conform to legal standards and best practices.

Our team will work directly with City staff to understand cost drivers for the Financial Plans and consider cost uncertainties, such as future regulatory mandates and water supply/demand trends. We will review how operating costs may change as a result of future upgrades and expansions of the water system and wastewater treatment plant.

The models will include capital spending data from the respective master plans. Our financial planning model provides a valuable capital planning tool which we will use to review the City's capital improvement program and evaluate the impacts of alternative projects, costs, timing, and funding sources. We will examine the City's historical use of debt financing and assess the viability and appropriateness of issuing new debt. All financial scenarios will ensure that the City will maintain a proper balance of debt coverage and reserves over the study period.

The capital funding evaluation will also consider the availability of Capital Facility Charge revenue to fund growth-related capital projects. While Capital Facility Charges are intended to pay for growth projects, sometimes utility rates have to "front" the cost of growth-related capital projects if development occurs more slowly than anticipated.

Closely related to this analysis is the examination of cash reserve policies, which are fundamental to achieving financial stability and avoiding sudden fee adjustments in the face of changes to operating or capital needs. We will work with the City to review any existing reserve policies and we will make recommendations to ensure that both utilities are maintaining adequate reserves to protect the enterprises and its ratepayers. We will forecast the City's fund balances and incorporate these balances and alternative reserve policies into the interactive planning discussions regarding financial sustainability.

Task 2 Meeting:	Financial Planning Workshop (video conference) with staff and conference calls as needed
Task 2 Deliverable:	Presentation materials

Task 3. Cost of Service and Rate Design

The financial models in Task 2 will determine each enterprise's total annual rate revenue requirement during the 10-year planning period. In Task 3 we will determine how those revenues will be recovered from ratepayers.

Cost of Service Analysis

The cost-of-service analyses serve as the foundation for complying with Proposition 218 by allocating utility costs to cost categories and then to customer classes based on demand characteristics. Our cost of service and rate design study process is consistent with industry practice in the State of California, conforms to all State and Federal laws. Under California's Proposition 218 utility rates must reflect a proportionate distribution of costs to each customer



and customer class. We will review the basis of the cost-of-service analysis from the previous study and the City's current rate structure to determine if they continue to serve the City's objectives relating to revenue stability, conservation, and affordability, while ensuring a fair and equitable distribution of costs and conformance to accepted industry practice and legal requirements, including Proposition 218, Proposition 26 and other regulations.

Rate Structure

As previously discussed, we understand that the City would like to evaluate water rates that promote conservation and evaluate the use of volumetrics sewer rate for both residential and non-residential customers. Upon completion of the cost-of-service analyses, the rate structure design will determine how the cost of providing service to each customer class will be recovered through water and sewer rates. The design of the rate structures will reflect rate-setting objectives that will be identified and articulated in meetings with staff and City Council. Factors to be considered in identifying and selecting potential rate structures will include:

- Legal defensibility
- Equitability amount utility customers
- Potential demand variability of water demand and the implications for revenue volatility and water conservation
- Views and opinions expressed by staff and Council members regarding rate setting objectives and rate structure options
- Any constraints presented by the utility billing system and/or data limitations

As part of this task, we will review and update the City's Outside City Surcharge policy and private fire protection charges.

Sometimes changes to rate structure can be complex and the impact to customers is not immediately clear. In order to make the impact of the proposed changes as clear as possible, we will take a "cross section" of customers (residential, non-residential, large & low water users, high & low sewer strength, large & small meters) to demonstrate exactly how the proposed rates will specifically impact different types of customers.

Task 3 Meeting:	Rate Structure Workshop (video conference) with staff and conference calls as needed
Task 3 Deliverable:	Presentation materials, including survey results

Task 4. Drought Rate Surcharge Policy

The City's current drought rate surcharge policy was developed as part of the 2018 water rate study. While the current policy provides a useful "backstop" to protect the City in the event of a severe drought, we believe that a more nuanced drought surcharge policy will provide the City with greater flexibility given the fact that not all droughts are equal. The City's current policy does not account for the fact that the financial impact of a minor drought is very different than the impact of a severe drought. We propose a revised drought rate policy that is



structured around the six (6) water shortage stages that are defined by the state of California (and already part of the City's existing Urban Water Management Plan).

