

## Exhibit A

**CITY OF PORTLAND  
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES**

**CONTRACT NUMBER 30004344**

**TITLE OF WORK PROJECT  
Portland Water Bureau Audit Allocations**

This contract is between the City of Portland ("City," or "Bureau") and Raftelis Financial Consultants, Inc., hereafter called Consultant. The City's Project Manager for this contract is Cecelia Huynh.

**Effective Date and Duration**

This contract shall become effective on March 1, 2015. This contract shall expire, unless otherwise terminated or extended, on January 31, 2016.

**Consideration**

- (a) City agrees to pay Consultant a sum not to exceed **\$169,490** for accomplishment of the work.
- (b) Interim payments shall be made to Consultant according to the schedule identified in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE.

**CONSULTANT DATA AND CERTIFICATION**

Name (print full legal name): Raftelis Financial Consultants, Inc.

Address: 12835 E. Arapahoe Road, Tower II, Suite 600, Centennial, CO 80112

Employer Identification Number (EIN): 201054069

[INDEPENDENT CONTRACTORS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) – LEAVE BLANK IF NO EIN]

City of Portland Business Tax Registration Number: 675513

Citizenship: Nonresident alien ☐ Yes ☒ No

Business Designation (check one): ☐ Individual ☐ Sole Proprietorship ☐ Partnership ☒ Corporation

☐ Limited Liability Co (LLC) ☐ Estate/Trust ☐ Public Service Corp. ☐ Government/Nonprofit

Payment information will be reported to the IRS under the name and taxpayer I.D. number provided above. Information must be provided prior to contract approval.

**TERMS AND CONDITIONS**

**1. Standard of Care**

Consultant shall perform all services under this contract using that care, skill, and diligence that would ordinarily be used by similar professionals in this community in similar circumstances.

**2. Effect of Expiration**

Passage of the contract expiration date shall not extinguish, prejudice, or limit either party's right to enforce this Contract with respect to any default or defect in performance that has not been corrected.

**3. Order of Precedence**

This contract consists of these Terms and Conditions, the Statement of Work and Payment Schedule, and any exhibits that are attached. Any apparent or alleged conflict between these items will be resolved by using the following order of precedence:

- a) these Terms and Conditions; b) Statement of Work and Payment Schedule; and c) any exhibits attached to the contract.

**4. Early Termination of Contract**

- (a) The City may terminate this Contract for convenience at any time for any reason deemed appropriate in its sole discretion. Termination is effective immediately upon notice of termination given by the City.
- (b) Either party may terminate this Contract in the event of a material breach by the other party that is not cured. Before termination is permitted, the party seeking termination shall give the other party written notice of the breach, its intent to

terminate, and fifteen (15) calendar days to cure the breach. If the breach is not cured within 15 days, the party seeking termination may terminate immediately by giving written notice that the Contract is terminated.

#### 5. Remedies and Payment on Early Termination

- (a) If the City terminates pursuant to 4(a) above, the City shall pay the Consultant for work performed in accordance with the Contract prior to the termination date. No other costs or loss of anticipated profits shall be paid.
- (b) If the City terminates pursuant to 4(b) above, the City is entitled all remedies available at law or equity. In addition, Consultant shall pay the City all damages, costs, and sums incurred by the City as a result of the breach.
- (c) If the Consultant justifiably terminates the contract pursuant to subsection 4(b), the Consultant's only remedy is payment for work prior to the termination. No other costs or loss of anticipated profits shall be paid.
- (d) If the City's termination under Section 4(b) was wrongful, the termination shall be automatically converted to one for convenience and the Consultant shall be paid as if the Contract was terminated under Section 4(a).
- (e) In the event of early termination the Consultant's work product before the date of termination becomes property of the City.

#### 6. Assignment

Consultant shall not subcontract, assign, or transfer any of the work scheduled under this agreement, without the prior written consent of the City. Notwithstanding City approval of a subconsultant, the Consultant shall remain obligated for full performance hereunder, and the City shall incur no obligation other than its obligations to the Consultant hereunder. The Consultant agrees that if subconsultants are employed in the performance of this Agreement, the Consultant and its subconsultants are subject to the requirements and sanctions of ORS Chapter 656, Workers' Compensation.

