

EXHIBIT A – SUMMARY OF FEES OVER FIVE YEARS

1. SUMMARY OF FEES FOR ANNUAL UPDATES

2020	2021	2022	2023	2024	TOTAL
\$30,941	\$30,010	\$31,410	\$32,110	\$32,910	\$157,381

2. DETAIL FOR ANNUAL UPDATES

2020

Task Description	Hours Requirements				
	PD	TA	PM	SC	Admin
1. Project Initiation, Administration and Data Collection			6	2	4
- Project Management					
- Data Collection & Review					
2. Determine Revenue Sufficiency	2		6	18	
- Project Expenses Using Budget					
- Analyze Usage					
- Incorporate CIP and Funding Sources					
- Project Revenues under Existing Rates					
3. Calculate Rates over Five Year Forecast	4	2	10	22	
- Calculate water, wastewater, reuse and stormwater rates					
- Run alternative rate scenarios					
- Comparison of New Rates to Existing Rates					
- Comparison of City's Rates to Regional Utilities' Rates					
- Customer Impacts					
4. Lauderdale by the Sea Wholesale Rate	2	2	8	16	
- Calculate annual LBS rate					
5. Reports and Ordinances	8	2	16	24	2
- Prepare draft report					
- Present rate recommendations (1 trips to Pompano Beach)					
- Finalize rate report					
Total estimated hours	16	6	46	82	6
Hourly rates	\$295	\$295	\$200	\$155	\$72
Professional Fees	\$4,720	\$1,770	\$9,200	\$12,710	\$431

Key:

PD Project Director
PM Project Manager
TA Technical Advisor
SC Staff Consultant

Total fees \$28,800
Estimated expenses \$2,141
Total Fees and Expenses **\$30,941**

2021

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	0	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	18	0
- Project Expenses Using Budget				
- Analyze Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	10	22	0
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	16	0
- Calculate annual LBS rate				
5. Reports and Ordinances	8	16	24	2
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				
Total estimated hours	16	46	82	6
Hourly rates	\$ 302	\$ 205	\$ 159	\$ 74
Professional Fees	\$4,832	\$9,430	\$13,038	\$444
Total fees				\$27,700
Estimated expenses				\$2,310
Total Fees and Expenses				\$30,010

2022

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	0	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	18	0
- Project Expenses Using Budget				
- Analyze Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	10	22	0
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	16	0
- Calculate annual LBS rate				
5. Reports and Ordinances	8	16	24	2
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				
Total estimated hours	16	46	82	6
Hourly rates	\$ 318	\$ 215	\$ 167	\$ 78
Professional Fees	\$5,088	\$9,890	\$13,694	\$468
Total fees				\$29,100
Estimated expenses				\$2,310
Total Fees and Expenses				\$31,410

2023

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	0	6	2	4
- Project Management				
- Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	18	0
- Project Expenses Using Budget				
- Analyze Usage				
- Incorporate CIP and Funding Sources				
- Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	10	22	0
- Calculate water, wastewater, reuse and stormwater rates				
- Run alternative rate scenarios				
- Comparison of New Rates to Existing Rates				
- Comparison of City's Rates to Regional Utilities' Rates				
- Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	16	0
- Calculate annual LBS rate				
5. Reports and Ordinances	8	16	24	2
- Prepare draft report				
- Present rate recommendations (2 trips to Pompano Beach)				
- Finalize rate report				
Total estimated hours	16	46	82	6
Hourly rates	\$ 326.00	\$ 220.00	\$ 171.00	\$ 80.00
Professional Fees	\$5,216	\$10,120	\$14,022	\$480
Total fees				\$29,800
Estimated expenses				\$2,310
Total Fees and Expenses				\$32,110