The drought surcharges will be calculated based on anticipated changes to both revenues and expenses during drought events. Changes in operating and maintenance costs and revenues can include:

- Reduced water sales (loss of revenue)
- Reduced pumping costs (decrease in energy costs)
- Increased water conservation education and assistance costs.

The net effect of these impacts is to create a financial deficit during periods of water shortage (i.e., revenue will decline more than the decline in expenses). We will leverage the financial planning model developed as part of Task 1 to calculate the appropriate surcharge needed during the respective water shortage stages. Often the surcharges are expressed as percentages, therefore the policy can be applied to any then-current rate.

Task 4 Meetings: See Task 2 and 3

Task 5 Deliverable: Presentation materials, as needed. Findings will be included in the final report and Prop 218 notification (see Task 6)

Task 5. Water and Sewer Capital Facility Fee Update

We will begin this task by reviewing the 2018 Water Capital Facility Charge methodology in detail with the City to determine if the approach remains appropriate. As previously discussed, we will either propose the buy-in approach, the incremental approach, or a hybrid of the two. Depending on the appropriate methodology, we will update the City's capital facility charges by collecting some or all of the following data from the City:

- 1) Fixed asset records providing historical cost, age, and expected life of facilities and long-lived assets
- 2) Existing and past long-term debt used to finance existing facilities
- 3) Financial information identifying reserves specifically set aside for capital improvements
- 4) Data on the number of active customer accounts and meter sizes
- 5) Master Plan and other long-term planning documents
- 6) 10-year capital improvement plan

When following the buy-in approach, the depreciated replacement cost of the City's assets is determined by taking the historical cost of each asset escalated to a current value (replacement cost) and depreciating the value based on the age and expected service life of the asset. After making adjustments for capital reserves and long-term debt, the "net" system value is divided by the number of equivalent meters served by the City to arrive at a capital facility charges per standard 1" meter.

When following the incremental approach, we identify all future capital projects with an expansion component and quantify the portion of the project that should be attributed to expansion as opposed to the portion (if any) that



should be attributed to repair and rehabilitation. Once we determine expansion-related costs, we use the long-term planning documents to quantify the number of new accounts those expansion project may eventually serve.

A hybrid approach could be used which would be based on the weighted average of both approaches above.

The data collection and meetings for this Task 5 will be done concurrently and in concert with water and sewer rate studies, therefore no additional meetings or deliverables are necessary

Additional elements of this task will include assessing the method by which Capital Facility Charges are assessed (flat fees as opposed to deposits) and we will discuss innovative procedures to enhance developer financing.

Task 5 Meetings: (see other meetings)

Task 5 Deliverables: Presentation materials, as needed. Findings will be included in the final report (see Task 6)

Task 6. Reports and Prop 218 Notification

Administrative Draft, Draft, and Final Report

We will deliver an administrative draft report for staff review (and committee review if appropriate). Following acceptance of the draft report by the City, a final report will be submitted.

The report will include all elements of the study (financial plan, cost of service / rate design, drought rates, capital facility charges). The report will include:

- a. A brief physical description of the systems
- b. Overview of financial operations for the last five years
- c. A forecast of capital improvement program needs for the next ten years
- d. The proposed 10-year financial plans
- e. A transparent explanation of the basis for cost allocation to customer classes
- f. A clear explanation of the cost-basis for the respective rate structures
- g. 5-year schedules of proposed rates
- h. A complete description of the proposed drought rate policy
- i. A comprehensive description of the capital facility charge methodology(s) and recommendations
- j. A list of all assumptions and data supporting the study's recommendations

We will provide guidance and advice to staff to ensure compliance with the rate adoption process required by Proposition 218. We will work with City staff to draft the contents of the required Proposition 218 notice, which will need to be mailed to property owners at least 45 days prior to a public hearing. We assume that the City will work with a printing service to finalize the formatting and mail the Proposition 218 notification.



Task 6 Deliverables: - Administrative Draft, Draft, and Final Study Report
 Task 6 Meeting: NA

Task 7. Workshops and Presentations

Tasks 1, 2 and 3 describe three formal video conference meetings with City staff (a Kickoff Meeting, a Financial Planning workshop, and a Rate Structure Workshop) as well as conference calls as needed.