#### 7. Compliance with Applicable Law

Consultant shall comply with all applicable federal, state, and local laws and regulations. Consultant agrees it currently is in compliance with all tax laws. Consultant shall comply with Title VI of the Civil Rights Act of 1964 and its corresponding regulations as further described at: <http://www.portlandoregon.gov/bibs/article/446806>. In connection with its activities under this Contract, the Contractor shall comply with all applicable Grant Terms and conditions. This includes all terms and conditions contained in this contract and, for a contract involving a grant, the Grant Terms and Conditions as further described at: <http://www.portlandoregon.gov/bibs/article/455735>.

#### 8. Indemnification for Property Damage and Personal Injury

Consultant shall indemnify, defend, and hold harmless the City, its officers, agents, and employees, from all claims, losses, damages, and costs (including reasonable attorney fees) for personal injury and property damage arising out of the intentional or negligent acts or omissions of the Consultant, its Subconsultants, suppliers, employees or agents in the performance of its services. Nothing in this paragraph requires the Consultant or its insurer to indemnify the City for claims of personal injury or property damage caused by the negligence of the City. This duty shall survive the expiration or termination of this contract.

#### 9. Insurance

Consultant shall obtain and maintain in full force at Consultant expense, throughout the duration of the Contract and any warranty or extension periods, the required insurance identified below. The City reserves the right to require additional insurance coverage as required by statutory or legal changes to the maximum liability that may be imposed on Oregon cities during the term of the Contract.

- (a) Workers' compensation insurance as required by ORS Chapter 656 and as it may be amended. Unless exempt under ORS Chapter 656, the Consultant and all subconsultants shall maintain coverage for all subject workers.

☒ Required and attached // ☐ Proof of exemption (i.e., completion of Workers' Compensation Insurance Statement)

- (b) General commercial liability (CGL) insurance covering bodily injury, personal injury, property damage, including coverage for independent contractor's protection (required if any work will be subcontracted), premises/operations, contractual liability, products and completed operations, in per occurrence limit of not less than \$1,000,000, and aggregate limit of not less than \$2,000,000.

☒ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

- (c) Automobile liability insurance with coverage of not less than \$1,000,000 each accident, and an umbrella or excess liability coverage of \$2,000,000. The insurance shall include coverage for any auto or all owned, scheduled, hired and non-owned auto. This coverage may be combined with the commercial general liability insurance policy.

☒ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

- (d) Professional Liability and/or Errors & Omissions insurance to cover damages caused by negligent acts, errors or omissions related to the professional services, and performance of duties and responsibilities of the Consultant under this contract in an amount with a combined single limit of not less than \$1,000,000 per occurrence and aggregate of \$3,000,000 for all claims per occurrence. In lieu of an occurrence based policy, Consultant may have claims-made policy in an amount not less than \$1,000,000 per claim and \$3,000,000 annual aggregate, if the Consultant obtains an extended reporting period or tail coverage for not less than three (3) years following the termination or expiration of the Contract.

☒ Required and attached // ☐ Waived by Bureau Director or designee // ☐ Reduce by Bureau Director or designee

**Continuous Coverage; Notice of Cancellation:** The Consultant agrees to maintain continuous, uninterrupted coverage for the duration of the Contract. There shall be no termination, cancellation, material change, potential exhaustion of aggregate limits or non-renewal of coverage without thirty (30) days written notice from Consultant to the City. If the insurance is canceled or terminated prior to completion of the Contract, Consultant shall immediately notify the City and provide a new policy with the same terms. Any failure to comply with this clause shall constitute a material breach of Contract and shall be grounds for immediate termination of this Contract.

**Additional Insured:** The liability insurance coverages, except Professional Liability, Errors and Omissions, or Workers' Compensation, shall be without prejudice to coverage otherwise existing, and shall name the City of Portland and its bureaus/divisions, officers, agents and employees as Additional Insureds, with respect to the Consultant's activities to be performed, or products or services to be provided. Coverage shall be primary and non-contributory with any other insurance and self-insurance. Notwithstanding the naming of additional insureds, the insurance shall protect each additional insured in the same manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer's liability as set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person or interest had been named as insured.