2024

Task Description	Hours Requirements			
	PD	PM	SC	Admin
1. Project Initiation, Administration and Data Collection	0	6	2	4
- Project Management - Data Collection & Review				
2. Determine Revenue Sufficiency	2	6	18	0
- Project Expenses Using Budget - Analyze Usage - Incorporate CIP and Funding Sources - Project Revenues under Existing Rates				
3. Calculate Rates over Five Year Forecast	4	10	22	0
- Calculate water, wastewater, reuse and stormwater rates - Run alternative rate scenarios - Comparison of New Rates to Existing Rates - Comparison of City's Rates to Regional Utilities' Rates - Customer Impacts				
4. Lauderdale by the Sea Wholesale Rate	2	8	16	0
- Calculate annual LBS rate				
5. Reports and Ordinances	8	16	24	2
- Prepare draft report - Present rate recommendations (2 trips to Pompano Beach) - Finalize rate report				
Total estimated hours	16	46	82	6
Hourly rates	\$ 334.00	\$ 226.00	\$ 175.00	\$ 82.00
Professional Fees	\$5,344	\$10,396	\$14,350	\$492
Total fees				\$30,600
Estimated expenses				\$2,310
Total Fees and Expenses				\$32,910

3. Fees for Cost of Service Study

2020

Task Description	Hours Requirements				
	PD	TA	PM	SC	Admin
0 Project Initiation, Administration and Data Collection			16	8	4
Project Management					
Data Collection & Review					
1 Pricing Objectives and Rates 101 Workshop with City staff and/or Commission					
Prioritize pricing objectives	2		2	1	
Conduct Rates 101 Workshop (1 Trip to Pompano Beach)	6		6	12	4
2 Review Customer Class Use and Determine Customer Classifications	2		12	24	
- Analyze water use for each customer by customer class					
- Validate water use data to actual revenue received					
3 Allocate Costs to Functional Cost Categories	4	2	12	20	
- Use detailed line item budget and allocate costs to functions					
for each system using information from staff, fixed asset records,					
and review of CIP					
4 Allocate Functional Costs to Customer Classes	4	2	8	16	
- Use water and sewer system data, as well as customer class data to allocate costs to customer classes and tiers					
5 Rates Development	8	8	16	60	
Calculate costs under the existing rate structure and alternative rate structures					
6 Communicate Study Results	24	4	24	40	8
- Prepare draft report					
- Present rate recommendations (1 trips to Pompano Beach)					
- Finalize rate report					
Total estimated hours	50	16	96	181	16
Hourly rates	\$295	\$295	\$200	\$155	\$72
Professional Fees	\$14,750	\$4,720	\$19,200	\$28,055	\$1,148
Total fees					\$67,900
Estimated expenses					\$4,712
Total Fees and Expenses					\$72,615

Key:

PD Project Director

PM Project Manager

TA Technical Advisor

SC Staff Consultant

EXHIBIT B

Fees and Costs (Work Approach)

UNDERSTANDING OF PROJECT

For more than 10 years, we have developed an in-depth understanding of the City's major water, wastewater, reuse, and stormwater utility rate issues that must be addressed in this project. These major issues include:

- **Water sales trends** - Over the past several years, the City has experienced a general downward trend in water sales, which must be carefully monitored.
- **Timing of capital projects** - The City's current capital plan includes \$75 million in projects through FY2024, which is a major rate driver of rates.
- **Cash reserve balances** - The City recently reduced its target reserve fund balance to 35 percent of revenue requirements, but the City also paid for a deep well project (totalling approximately \$7.7 million) out of reserves.
- **Utility cost structure** - The fixed versus variable cost structure is one of the keys to dealing with the sales volatility issue and setting equitable rates.
- **Phasing of rate adjustments** - The City's rate plan is based on a "steady hand" approach with gradual rate increases to ensure the utility systems' long-term sustainability.

Raftelis' understanding of the utility rate consulting services required by the City can be grouped into the following key phases:

- **Compliance with City Code**
 - » Annually review and document the adequacy of water, sewer, reuse, and stormwater rates to generate sufficient revenues to meet annual revenue requirements based on existing rates and propose new

rates if existing rates are found to be inadequate

- **Performance of a Cost of Service Analysis**
 - » Perform a cost of service analysis using industry accepted methodologies to determine the reasonableness of allocations among customer classes and determine the impact on customers of any rate structure change
- **Update Other Utility Fees**
 - » Develop a sewer wholesale rate for the City's wholesale customer that complies with the current contract
 - » Review capital recovery fees policy and analyze the adequacy of the fees assessed
 - » Review and update miscellaneous fees by the City for items such as deposit, termination fees, etc.
- **Assistance with Management Consulting Efforts**
 - » Provide management consulting assistance, as needed, while building upon work previously conducted for the City

