

City of Rialto

2023 Water and Wastewater Rate Study

Proposed Amendment 1 to Professional Services Agreement

Introduction

On April 11, 2023, the City of Rialto (“City”) and FG Solutions, LLC (“FG Solutions”) executed a Professional Services Agreement to complete the City’s 2023 Water and Wastewater Rate Study (“Rate Study”).

On March 4, 2024, the City requested a proposal from FG Solutions to update the Rate Study due to the rescheduling of the City’s Proposition 218 Public Hearing.

The City has set the following schedule milestones for the requested FG Solutions work:

1. Final rate proposal by April 9, 2024.
2. City Council consideration of setting a Proposition 218 Public Hearing date at the April 23, 2024 City Council meeting.
3. Proposition 218 Public Hearing on June 25, 2024.

FG Solutions has prepared a work plan, described in the Schedule section of this Amendment, that is consistent with the City’s schedule. To meet the City’s schedule, the following must occur:

1. FG Solutions will provide only one iteration of the draft rate proposal.
2. Except for providing a final rate proposal on April 9, 2023 in advance of the April 23, 2024 Council meeting, FG Solutions will not provide work product in advance of meetings with City management or elected officials.
3. FG Solutions will begin updating the draft Rate Study Report after April 23, 2024.

The scheduled milestones described above cannot be met if:

1. **More than one draft rate proposal is required.**
2. **There are any changes to data inputs after March 14, 2024. Final Capital Improvement costs and schedule must be delivered to FG Solutions by March 14, 2024, COB.**
3. **Any meetings with City management or elected officials do not take place prior to April 4, 2024.**

Revised Scope of Work

Task 9

The original Scope of Work for the Rate Study included a series of Presentations and Meetings. During the course of the Rate Study, City staff identified necessary additional services that weren’t contemplated in the April 11, 2023 Professional Services Agreement. Per City staff request, FG Solutions completed this work in 2023 and February 2024. This Amendment 1 includes these Additional Services, requested by staff and provided by FG Solutions. The following is added to the Task 9 Scope of Work, related to the additional services completed in 2023:

1. Per request by City staff, FG Solutions performed services September 1, 2023 through December 31, 2023 as an expert reference associated with: (a) the City's capital project financing strategy development, and (b) preparations for the 2024 Labor Reset.
2. Related to the City's capital project financing strategy development, services included multiple remote and in-person meetings with City, the City's legal counsel, the City's Financial Advisor, and Rialto Water Services.
3. Related to the 2024 Labor Reset, services included prepared for and attendance at 12/12/23 meeting with City staff in City offices to prepare for the 2024 Labor Reset. FG Solutions documented the results of this meeting and delivered documentation to City staff.

Task 11 – 2024 Rate Study Update

Task 11.1: Update Rate Calculations

1. Consultant will update the Revenue Requirement analysis, leaving all projected revenues and expenses unchanged, with the following exceptions:
 - a. Incorporating updated projected chemical costs received from RWS in December 2023, subject to the City's direction regarding the extent that the City is responsible for payment of the increased chemical costs.
 - b. Delaying the capital improvement schedule by one year
 - c. Incorporating funds received from the Federal government by the City related to COVID-era suspension of late payment/shutoff policies.
2. Consultant will update the Cost-of-Service Analysis and Rate Design calculations, with no changes to the water and wastewater customer classes or water tier structure.
 - a. Update the Cost-of-Service Analysis test year to be FY 24/25 instead of FY 23/24.
 - b. Updating rate design calculations to reflect changes in the Revenue Requirement analysis and cost-of-service analysis.
3. Consultant preparation of work plan and schedule, and participation in virtual meetings with City staff on March 4 and March 5, 2024.

The following items are not included in this Amendment:

1. Incorporating the City's FY 24/25 budget as a basis for rate projections.
2. Incorporating the results of the forthcoming Labor Reset procedure.
3. Incorporating updated metered water consumption from CY 2023 as a basis for rate projections.

Task 11.2: Meetings

This task includes attending meetings requested by City staff and a budget allowance for revision of draft work products following meetings.

1. One Consultant staff will attend the following meetings in-person:
 - a. Up to three Water Subcommittee meetings

- b. Up to two Council Study Sessions
 - c. Up to one Utilities Commission Meeting
 - d. One City Council meeting to set Proposition 218 Public Hearing date
 - e. One City Council meeting which will contain the Proposition 218 Public Hearing
2. One Consultant staff will attend the two City Council meetings remotely.
 3. Consultant will prepare presentations for Water Subcommittee meetings. Presentations will be similar in format to those presented to the Water Subcommittee in 2023. City is responsible for preparing all other presentations for the meetings listed in 11.2.1.b through 11.2.1.e.
 4. Proposition 218 support limited to reviewing work product prepared by City staff.
 5. City staff are responsible for updating water and wastewater monthly bill comparisons.

A budget allowance is made for revisions to work products based on the outcome of the meetings listed in 11.2.1.