**Certificate(s) of Insurance:** Consultant shall provide proof of insurance through acceptable certificate(s) of insurance, including additional insured endorsement form(s) and all other relevant endorsements, to the City prior to the award of the Contract if required by the procurement documents (e.g., request for proposal), or at execution of Contract and prior to any commencement of work or delivery of goods or services under the Contract. The Certificate(s) will specify all of the parties who are endorsed on the policy as Additional Insureds (or Loss Payees). Insurance coverages required under this Contract shall be obtained from insurance companies acceptable to the City of Portland. The Consultant shall pay for all deductibles and premium. The City reserves the right to require, at any time, complete, certified copies of required insurance policies, including endorsements evidencing the coverage the required.

**Subconsultant(s):** Consultant shall provide evidence that any subconsultant, if any, performing work or providing goods or service under the Contract has the same types and amounts of coverages as required herein or that the subconsultant is included under Consultant's policy.

#### **10. Ownership of Work Product**

All work product produced by the Consultant under this contract is the exclusive property of the City. "Work Product" includes, but is not limited to: research, reports, computer programs, manuals, drawings, recordings, photographs, artwork and any data or information in any form. The Consultant and the City intend that such Work Product shall be deemed "work made for hire" of which the City shall be deemed the author. If for any reason a Work Product is deemed not to be a "work made for hire," the Consultant hereby irrevocably assigns and transfers to the City all right, title and interest in such work product, whether arising from copyright, patent, trademark, trade secret, or any other state or federal intellectual property law or doctrines. Consultant shall obtain such interests and execute all documents necessary to fully vest such rights in the City. Consultant waives all rights relating to work product, including any rights arising under 17 USC 106A, or any other rights of authorship, identification or approval, restriction or limitation on use or subsequent modifications. If the Consultant is an architect, the Work Product is the property of the Consultant-Architect, and by execution of this contract, the Consultant-Architect grants the City an exclusive and irrevocable license to use that Work Product.

Notwithstanding the above, all pre-existing trademarks, services marks, patents, copyrights, trade secrets, and other proprietary rights of Consultant are and will remain the exclusive property of Consultant.

#### **11. EEO Certification**

In the event Consultant provides in excess of \$2,500.00 for services to the City in any fiscal year, Consultant shall obtain EEO certification from the City.

#### **12. Equal Benefits**

Consultant must comply with the City's Equal Benefits program as prescribed by Chapter 3.100 of the Code of the City of Portland. The required documentation must be filed with Procurement Services, City of Portland, prior to contract execution.

#### **13. Successors in Interest**

The provisions of this contract shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and approved assigns.

#### **14. Severability**

The parties agree that if any term or provision of this contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular term or provision held to be invalid.

**15. Waiver**

The failure of the City to enforce any provision of this contract shall not constitute a waiver by the City of that or any other provision.

**16. Errors**

The Consultant shall promptly perform such additional services as may be necessary to correct errors in the services required by this contract without undue delays and without additional cost.

**17. Governing Law/Venue**

The provisions of this contract shall be interpreted, construed and enforced in accordance with, and governed by, the laws of the State of Oregon without reference to its conflict of laws provisions that might otherwise require the application of the law of any other jurisdiction. Any action or suits involving any question arising under this contract must be brought in the appropriate court in Multnomah County Oregon.

**18. Amendments**

All changes to this contract, including changes to the scope of work and contract amount, must be made by written amendment and approved by the Chief Procurement Officer to be valid. Any amendment that increases the original contract amount by more than 25% must be approved by the City Council to be valid.

**19. Business Tax Registration**

The Consultant shall obtain a City of Portland business tax registration number as required by PCC 7.02 prior to beginning work under this Contract.

**20. Prohibited Conduct**

The Consultant shall not hire any City employee who evaluated the proposals or authorized the award of this Contract for two years after the date the contract was authorized without the express written permission of the City and provided the hiring is permitted by state law.

**21. Payment to Vendors and Subconsultants**

The Consultant shall timely pay all subconsultants and suppliers providing services or goods for this Contract.

**22. Access to Records**

The Consultant shall maintain all records relating to this Contract for three (3) years after final payment. The City may examine, audit and copy the Consultant's books, documents, papers, and records relating to this contract at any time during this period upon reasonable notice. Copies of these records shall be made available upon request. Payment for the reasonable cost of requested copies shall be made by the City.

**23. Audits**

- (a) The City may conduct financial and performance audits of the billings and services specified in this agreement at any time in the course of the agreement and during the three (3) year period established by paragraph 22. Audits will be conducted in accordance with generally accepted auditing standards as promulgated in Government Auditing Standards by the Comptroller General of the United States Government Accountability Office.
- (b) If an audit discloses that payments to the Consultant exceed the amount to which the Consultant was entitled, the Consultant shall repay the amount of the excess to the City.