We believe that the major goals and objectives to be accomplished by the utility rate consulting services are:

- Ensure the water, sewer, and stormwater enterprise funds are self-sufficient, which includes maintaining internal debt service coverage and reserve fund balance targets
- Communicate the basis for the proposed water and sewer utility rates and determine the customer impacts of any proposed rates and rate structure changes
- Develop and maintain an integrated

rate and financial planning model to allow the City to evaluate alternative multi-year rate plans and financial forecasts

SCOPE OF WORK

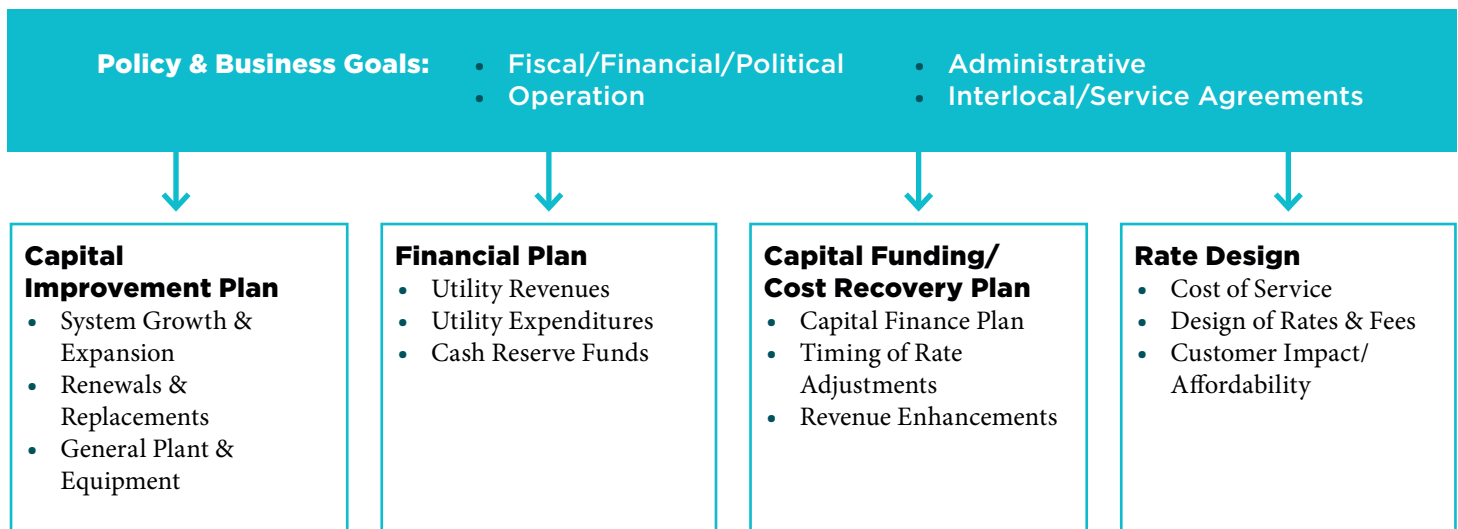
Our approach for performing the utility rate and management consultant services requested by the City, as well as our estimated level of effort, are described in the following. For each phase and task, Raftelis will provide effective project management and quality control steps to ensure that study results are reasonable, on budget, and on schedule. Prior to the commencement of any phase or task, the project team will develop a schedule that will be reviewed by our Project Manager on an ongoing basis and will be updated, as required, to keep track of study progress.

PHASE 1

Comply with City Code

Project Methodology

To comply with the City code of ensuring the sufficiency of water, wastewater, reuse, and stormwater rates, Raftelis utilizes a comprehensive business planning approach to address utility rate and financial issues. We believe that the City's utility rate and financial planning process should be consistent with management and policy goals and objectives, financial information systems and accounting practices, and the utility planning process, and it should address the issues described in the following.



