



MEMORANDUM

To: James L. Gillis Jr., City Manager
From: Jason Oliva, Finance Director
Re: Consideration of Professional Services Agreement with Willdan Financial Services
Date: July 15, 2021

AGENDA ITEM

Item # C14

Date: July 27, 2021

The City of South Daytona operates a potable water distribution system and sanitary sewer collection system. In 1994, the City entered into a Water and Wastewater Service Agreement with the City of Daytona Beach to purchase potable water and treatment and disposal of sanitary sewage services from the City of Daytona Beach. The term of the 1994 Agreement was through December 31, 2019.

In January 2021, a Water and Wastewater Utility Rate Study was prepared for the City of Daytona Beach which included an evaluation of wholesale rates. The proposed wholesale rates include significant increases over the rates currently charged to the City. The proposed wholesale rate for water is \$2.6398 per 1,000 gallons, an increase of .5846 per 1,000 gallons (28.4%). The proposed wholesale rate for wastewater is \$3.5857 per 1,000 gallons, an increase of .3278 per 1,000 gallons (10.0%). The City of Daytona Beach has provided the City with an updated Water and Wastewater Service Agreement based on these proposed wholesale rates.

Staff requests professional consulting services that will include a review of the calculations and cost allocations used to develop the proposed rates and charges as well as a review of the terms, conditions, and calculations presented in the updated Water and Wastewater Service Agreement. In addition, the consultant will provide feedback relative the reasonableness of the proposed rates as well as an analyses and findings regarding the terms and conditions of the proposed Agreement compared with common industry standards for the provision of potable water and the treatment and disposal of sanitary sewage.

The updated City of Daytona Beach modified agreement and rates will necessitate a review of our current fee schedules. A professional consultant will be needed to review and evaluate the City's existing user rates and charges associated with the water and wastewater utility systems and update the Water and Wastewater Rate Study prepared by Willdan in 2019.

In 2018, the City of South Daytona entered into an agreement with Willdan Financial Services for our Water and Sewer Rate Study utilizing a piggyback agreement from the City of Oviedo.

In 2019, Willdan was again selected to provide professional services by the City of Oviedo after a competitive bid procedure. Both the City of Oviedo and Willdan Financial Services have agreed to allow South Daytona to piggyback that agreement.

City of South Daytona



Finance Department

Post Office Box 214960 • South Daytona, FL 32121 • 386/322-3001 • Fax 386/322-3099

The cost for the professional review of the City of Daytona Beach Water and Wastewater Wholesale Rate Study and Proposed Water and Wastewater Services Agreement (Supplement No. 1) will not exceed \$5,500. The fee for a Water and Wastewater Rate Study Update (Supplement No. 2) will be \$12,250.

If approved, the amounts for these services would be deducted from the operating contingency in the Utility Service Fund. The operating contingency in the Utility Service Fund currently has a balance of \$59,650.

AGREEMENT

WHEREAS, the City of South Daytona (City) is in need of financial services, including but not limited to a review of water and sewer charges and rates.

WHEREAS, the City desires to “piggy back” an agreement for such services that was competitively bid by the City of Oviedo (Oviedo), Request for Qualifications 19-29.

WHEREAS, the City of Oviedo awarded the contract to the lowest, responsible bidder which was Willdan Financial Services, Inc. (Willdan). A copy of the contract between Oviedo and Willdan is attached hereto marked as Exhibit A.

WHEREAS, the City and Willdan desire to enter into a contract on the same terms and conditions as the Oviedo contract, except as otherwise agreed to herein.

NOW, THEREFORE, for and in consideration of mutual covenants contained herein, the sufficiency are hereby acknowledged, the undersigned parties hereby agree to the following:

- 1) The City hereby retains Willdan and Willdan pursuant to the terms and conditions of the agreement between Willdan and Oviedo attached hereto marked as Exhibit A, except as hereinafter set forth.
- 2) The term of this Agreement shall be for two years.
- 3) Venue for any litigation arising out of or related to this Agreement shall be in State Court, Volusia County, Florida.
- 4) All invoices shall be mailed to the City at:
City of South Daytona
Finance Director
1672 S Ridgewood Avenue
South Daytona, FL 32119
- 5) The City Manager hereby designates the City’s Representative to be:
City of South Daytona
Finance Director
1672 S Ridgewood Avenue
South Daytona, FL 32119
- 6) All notices to the City shall be mailed to:
City of South Daytona
City Manager
1672 S Ridgewood Avenue
South Daytona, FL 32119

City of South Daytona

By: _____

Title: _____

Date: _____

Willdan Financial Services, Inc.