**24. Electronic Signatures**

The City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

**25. Merger Clause**

This Contract encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, whether verbal or written.

**26. Dispute Resolution/Work Regardless of Disputes**

The parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Contract with a mediator jointly selected by the parties. Notwithstanding any dispute under this Contract, the Consultant shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the Contract for undisputed portions of the work. In the event of litigation no attorney fees are recoverable. No different dispute resolution paragraph(s) in this contract or any attachment hereto shall supersede or take precedence over this provision.

**27. Progress Reports: ☒ Applicable ☐ Not Applicable**

If applicable, the Consultant shall provide monthly progress reports to the Project Manager as described in the Statement of the Work and Payment Schedule.

**28. Consultant's Personnel: ☒/ Applicable ☐/ Not Applicable**

If applicable, the Consultant shall assign the personnel listed in the Statement of the Work and Payment Schedule for the work required by the Contract and shall not change personnel without the prior written consent of the City, which shall not be unreasonably withheld.

**29. Subconsultants**

The Consultant shall use the subconsultants identified in its proposals. The Consultant shall not change subconsultant assignments without the prior written consent of the Chief Procurement Officer. The City will enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its proposals. Failure to use the identified M/W/ESB subconsultants without prior written consent is a material breach of contract.

For contracts valued \$50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: <http://www.portlandoregon.gov/bibs/45475>.

**30. Third Party Beneficiaries**

There are no third party beneficiaries to this contract. Enforcement of this contract is reserved to the parties.

**31. Conflict of Interest**

Contractor hereby certifies that, if applicable, its contract proposal is made in good faith without fraud, collusion or connection of any kind with any other proposer of the same request for proposals or other City procurement solicitation(s), that the Contractor as a proposer has competed solely on its own behalf without connection or obligation to, any undisclosed person or firm. Contractor certifies that it is not a City official/employee or a business with which a City official/employee is associated, and that to the best of its knowledge, Contractor, its employee(s), its officer(s) or its director(s) is not a City official/employee or a relative of any City official/employee who: i) has responsibility in making decisions or ability to influence decision-making on the contract or project to which this contract pertains; ii) has or will participate in evaluation or management of the contract; or iii) has or will have financial benefits in the contract. Contractor understands that should it elect to employ any former City official/employee during the term of the contract then that the former City official/Contractor employee must comply with applicable government ethics and conflicts of interest provisions in ORS Chapter 244, including but not limited to ORS 244.040(5) and ORS 244.047, and the City's Charter, Codes and administrative rules, including lobbying prohibitions under Portland City Code Section 2.12.080.

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**STATEMENT OF THE WORK  
AND PAYMENT SCHEDULE**

**BACKGROUND**

The City of Portland (City) Water Bureau (PWB) operates a water supply system that delivers high-quality drinking water to about 900,000 people who live in the Portland metropolitan area. The primary water source is the Bull Run Watershed located 26 miles east of downtown Portland, Oregon in the Mt. Hood National Forest. Portland also uses groundwater as a supplemental water supply.

The Water Bureau is a rate-financed, City-owned utility. Water rates are established each year to assure adequate revenues for water system support and City Council approves the budget annually. The Water Bureau serves as a regional water purveyor. The retail population exceeds 570,000 served through about 180,000 connections. The City wholesales water to 20 cities, water districts and companies with almost 400,000 customers.

In 2006, the City and the regional wholesale customers signed a Water Sales Agreement (Agreement) for long-term water purchases. The terms of the agreements are explicit about rate setting. Wholesale customers worked closely with City staff and Consultants to develop a model that adhered to the terms of the agreement (Wholesale Rate Model). The Water Sales Agreements between the City and the wholesale customers require a third party audit of cost allocations at least once every five years.

**SCOPE OF WORK**

*The Consultant shall complete the following services:*

- Audit allocations of Operating and Maintenance Costs in the Wholesale Rate Model;
- Audit allocations of Capital costs in the Wholesale Rate Model;
- Review the existing cost allocations to ensure the continued accuracy of the allocations and identify any inconsistencies with the terms of the Water Sales Agreement and the American Water Works Association (AWWA) M-1 Manual;

- Review specified new assets and identify alternatives to how new capital assets being added might be allocated consistent with the Water Sales Agreement; and,
- During the review of the current wholesale rate model, identify any alternative rate methodologies that could potentially better serve the City and its wholesale customers.