Utility Rate and Financial Model

Raftelis' approach to addressing the City's utility rate and financial planning issues has been facilitated by the use of our utility rate and financial planning model that has been adapted to specifically accommodate the City's existing budgetary process and the data that is readily available from financial information, customer billing systems, and operating reports. Our comprehensive business approach and planning tools have allowed Raftelis' project team to work closely with Utilities Department staff. We utilized interactive work sessions to develop strategies that resulted in a balanced and sustainable rate and financial plan, which was accepted and approved by the City's executive management and the City Commission.

The utility rate and financial model developed by Raftelis for the City's water and wastewater utility formalizes the business planning and rate development process. The model helps communicate the issues and simplify the understanding of dynamic financial relationships among customer demand, operations, capital, management, and policy decisions and how these key variables affect rate requirements. The rate and financial model is an excellent tool to determine the sufficiency of water, wastewater, reuse, and stormwater rates; however, Raftelis' added value is our client focus, dedicated employees, industry insight, and experi-

ence that allows us to develop innovative business solutions based on shared experience from our significant client base and our industry leadership role. Raftelis' rate and financial model recognizes the appropriate level of information and analytical detail in order to:

- Identify and track key policy variables
- Allow the user to forecast financial requirements to meet enterprise goals and objectives
- Allow the user to evaluate alternative financial scenarios
- Allow the user to examine trends and measure performance
- Allow the user to evaluate the sufficiency of the current rates for service
- Allow the user to evaluate alternative utility rate levels and cost recovery strategies

As the figure on the next page shows, the various rate and financial model components are supported by a general user input section and a management dashboard highlighting the forecast results.

In order to evaluate the results of the utility financial plan with key City staff members, a management dashboard will be built to identify and track key policy and management objectives related to financial performance and the adequacy of utility rates. Based on the rate and financial model inputs supported by the user, the management dashboard can be used to create and

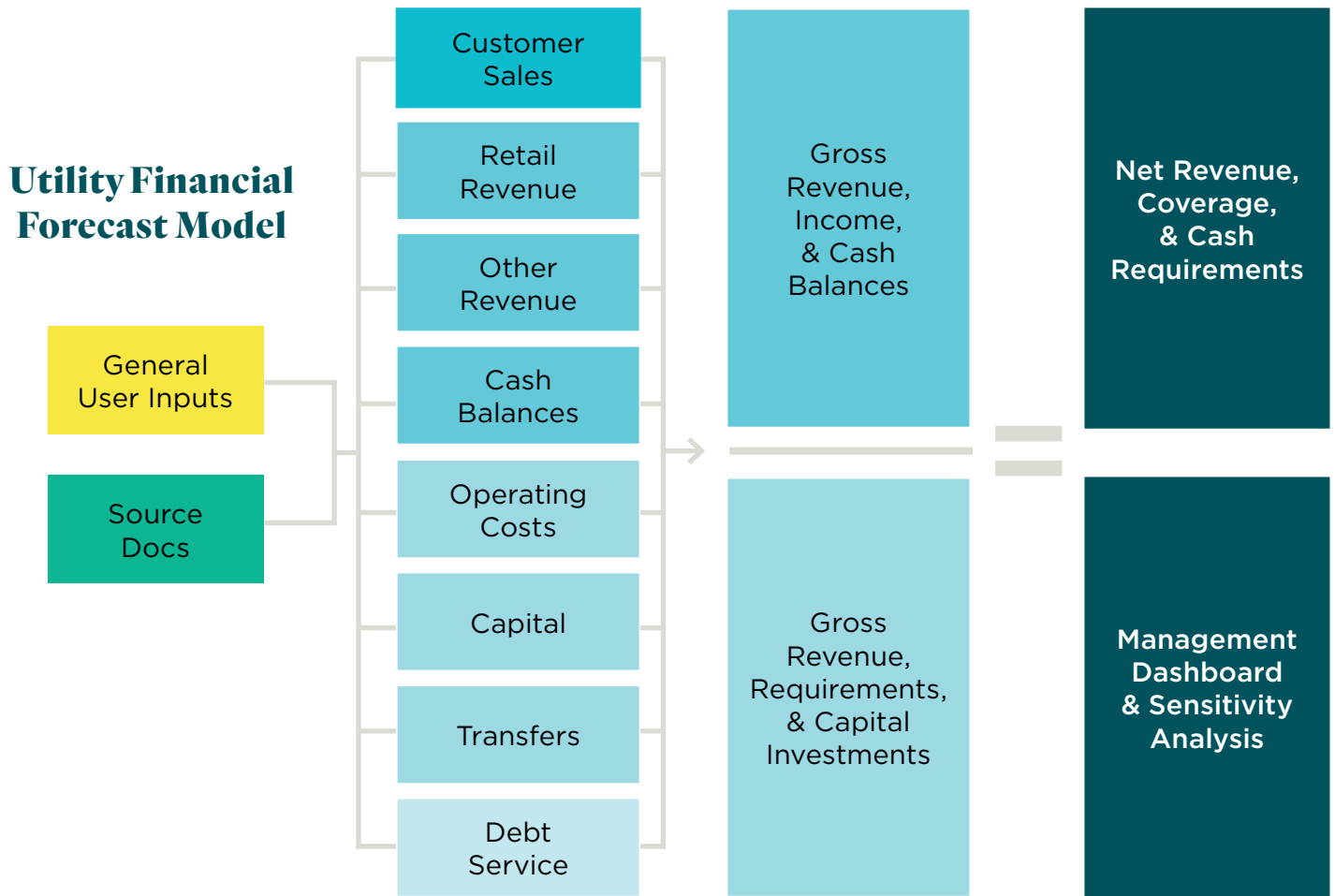
review a summary of forecast results on a real time basis. This allows us to conduct interactive work sessions and develop the parameters of the utility rate and financial plan with the full involvement of City staff.