By: _____

Title: _____

Date: _____

**SUPPLEMENT NO. 1
TO THE PROFESSIONAL SERVICES AGREEMENT
BETWEEN WILLDAN FINANCIAL SERVICES AND
THE CITY OF SOUTH DAYTONA, FLORIDA**

**CITY OF DAYTONA BEACH WATER AND WASTEWATER WHOLESALE RATE STUDY
AND PROPOSED SERVICE AGREEMENT REVIEW**

This document represents Supplement No. 1 to the Professional Services Agreement (the "Agreement") dated on _____, 2021 by and between Willdan Financial Services ("Willdan" or the "Consultant") and the City of South Daytona, Florida (the "Client" or "City"). All provisions of the Agreement remain in effect except as specifically defined in this Supplement.

In accordance with the Agreement, this Supplement sets forth the Scope of Services and Professional Service Fees for the rate and financial consulting services to be provided by the Consultant. Provided herein is a detailed description of the scope of work anticipated to meet the project objectives of the City for its retail water and wastewater system. Based on the Consultant's understanding of the project requirements, the scope of work proposed for this project is detailed in the following discussions.

Scope of Services

Phase 1: Rate Study and Service Agreement Review

The City of South Daytona operates a potable water distribution system and sanitary sewer collection system. In 1994, the City passed Ordinance No. 94-294 which authorized the City to enter into a Water and Wastewater Service Agreement ("1994 Agreement") with the City of Daytona Beach to purchase potable water and treatment and disposal of sanitary sewage services from the City of Daytona Beach. The term of the 1994 Agreement was through December 31, 2019.

A Water and Wastewater Rate Study was recently prepared for the City of Daytona Beach which includes recommended rates and charges to be charged to the City and passed-through to its customers. The proposed rates include significant increases over the rates currently charged to the City. Additionally, the City of Daytona Beach has provided the City with an updated Water and Wastewater Service Agreement.

The City is requesting general consulting services from the Willdan that will include a review of the calculations and cost allocations used to develop the proposed rates and charges as well as a review of the terms, conditions, and calculations presented in the updated Water and Wastewater Service Agreement. In addition, Willdan will provide feedback relative the reasonableness of the proposed rates as well as our analyses and

findings with regard to the terms and conditions of the proposed Agreement as compared with common industry standards for the provision of potable water and the treatment and disposal of sanitary sewage.

Phase 2: Reports, Deliverables, and Meetings

Task 2.1 – Summary Memorandum. Willdan will prepare a summary memorandum that includes an overview of the Rate Study and Proposed Water and Wastewater Services Agreement. This letter will also include our analyses and findings.

Task 2.2 – Meeting/Presentation. Willdan will meet with City Staff or the City Council to discuss the results of Willdan's review of the City of Daytona Beach's proposed Wholesale Water and Wastewater Rates and new Water and Wastewater Service Agreement. Additional meetings or presentations will be provided by Willdan as requested by the Client. Fees for these additional meetings and presentations will be billed on an hourly basis using Willdan's currently hourly rates, as shown below.

Items to be Furnished by the City

The City will assist Willdan by furnishing all available pertinent information including rate study report documents, customer billing data, financial reports, agreements, ordinances, codes, and any other data relative to performance of the above services for the project. Willdan will rely on the validity and accuracy of the City's data and documentation to complete the analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy and will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

Professional Fees

On the basis of the Scope of Services described herein, the Consultant's total labor billings and all out-of-pocket costs and expenses directly chargeable to the work performed and described in the Scope of Services section of this Supplement will be performed for a **not-to-exceed cost of \$5,500** unless specifically authorized in writing by the Client. Payment for such services shall be invoiced monthly.

General Disclosure

- (i) Client is not looking to Willdan to provide, and Client shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or municipal securities issuances, including any revisions or amendments thereto); and
- (ii) The provisions of this Agreement and the services to be provided hereunder as outlined in the Project Approach are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of

Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations adopted thereunder.

IN WITNESS WHEREOF, the parties have executed this Supplement No. 1 on the date(s) indicated below.

CITY OF SOUTH DAYTONA, FLORIDA

WILLDAN FINANCIAL SERVICES

By: _____
(Signature)

By: _____
(Signature)

By: _____
(Name Printed)

By: Jeff McGarvey
(Name Printed)

Title: _____

Title: Vice President, Managing Principal

Date: _____

Date: _____

**SUPPLEMENT NO. 2
TO THE PROFESSIONAL SERVICES AGREEMENT
BETWEEN WILLDAN FINANCIAL SERVICES AND
THE CITY OF SOUTH DAYTONA, FLORIDA**

WATER AND WASTEWATER RATE STUDY UPDATE

This document represents Supplement No. 2 to the Professional Services Agreement (the "Agreement") dated on _____, 2021 by and between Willdan Financial Services ("Willdan" or the "Consultant") and the City of South Daytona, Florida (the "Client" or "City"). All provisions of the Agreement remain in effect except as specifically defined in this Supplement.