In addition to staff meetings, we will present rate study findings and recommendations to both the City Council, applicable subcommittees, public-at-large, developers, landowners and community outreach meetings as needed. We will work closely with City staff over the course of the entire project to engage and inform the City Council (including any applicable committee) and the ratepayer community. Based on our understanding of the City's needs, we have proposed a work plan that assumes three (3) such presentations. Additional meetings can and should be added if warranted.

As part of these meetings, in addition to clearly and transparently communicating the basis of the recommended rate adjustments, the proposed water and sewer rates will be compared with the rates of neighboring water utilities by comparing the monthly bills for representative residential customers. We will survey up to fifteen other utilities. The survey will also include capital facility charges for both water and sewer.

The following proposed meetings are simply examples of how we typically communicate study findings to Council and the public. We intend to engage staff during the Kickoff meeting to better understand the communication approach that would be most appropriate for Merced.

Council Meeting 1: In this first meeting with the City Council (or Committee), we would provide an overview of rate study approach including project objectives; we will present the preliminary financial strategy and present capital spending scenarios; we will discuss any proposed changes to the existing rate structures; and we will review a rate survey of other regional utilities as compared to Merced. During this meeting we will solicit early feedback to ensure that the final recommendations in Meeting 2 are aligned with the expectations.

Council Meeting 2: In this second meeting with Council, we will present the draft final study recommendations and seek Council's direction to send the Proposition 218 notifications to customers. We will present the proposed rate structure changes and the rate schedules for a five-year period. Discussions will include bill impacts, sensitivity analysis, and we will discuss public outreach efforts (as applicable) during the rate approval process.

Meeting 3 (Public Hearing): This final meeting is the Proposition 218 Public Hearing with the City Council to adopt the final study recommendations and five-year rate plans including the Capital Facility Charges.

Community Outreach: In addition to the above, Hildebrand Consulting is available to conduct community engagement meetings. We are highly experienced in conducting outreach meetings to educate interested stakeholders in our rate study approach including project objectives; financial strategies; legal requirements; regulatory drivers; and capital spending scenarios. During these meetings we educate stakeholders by responding to questions and concerns and we seek to garner support and feedback.



Meeting materials will be prepared for each meeting. The meetings will include a formal presentation and an opportunity for questions, comments, and discussion. Given the recent format of all public meetings, it is assumed that all meetings will be held via video conference. In-person meetings can be arranged as well, see the price proposal for costs.

<p>Task 7 Meetings: - Three (3) City Council / committee meetings</p> <p>Task 7 Deliverables: - Presentations as needed, including rate survey results</p>
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Task 8. Model Training

As previously explained, our financial planning models will be tailored to directly load the City's multi-year budget (for seamless updates) and project annual revenue and fee adjustments requirements. The financial models will consider projected changes to operating expenses, alternative spending levels, operating reserves targets, debt service coverage ratios and other financial policies/goals that affect the revenue requirements of the funds. Our model's dashboard clearly displays key scenarios and assumptions in a format that is easy to understand. This function, coupled with our ability to make real-time changes to the model, is particularly useful when engaging in interactive planning meetings.

Hildebrand Consulting will deliver the two financial plan models in Microsoft Excel®. Unlike many of our competitors, our model is a simple, user-friendly Excel model. The model does not include any confusing "macros" or special programming that exceeds the knowledge of a typical Excel user. The model has a user-friendly dashboard with interactive graphics that automatically produces reports and graphs as inputs are changed. City staff will be able to update the model to evaluate actual performance against projections and to make adjustments as necessary. The model will become City property and may be used by staff for any internal purpose.

We will provide training to City staff in the use of the financial planning model to allow staff to fully understand how the model operates and how the results of various recommendations may be proposed and illustrated. This training will include a two-day training seminar.

<p>Task 8 Meeting: Training seminar</p> <p>Task 8 Deliverable: Rate model in Microsoft Excel®</p>



SCHEDULE

We understand that the City wishes to receive a draft report within 90 days after award of contract. This schedule is feasible assuming that the City is able to provide requested data in a timely manner (within three weeks). The final report will be submitted to City within 30 days of receipt of City comments.