The figure on the following page shows a management dashboard that illustrates the key variables and performance measures incorporated into the rate and financial model.

The model will allow for the annual review of the City's water, wastewater, reuse, and stormwater systems to ensure compliance with the City code. A letter report will be prepared each year to document the results of the annual review, which include reviewing the sufficiency of rates for the prior year as well as projecting the rates for the upcoming years. The review includes not only the City's operating and capital expenses, but also debt service coverage and reserve fund balance targets.

PHASE 2 Cost-Based Rate Setting Methodology

If rates are perceived to be fair and equitable, users are more likely to support changes in rates and rate structures. The City last conducted a cost of service analysis in 2016. Raftelis will utilize the rate and financial planning model used for



the annual updates and develop a cost of service module. Raftelis will then use data such as the City's potable water consumption, peaking, usage characteristics by customer class, and expected recycled water usage based on customer candidates that will most likely convert to recycled use. The cost of service analysis will be conducted according to industry standards, including those established by the American Water Works Association in its *Manual M1, Principles of Water Rates, Fees and Charges* (for water rate setting) and Water Environment Federation's *Manual of Practice No. 27, Financing and Charges for Wastewater Systems* (for wastewater rates setting). The key tasks to perform a comprehensive cost of service study are explained in the following.

Step 1 – Pricing Objectives and Rates 101 Workshop with City staff and/or

Commission. One of the primary goals of the cost of service study will be the discussion and identification of the City's pricing objectives. Developing rates that will provide sufficient and stable revenues throughout the rate forecast is paramount. Additionally, developing a rate structure that is resilient to changes in customer behavior and allows for renewal and replacement of infrastructure is also important. Raftelis will hold a kick-off workshop with City staff and/or the Commission to discuss and prioritize pricing objectives, which will include the following: revenue stability; affordability; rate stability; minimal customer impacts; water use efficiency; rate equity (cost-of-service); simplicity and customer understanding; ease of implementation (compatibility with billing system); and financial sufficiency. During this workshop, the Raftelis team can also provide a "Rates 101" session

with the Commission to inform them of rate study concepts and prepare them for evaluating rate structure alternatives that may be communicated to them as part of the cost of service study.

Step 2 – Review Customer Class Usage Patterns and Determine Customer Classifications. Raftelis will review and analyze historical water consumption, revenue records, and billing summaries to determine water usage as well as peaking characteristics by customer class or subclass. We will then estimate the relative responsibility of each customer class for each of the functional cost elements. This allocation will be based on billing summary data, other locally available data that may be applicable, and our experience with other utilities exhibiting similar usage characteristics and patterns. It will provide the basis for equitable cost allocations to each customer class or subclass.