In accordance with the Agreement, this Supplement sets forth the Scope of Services and Professional Service Fees for the rate and financial consulting services to be provided by the Consultant. Provided herein is a detailed description of the scope of work anticipated to meet the project objectives of the City for its retail water and wastewater user rates. The proposed scope of work is intended to develop a review and evaluation of the City's existing user rates and charges associated with the water and wastewater utility systems and update the Water and Wastewater Rate Study prepared by Willdan in 2019. Based on the Consultant's understanding of the project requirements, the scope of work proposed for this project is detailed in the following discussions.

Scope of Services

Phase 1: Data Collection and Review

Task 1.1 – Data Collection. The City will be provided with an initial list of basic data needed to conduct the study. The data request may include, but not be limited to, items such as financial and operating data, customer account and billing data, reports prepared by others, budgets, audits, capital improvement programs, fixed asset records, official bond statements, debt service schedules, master plans, ordinances, previous rate studies, City codes and policies.

Task 1.2 – Data Review. The data will be reviewed for completeness and to ensure a sufficient understanding of current utility operations and the impacts of changes in the rate structure implemented in the 2019 Water and Wastewater Rate Study. The data collection and review process will be ongoing throughout the process as the need for additional information arises.

Phase 2: Revenue Requirements, Rate Determinants, and Rate Analysis

Task 2.1 – FY 2020 Historical Billing Data Review and Analysis. The data request document will provide instructions for the review of historical customer billing information. It is anticipated that the billing information will be provided in a format necessary to summarize the water and wastewater system accounts and billable flows by customer class for a recent historical period for which audited revenues exist (FY 2020). This review will be used to analyze the impacts of the rate structure modifications from the 2019 Water and Wastewater Rate Study on customer demand.

Task 2.2 – Customer and Flow Projections. Based on the historical billing data review, discussion with City Staff, and other factors including peak demands, climatological patterns, local economic conditions, potential for adding/losing major utility customers, etc., any updates to the annual growth and customer demand characteristics utilized in the previous rate study will be updated.

Task 2.3 – Projections of Revenues under Existing Rates. Projections of utility system revenues under existing rates for the five-year planning period will be developed separately for water and wastewater, recognizing projected accounts, flow volumes, and usage patterns by customer class (as determined in the billing analysis under the previous tasks). Such revenue projections will assume that the existing user rates and rate structures remain constant at the existing levels.

Task 2.4 – Miscellaneous Revenue Projections. The revenues to be generated from other existing sources, including such items as connection fees, late fees, interest earnings, plan reviews, service shut-offs and other miscellaneous service charges, will be projected for the planning period. Such other revenue sources are important for determining the net level of future revenues to be generated from user rates and charges. If the analysis identifies other potential areas for service and system charges, such information will be communicated to staff.

Task 2.5 – Projected Revenue Requirements. Revenue requirements (i.e. system expenditures) will be developed separately for the water and wastewater systems based on an analysis of historical, currently budgeted, and anticipated operating and capital expenditures. The revenue requirements will be projected on a fiscal year cash flow basis, taking into account expected operational changes, changes in staffing or operating expenditures for new facilities, system growth occurring from new development, anticipated extraordinary expenses, and allowances for inflation. In addition, the revenue requirements will take into account potential impacts of changes in the City's Water and Wastewater Service Agreement with the City of Daytona Beach and the proposed wholesale water and wastewater rates to be charged by the City of Daytona Beach throughout the projection period. The projections will include, but not be limited to, the following:

- Operation and Maintenance Expenses,
- Outlay for Routine Annual Capital Additions and Replacements,
- Debt Service and Reserve Requirements on Existing and Anticipated Debt Instruments,

- Transfers to Fund Major Capital Improvement, and
- Other Expenditures and Transfers.

Task 2.6 – Projected Operating Results Based on Existing Rates. The projected revenues and revenue requirements will be summarized into a five-year cash flow statement providing the projected operating results of the water and wastewater systems under the existing rates. The cash flow statement will be used to estimate annual adjustments in utility revenues necessary to fund operating and capital expenditure requirements, meet bond covenant requirements, and maintain prudent utility management practices. The estimated timing and magnitude of future debt issues required, if any, to finance proposed capital improvements will also be shown. Concurrent with the development of the projected operating results, the study will review the general financial health of the utility operations and, as necessary, make recommendations for changes in fund balances, reserves, and debt service coverage ratios to maintain financial integrity and a stable debt rating.