The following example schedule assumes the award of contract occur by September 1, 2023. We have assumed that the City wishes to implement the new rates at the beginning of the fiscal year (July 1), however we are able to accelerate this date at the City's request.

	2023										2024	
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May			
Task 1 - Project Kickoff & Data Collection												
Task 2 - 10-Year Financial Plans												
Task 3 - Cost of Service & Rate Design												
Task 4 - Drought Rate Policy												
Task 5 - Capital Facility Charges												
Task 6 - Report and Prop 218 Notification												
Task 7 - Council Presentations												
Task 8 - Model Training												



REVISED FEE FOR MERCED SEWER AND WATER SERVICE CHARGE STUDY

Mark Hildebrand's proposed hourly billing rate is \$250. Hildebrand Consulting does not charge for direct travel expenses. We have no hidden fees and we do not mark-up our direct expenses (if applicable).

The table below provides a not-to-exceed project budget based on the scope of services described in our proposal. It is our practice to bill monthly on a time and materials basis for services rendered.

	Hildebrand Consulting	Cost by Task
Hourly Rate:	\$250	
Task 1 Project Kickoff and Data Collection	7	\$1,750
Task 2 10-Year Financial Plans	62	\$15,500
Task 3 Cost of Service and Rate Design	80	\$20,000
Task 4 Drought Rate Surcharge Policy	10	\$2,500
Task 5 Capital Facility Charges	54	\$13,500
Task 6 Reports and Prop 218 Notification	56	\$14,000
Task 7 Workshops and Presentations	24	\$6,000
Task 8 Model Training	16	\$4,000
Total Hours:	309	
Direct expenses (including travel expenses)*:		\$0
Baseline Fee:		\$77,250
Contingency for up to 3 additional in-person meetings (\$2000/ meeting):		\$6,000
Not to Exceed Contract Amount:		\$83,250

*Hildebrand Consulting does not charge for direct travel expenses such as gas, hotels and meals.

EXHIBIT B

Certificate Of Completion

Envelope Id: E507385835224211B453F4CF3F7B8687

Status: Completed

Subject: City of Merced Sewer and Water Rate Study Contract

Tyler Contract Number:

Source Envelope:

Document Pages: 19

Signatures: 1

Envelope Originator:

Certificate Pages: 4

Initials: 0

Jamie Cruz

AutoNav: Enabled

678 W 18th Street

Envelopeld Stamping: Enabled

Merced, CA 95340

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

cruzj@cityofmerced.org

IP Address: 136.226.67.190

Record Tracking

Status: Original

Holder: Jamie Cruz

Location: DocuSign

9/29/2023 4:20:54 PM

cruzj@cityofmerced.org

Security Appliance Status: Connected

Pool: StateLocal

Storage Appliance Status: Connected

Pool: City of Merced

Location: DocuSign

Signer Events

Mark Hildebrand

mhildebrand@hildco.com

Owner

Hildebrand Consulting, LLC

Security Level: Email, Account Authentication
(Optional)**Signature**

DocuSigned by:



C8A9AD61D6794FB...

Signature Adoption: Pre-selected Style

Using IP Address: 76.218.101.108

Timestamp

Sent: 9/29/2023 4:24:18 PM

Viewed: 9/29/2023 6:42:45 PM

Signed: 9/29/2023 6:43:35 PM

Electronic Record and Signature Disclosure:

Accepted: 9/29/2023 6:42:45 PM

ID: 4f2ed86d-ea61-45c3-bcf8-e8d7219164ee

In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp****Witness Events****Signature****Timestamp****Notary Events****Signature****Timestamp****Envelope Summary Events****Status****Timestamps**

Envelope Sent

Hashed/Encrypted

9/29/2023 4:24:18 PM

Certified Delivered

Security Checked

9/29/2023 6:42:45 PM

Signing Complete

Security Checked

9/29/2023 6:43:35 PM

Completed

Security Checked

9/29/2023 6:43:35 PM

Payment Events**Status****Timestamps****Electronic Record and Signature Disclosure**

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