Step 3 – Allocate Costs to Functional Cost Categories. Raftelis will functionalize the costs into main utility functions. For both water and reuse water, the cost categories may include, but are not limited to, supply, transmission, and distribution; storage; billing; and power. The functional costs will then be allocated to cost categories such as water supply, water system costs to meet average demand (or base costs), extra capacity costs to meet maximum day, maximum hour demand, customer service, and meter capacity to determine the unit cost for each cost category. Functional cost components for wastewater will include volume- and strength-related costs, customer, and other indirect costs.

Step 4 – Allocate Functional Costs to Customer Classes. The functional expenses allocated to the various cost components will be apportioned to the unique customer classifications on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of units of service for each customer classification and the application of unit costs of service to the respective units.

Step 5 - Rates Development. Raftelis will develop potable water, recycled water, and sewer rate models with the flexibility to compare the current rate structures with alternative rate structures. The models will have the capability to examine the different rate structure scenarios to achieve the City's top pricing objectives, as identified at the beginning of the cost of service study.

Raftelis will consider the potentially significant financial impacts on certain customer classes that may result due to any changes in the rate structure. The updated rate model will include a series of schedules that show projected cost impacts on different types of customers and different levels of usage. Furthermore, Raftelis will compare the recommended rates for the City with rates of other regional utilities that are comparable in size and operating characteristics. The comparison survey will consider a variety of parameters such as the cost of providing service, seasonal rates, tier consumption rates, fixed charges versus volumetric consumption charges,

and customer classes. This benchmarking analysis will provide the City with evidence of their position in terms of affordability in the region as well as helping to build acceptance of the need for rate adjustments by the Commission.

Step 6 - Communicate Study Results. Comprehensive utility rate studies involve technical expertise to develop cost-justified rates that also require effective communication with decision-makers and stakeholders. The challenge is effectively conveying the methodology and study results to the City's Commission so that each member can make an informed decision on rate setting. One key element to addressing this challenge is the engagement of the City's Commission throughout the study process, which gives citizens confidence that the Commission has vetted options and has chosen the best options for the City's customers. In particular, it is imperative to identify the City's pricing objectives, balance these with City leadership staff pricing objectives, and then use the prioritized pricing objectives to guide the study. This requires strong communication and sometimes workshops to review rate structure alternatives and to discuss the advantages and disadvantages of each option. The project team, as part of its kick-off meeting, will develop the schedule of Commission interactions and City staff meetings at the very start of the study to achieve effective communication.

PHASE 3 Update Other Utility Rates

A description of the methodology and approach for updating these fees is provided in the following as well as any fees and the level of effort to perform these services, should they be requested over the five-year period.

- **The Town of Lauderdale-by-the-Sea (LBS) Sewer Bulk Rate** - This analysis is conducted annually since the bulk rate is determined and implemented on January 1st of each year.
- **Miscellaneous Fees** - This analysis was recently completed and, therefore, is not anticipated until at least the last few years of the contract.

- **Capacity Fees** - These fees have not been updated for several years. It is anticipated these may be reviewed at some point over the five-year contract.

LBS Bulk Rate

LBS and the City have a contract in place whereby the City provides wastewater transmission and treatment services to LBS. The contract specifies the methodology to be used in calculating the rate charged by the City. The methodology includes both a fixed monthly charge along with an availability charge that varies based on flow. This contractual methodology will be incorporated into the new rate model. Raftelis will use the new rate model to calculate the LBS rate for each year of the five-year forecast period. City staff will provide Raftelis with the cost data and flow information needed to perform the calculation. The rate will follow the methodology previously established and specified by the contract with LBS.