Task 2.7 – Projected Operating Results Based on Proposed Rates. The existing rates will be reviewed for revenue sufficiency. The proposed user rates will be applied to the projected customers and flows in order to estimate the revenues to be generated from the proposed rates for the Test Year and the subsequent years of the projection period. In addition, the five-year forecast will identify annual adjustments in utility system revenues necessary to meet bond covenant requirements, prudent management practices, and/or sound capital financing considerations.

Task 2.8 – Typical Bill Comparison. Comparisons of typical utility bills under the existing and proposed rates will be developed for each customer class under various levels of usage. The selected customer class usage levels will reflect the results of the billing analysis so as to better demonstrate rate impacts on typical customer accounts in each class.

Task 2.9 – Neighboring Utility Comparison. A comparison will be prepared to assess the difference between the existing and proposed rates of the City with those of other comparable municipal utility systems in the same geographic region.

Phase 3: Reports and Deliverables

Task 3.1 – Preliminary Draft Report. A draft report will be developed to address the study findings and the proposed recommendations. Contents will also include assumptions relied upon for the projection of customers and usage characteristics, revenue requirements, revenues, operating results, and any proposed adjustments to the utility rates. Upon completion, an electronic PDF copy of the draft report will be provided to staff for review.

Task 3.2 – Final Report. Based on comments received from staff and other participants during the presentation of the Preliminary Draft Report, the Final Report will be revised to incorporate the agreed upon changes. Upon completion, an electronic PDF copy of the Final Rate Study Report will be provided to the City.

Task 3.3 – Rate Model Dashboard. The study will include the development of a spreadsheet model in Microsoft Excel and will be developed in such a way as to project cash flows over the five-year projection period by allowing “what-if” scenarios by varying rates, target reserve fund balances, debt service coverage targets, operating expense and capital cost assumptions. The model will have a user-friendly dashboard with interactive graphics that automatically produce a suite of reports and graphs as inputs or assumptions are changed. A copy of the final Dashboard Model spreadsheet will be provided to the City upon completion of the project.

Phase 4 – Meetings & Presentations

Task 4.1 – Project Kick-Off Meeting. An initial kick-off meeting will be scheduled with City staff at the start of the project to discuss project requirements, finalize project scheduling/milestones and reporting requirements, and receive overall project direction. This meeting will provide the opportunity to review current water and wastewater rates, fees, charges, issues and deficiencies with staff. The meeting is part of the Phase 1 activities and will help ensure that the project objectives are clearly defined and understood by all parties.

Task 4.2 – Project Progress Web Conferences. During the course of the project, and prior to meetings with the City Council, team web conferences will be scheduled to present the progression of the analysis to staff in order to obtain input and feedback associated with any rate adjustments that may be presented. These web-meetings will assist in the completion of rate design for the utility systems and guide the development of the draft report.

Task 4.3 – Draft Report Meeting. The results of the Preliminary Draft Report will be presented to City Staff and/or committee for comments.

Task 4.4 – Final Report Meeting/Public Hearing. The results of the Final Report will be presented to the City Council during a public hearing where the recommended water and wastewater rate adjustments are to be considered. Willdan Project Manager, Tara Hollis, will be present to address any questions or concerns raised during the public hearing.

Items to be Furnished by the City

The City will assist Willdan by furnishing all available pertinent information including customer billing data, financial reports, agreements, ordinances, codes, and any other data relative to performance of the above services for the project. Willdan will rely on the validity and accuracy of the City's data and documentation to complete the analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy and will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

Professional Fees

On the basis of the Scope of Services described herein, the Consultant's total labor

billings and all out-of-pocket costs and expenses directly chargeable to the work performed and described in the Scope of Services section of this Supplement will be performed for a **fixed fee of \$12,250** unless additional services are specifically authorized in writing by the Client. Payment for such services shall be invoiced monthly based upon the percentage of project completion.

General Disclosure

- (i) Client is not looking to Willdan to provide, and Client shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or municipal securities issuances, including any revisions or amendments thereto); and
- (ii) The provisions of this Agreement and the services to be provided hereunder as outlined in the Project Approach are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations adopted thereunder.

IN WITNESS WHEREOF, the parties have executed this Supplement No. 2 on the date(s) indicated below.

CITY OF SOUTH DAYTONA, FLORIDA

WILLDAN FINANCIAL SERVICES

By: _____
(Signature)

By: _____
(Signature)

By: _____
(Name Printed)

By: Jeff McGarvey
(Name Printed)

Title: _____

Title: Vice President, Managing Principal

Date: _____

Date: _____