Regarding all deliverables, it is assumed that there are no more than two iterations of all materials/deliverables, i.e., an initial draft submitted, City comments<sup>1</sup> provided, a second draft submitted, comments again provided and a final document delivered.

**The Consultant shall perform the tasks listed below for this project, and shall be expected to work closely with designated City personnel to accomplish these goals:**

**Work Requirement A: Review Water Sales Agreement and Wholesale Model**

The Consultant shall review the Agreement and the Wholesale Rate Model (Model). The Consultant shall obtain a thorough understanding of the allocation process that is required to adhere to the rate setting sections of the Agreement.

**Deliverables:**

The Consultant shall provide the PWB's Project Manager with a detailed outline of the key rate-making requirements of the Agreement and provide information that the Consultant has an overall familiarity with the operations of the Wholesale Rate Model.

**Input and Review with PWB Staff**

As part of its review of the Agreement, the Consultant will meet (Project Pre-Meeting) with the PWB (or City) Project Manager and others (and the Tualatin Valley Water District designated co-PM) to discuss the Agreement and Model and specifically regarding those portions the wholesale rate-making methodology that have been controversial, confusing, difficult to implement, or otherwise ripe for potential modification. At this meeting the Model will also be reviewed and discussed.

Subsequent to the above referenced meeting with the PWB project manager and others (and the Tualatin Valley Water District designated co-PM), the Consultant will meet (Project Kick-Off Meeting) with the PWB project manager and the Wholesale Staff to discuss the Agreement and Model and specifically regarding those portions the wholesale rate-making methodology that have been controversial, confusing, difficult to implement, or otherwise ripe for potential modification.

**Schedule:**

The Consultant shall provide the outline described above to the City's Project Manager in an electronic format accessible to the City such as Microsoft Word or Excel. The Consultant shall complete this Work Requirement within the first two (2) months upon the date of the final signature of this Contract.

**Work Requirement B: Participate In and Lead Meetings**

The Consultant shall participate and lead meetings throughout the term of this Contract with appropriate City and Wholesale Customer staff regarding allocation for Operation and Maintenance (O&M) and Capital costs. The Consultant shall provide all materials necessary for these meetings and the City shall provide the meeting rooms. The Consultant shall also provide a set of meeting notes summarizing all discussions from these meetings to the City and participating Wholesale Customers. The Consultant shall provide the meeting materials to the PWB Project Manager's for review and approval. The Consultant shall work with the PWB Project Manager to plan and outline the agendas for these meetings. Prior to each meeting the Consultant shall coordinate the date, location and times with the City's Project Manager. At a minimum the Consultant shall meet with City Project Team (PWB Project Manager and Tualatin Valley Water District co-Project Manager in accordance with the following table.

MEETING REQUIREMENTS		
Meeting Description	No. of Meetings	Attendees Required
Work Requirement A - Project Pre-Meeting	1	Rick Giardina and John Wright, City and Tualatin Valley Water District designated co-PM
Work Requirement A - Project Kick-Off Meeting	1	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff
Work Requirement C - Review Assets Allocation & Recommend Alternatives; Review Allocation of Cost Pools Based on Demand and Flow	1	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff

<sup>1</sup> All comments from the City and wholesale customers will be consolidated by PWB's Project Manager and submitted as a single set of comments from the City

Work Requirement E - Engineering/Operations Analysis of O&M Cost Allocation	1	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff
Work Requirement G - Review Allocation of Water Use to Cost Pools	1	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff
Work Requirement H - Identify Alternative Methodologies for Recovery of First Year Capital Costs	1	Rick Giardina; John Wright; City and Wholesale Staff
Work Requirement I - Prepare Reports with Pros and Cons in Matrix Format	1	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff
Work Requirement J - Up to 4 Additional Meetings in Addition to Working Meetings to present results of reviews	4	Rick Giardina; John Wright; Randy Hawley; City and Wholesale Staff

**Deliverables:**

Consultant shall work with City Project Manager to plan and outline the agendas for these meetings. The Consultant shall provide the meeting materials to the PWB Project Manager for review two weeks prior to the meeting to allow for discussion or changes in the agenda or materials. The Consultant shall provide the meeting notes summarizing the discussions from all meetings to the PWB Project Manager within one week after the meeting completion. All materials and meeting notes shall be provided to the PWB Manager in Microsoft Word and/or Excel or in a format accessible to PWB.