Update Other Utility Fees

Ancillary services that the system currently collects fees for include disconnecting service (cut-offs and locking and/or removing meters), returned checks, establishing new accounts (including transfers), late payments, tap fees, etc. The project team will determine the cost of providing each of these services using a "bottom-up" approach (or activity-base costing), meaning costs for each service are developed based on labor and material costs of each service. For labor costs, staff will provide input on the time required to conduct each service and the type of personnel that was involved in completing each service. Wage rates for each type of personnel will be gathered in addition to a fringe benefits rate. The amount of overhead associated with supervisors and other management personnel will also be estimated. For material costs, staff will be asked to provide information and estimates on costs such as postage, printing, equipment (for meters), mileage rates associated with travel time, etc. The total labor costs and material costs for each service will then be totaled to determine the cost to conduct each type of service. The project team will consider the reasonableness of each calculated fee. First, the calculated cost to provide each service

Raftelis will develop a customized financial model for the City that incorporates a dashboard to allow you to easily run scenarios and see the impacts in real time.

Shown below is a sample dashboard that we developed for another project.



will be compared to the current fee for reasonableness. Second, the calculated cost to provide each service will be compared to fees charged by other utilities.

Capacity Fees

Capacity fees are commonly used by utilities to recover a portion of the costs of making system capacity available for future customers and generally focus on recovery of a proportionate share of the cost of core system facilities or those facilities that are required to serve all customers, both existing and new. There are several methodologies allowed by the new legislation that Raftelis can employ to calculate the fees. The methodology chosen will depend on the characteristics and dynamics of the City's water and wastewater systems.

- **Buy-in methodology** is most appropriate in cases where the existing system assets currently have extra capacity to provide service to new customers. This approach calculates a fee based upon the proportional cost of each user's share of existing system capacity. The cost of the facilities is based on detailed fixed asset records and usually includes escalation of the depreciated value of those assets to current dollars.
- **Incremental cost (or marginal cost) methodology** focuses on the cost of adding additional facilities to serve new customers. It is most appropriate in situations where existing facilities do not have available capacity to provide service to new customers and the cost for new capacity can be tied to an approved capital improvement plan (CIP) or where additional capacity is currently being added and costs can be tied to an ongoing construction program.
- **Hybrid approach** is used in cases where the existing assets provide some capacity to accommodate new customers, but where the CIP also identifies significant capital investment to add additional

infrastructure to address future growth and capacity needs.

Raftelis will evaluate the City's system and determine which methodology is best for the study. Raftelis will calculate the system development fees and then meet with City staff to discuss preliminary results. This meeting will give City staff the opportunity to react to and provide insight on the preliminary results. Raftelis will then make any modifications and finalize the calculation of system development fees.

PHASE 4

Provide Management Consulting Assistance

There never seems to be enough time, money, or staff to meet every need, and allocating limited resources is one of the most difficult aspects of effectively managing a public organization. Raftelis assists its clients by providing a range of management consulting services to support policy and operational decision-making.

Raftelis follows a tried and true approach for assessing and improving the performance of organizations. It involves first engaging with appropriate internal and external stakeholders to understand how the organization functions, including its culture and values. This allows us to connect with key people who can provide commentary on what works and doesn't work, as well as the nuances of the organization. We then move into assessing and comparing the organization to others in the industry, high performing peers, and appropriate benchmarks and best practices. This involves using our experience with hundreds of other utility organizations and also our extensive training in management consulting and process improvement,

derived from a deep understanding of Lean and Six Sigma methodologies. Finally, we move into implementable ways to help the organization get where it wants to be in the enhance phase. Raftelis has tremendous experience assessing organizations and then working with them through implementation to achieve goals.

Raftelis' management consulting services also include strategic planning, which, when incorporated into the fabric of the organization, is a valuable tool to help ensure that the organization is sustainable operationally, environmentally, socially, and financially. Our strategic planning approach is built on industry best practices, such as Effective Utility Management, and strategic planning best practices, including appreciative inquiry. Even the most in-depth and well-developed strategic plan will fall short of success if the plan is never implemented. Raftelis works with our clients after the development of the plan to ensure successful implementation and improved organizational performance on a realistic timeline. We also provide business analytics tools to track and communicate progress as the objectives and strategies of the plan come to fruition.

Whatever the project, the Raftelis team has the proven ability to successfully communicate and build a consensus on large, complex, and often controversial projects—plus, we've walked in your shoes, working directly with customers, stakeholders, elected officials, media, and environmental organizations to engage and collaborate. Whether your goal is to build support for a rate structure change or analyze public perceptions to effectively neutralize opposition to an infrastructure project or new program, we've been there and done it successfully.