Task 11.3: Rate Study Report

FG Solutions will revise the 2023 Rate Study Report to incorporate changes from Tasks 11.1 and 11.2. This includes preparation of updated draft, final draft, and final reports.

Reports will be delivered in electronic form only. No hard copies will be delivered.

Schedule

A proposed schedule is shown in Table 1 below, which identifies key milestones required to meet the City’s schedule milestones, including the June 25, 2024 Proposition 218 Public Hearing.

Milestone	Date
Notice to Proceed	3/8/2024
Draft Rate Proposal to City Staff	3/26/2024
Water Subcommittee Meeting	3/27/2024
All Other Task 11.2 Meetings	See Note 1
Final Rate Proposal Developed	4/9/2024
Council Sets Prop 218 Hearing	4/23/2024
Draft Report Delivered	5/16/2024
Final Draft Report Delivered	5/31/2024
Prop 218 Public Hearing	6/25/2024

Table 1. Milestone Schedule

Note 1: All other meetings identified in Task 11.2 will be scheduled based on the availability of the participants. City acknowledges that requiring other meetings will likely result in delay of all subsequent milestones.

Any requirement to produce more than one iteration of a draft rate proposal will result in delay of all schedule milestones after April 1, 2024. FG Solutions’s ability to meet the schedule milestone requires the City to provide final Capital Improvement Plan schedule and cost revisions by March 15, 2024.

Fee Estimate

Table 2 is the Fee Estimate for Amendment 1. The revised Fee Estimate for the 2023 Water and Wastewater Rate Study including Amendment 1 is shown in Table 3.

Table 2: 2023 Water and Wastewater Rate Study. Amendment 1 Fee Estimate			
	Hours		Fee Estimate (Note 2)
	Griffith	Fortin	
Task 9 Additional Services	See Note 1	See Note 1	\$2,622.74
Task 11: Update Rate Study			
Task 11.1: Update Rate Calcs	56	18	\$17,761.80
Task 11.2: Meetings	118	22	\$34,248.90
Task 11.3: Report	12	40	\$11,016.60
Total Amendment 1	186	80	\$65,650.04

Note 1:

Amendment 1 budget includes time spent in September through December 2023.

September (Invoice RIALTO-4006)	\$982.50
October (Invoice RIALTO-4007)	\$681.25
November (Invoice RIALTO-4008)	\$1,775.00
December (Invoice RIALTO-4009)	\$2,041.50
Less Credit for Use of Original Project Budget	<u>(\$2,857.51)</u>
Total	\$2,622.74

Note 2:

Hourly rates for Task 9 Additional Services through 12/31/23 are billed using 2023 hourly rates.

Hourly rates for Task 11 Services are billed using 2024 hourly rates.

FG Solutions adjusts its hourly rates on January 1 of each year.

Hourly Rates	2024	2025
Art Griffith, Principal and Project Manager	\$253.05	\$265.70
Debi Fortin, Principal and Senior Consultant	\$199.50	\$209.48

Table 3: 2023 Water and Wastewater Rate Study. Revised Fee Estimate Including Amendment 1			
Task	April 11, 2023 PSA Fee Estimate	Amendment 1 Fee Estimate	Total Revised Fee Estimate
Phase 1			
Task 1: Project Management and Project Initiation	\$3,207.00		\$3,207.00
Task 2: Water Revenue Requirement Analysis	\$19,140.00		\$19,140.00
Task 3: Water Cost of Service and Rate Design	\$14,302.00		\$14,302.00
Task 4: Wastewater Revenue Requirement Analysis	\$15,442.00		\$15,442.00
Task 5: Wastewater Cost of Service and Rate Design	\$13,644.00		\$13,644.00
Task 6: Draft Report	\$13,940.00		\$13,940.00
Task 7: Water Subcommittee Meeting and Presentation	\$9,206.00		\$9,206.00
Total Phase 1	\$88,881.00		\$88,881.00
Phase 2			
Task 8: Final Draft and Final Reports	\$6,488.00		\$6,488.00
Task 9: Meetings and Presentations	\$19,156.00	\$2,622.74	\$21,778.74
Task 10: Three Additional Meetings Work Product Revisions	\$5,858.00		\$5,858.00
Meeting Attendance	\$17,914.00		\$17,914.00
Total Phase 2	\$49,416.00	\$2,622.74	\$52,038.74
Task 11 - 2024 Rate Study Update			
Task 11.1: Update Rate Calculations		\$17,761.80	
Task 11.2: Meetings		\$34,248.90	
Task 11.3: Rate Study Report		\$11,016.60	
Total Task 11	\$0.00	\$63,027.30	\$63,027.30
Total	\$138,297.00	\$65,650.04	\$203,947.04

The Task 11.2 Fee Estimate contains a \$13,421 budget allowance for revisions of work products following meetings with City management and elected officials. It is not possible to identify in advance what the requested work product revisions will be. FG Solutions will work to this budget as directed by the City. Additional revisions to work products that exceed this budget allowance will be addressed by a subsequent contract amendment.