**Schedule:**

Meetings shall occur throughout the terms of this Contract.

**Work Requirement C: Review Asset Allocations and Recommend Alternatives**

The Consultant shall review asset allocations and provide potential alternatives to the current allocations to remain consistent with the requirements of the Agreement. The Consultant shall include the allocation of the cost pools\* based on demand and flow usage in their review. The allocations were originally developed by the wholesale contract working group that consisted of City and Wholesale Customer representatives and updated by City staff.

\* **Cost pools** are defined as groups of fixed assets and facilities in the water system and are set up based on which assets deliver water to which customers.

**Task 1. Review of the Allocation of Assets to General Functional Categories**

Assets in the Wholesale Rate Model are allocated into specific categories based on their function. For example, current functional asset categories include the Bull Run Watershed, Groundwater, Conduits, Terminal Storage, Treatment, Transmission, and Pumping with emphasis on review of allocation of terminal storage to wholesale and retail customers. This task shall be to conduct a comprehensive review of these functional asset allocations.

The Consultant shall accomplish this task by reviewing the PWB's existing fixed asset data and projected Capital Improvement Program (CIP) expenditures for the Fiscal Year (FY) period FY 2015-16 through FY 2019-20. The City's FY is defined as July 1 through June 30 of each year.

All existing asset functional allocations shall be reviewed by the Consultant for consistency with the Agreement. The Consultant shall provide specifically alternative allocation methodologies of terminal storage facilities. Any alternative functional asset allocations recommended by the Consultant shall also be consistent with the Agreement.

**Task 2. Review of the Allocation of Assets to Specific Cost Pools**

Assets in the Wholesale Rate Model are allocated to specific cost pools. These cost pools reflect groups of assets that are used to deliver water to specific customers or group of customers. This task shall be to conduct a comprehensive review of these asset cost pool allocations.

The Consultant shall work with PWB Engineering/Operations staff to understand the specific rationale for each existing cost pool asset allocations. The appropriateness of these existing cost pool allocations shall then be determined in light of existing water system operations and/or planned changes in water system operations based on projected CIP expenditures for the period FY 2015-16 through FY 2019-20.

All existing asset functional allocations shall be reviewed by the Consultant for consistency with the Agreement. Any alternative asset cost pool allocations recommended by Consultant shall also be consistent with the Agreement.

**Task 3. Review of the Allocation of Assets to Specific Cost Parameters**

This task shall be to conduct a comprehensive review of the cost parameter assignments for each functional asset category in light of input from PWB's Engineering/Operations staff and existing guidance provided in the American Water Works Association (AWWA) Manual M1. PWB currently allocates costs under the Commodity-Demand cost allocation option in the Wholesale Rate Model.

All existing asset cost parameter allocations shall be reviewed by the Consultant for consistency with the Agreement. Any alternative asset cost parameter allocations recommended by Consultant shall also be consistent with the Agreement.

**Task 4. Review of the Allocation of Direct Cost Pool Assets to Customer Classes**

Assets directly associated with each cost pool are allocated to individual customer classes based on each customer's proportionate share of water demands. This task shall be to analyze customer demands by cost pool and determine how these water demands are used to allocate direct cost pool assets to specific customer classes.

The Consultant shall review PWB's allocation of wholesale customer demand to each cost pool based on configuration of the Portland water system, wholesale metering, and SCADA flow metering of supply lines to specific interconnection points with each wholesale customer. This shall be accomplished via an audit of the operations of the existing Wholesale Rate Model. To the extent appropriate, and fully consistent with the Agreement the Consultant shall develop recommended alternatives to these existing direct cost pool asset allocations.

**Task 5. Review of the Allocation of Indirect Assets to Customer Classes**

Indirect assets are allocated to each customer class based on the ratio of each customer's proportionate share of total direct assets multiplied by total system indirect assets.

The Consultant shall review assets allocated as indirect assets and consider alternatives to this methodology that are fully consistent with the Agreement.

**Task 6. Review of the Allocation of Direct Cost Pool Asset Depreciation Expense to Customer Classes**

Depreciation expense is allocated to customer classes in the same manner as direct cost pool assets by demand as noted in Task 4 above.

The Consultant shall provide any recommended alternatives to the allocation of direct cost pool assets to customer classes shall be reflected in the allocation of direct cost pool asset depreciation. There are no special steps required from the Consultant for this task with the exception of a review of the depreciable life assumptions used in the Wholesale Rate Model for each functional asset category.

**Task 7. Review of the Allocation of Indirect Asset Depreciation Expense to Customer Classes**

Indirect asset depreciation expense is allocated to customer classes in the same manner as indirect assets; based on each customer's share proportional share of total direct assets as described in Task 5 above.

Any recommended alternatives to the allocation of indirect assets to customer classes shall be reflected in the allocation of indirect asset depreciation. There are no special steps required from the Consultant for this task with the exception of a review of the depreciable life assumptions used in the Wholesale Rate Model for indirect assets.

**Deliverables:**

The deliverables stemming from the tasks performed shall be confirmation of the appropriateness of the existing asset and depreciation expenses allocations in the Wholesale Rate Model. The Consultant shall recommended alternative asset and depreciation expense allocations that are fully consistent with the Agreement as appropriate.

**Input and Review with PWB Staff**

PWB engineering/operations Staff input and review is required for Task #2 (allocation of assets to cost pools) and Task #3 (allocation of assets to cost parameters). PWB financial Staff input is required for Task #1 (allocation of assets to specific functions); Task #5 (direct cost pool asset depreciable lives); and Task #7 (indirect asset depreciable lives).

**Schedule:**

The Consultant shall complete the required tasks within the first three (3) months of this approved contract.



**Work Requirement D: Review Asset Allocations and Recommend Alternatives Consistent with the Water Sales Agreement**

The Consultant shall review and provide alternatives on how new assets might be allocated consistent with the requirements of the Agreement.

This review shall be done in conjunction with Work Requirement C above. Specifically, the new assets shall include but not be limited to Powell Butte 2 Reservoir, Kelly Butte Reservoir, and Washington Park Reservoir. All of the tasks performed Work Requirement C and D shall be conducted in light of ensuring that asset allocations in the Wholesale Rate Model are consistent with the Agreement.

**Work Requirement E: Engineering/Operations Analysis of O & M Cost Allocations**

The Consultant shall perform engineering/operations analysis of allocations of O&M costs, using professional engineering and water system operations judgment. These allocations shall be consistent with the AWWA Manual M1 and should be consistent with the outline below:

**Task 1. Review of the Allocation of O&M Expenses to Functional Categories**

O&M expenses in the Wholesale Rate Model are assigned to one of 56 specific categories. This task shall be to conduct a comprehensive review of these functional O&M allocations. The Consultant shall accomplish this task by reviewing PWB's FY 2014-15 O&M budget, at a general ledger account level of detail, to ensure that the expenses reflected in each of the 56 wholesale categories is appropriate.

**Task 2. Review of the Allocation of O&M Expenses to Specific Cost Pools**

O&M expenses in the Wholesale Rate Model are allocated to specific cost pools. These cost pools reflect groups of assets that are used to deliver water to specific customers and the O&M expenses assigned to each cost pool are presumably directly associated to the cost pool assets. This task shall be to conduct a comprehensive review of these O&M cost pool allocations.

The Consultant shall accomplish this task by working closely with PWB engineering/operations staff to understand the specific rationale for each existing cost pool O&M expense allocation. The appropriateness of these existing cost pool allocations shall then be determined in light of existing water system operations and/or planned changes in water system O&M expenditures in light of projected CIP expenditures for the period FY 2015-2016 through FY 2019-2020.

All existing O&M expense cost pool allocations shall be reviewed by the Consultant for consistency with the Agreement. Any alternative O&M expense cost pool allocations recommended by Consultant shall also be consistent with the Agreement.

**Task 3. Review of the Allocation of O&M Expenses Specific Cost Parameters**

As is the case with direct cost pool assets, O&M expenses in the Wholesale Rate Model are allocated to specific cost parameters. The Consultant shall conduct a comprehensive review of these cost parameter assignments for each O&M expense category in light of existing guidance provided in AWWA Manual M1 and input from PWB's engineering/operations staff. All existing O&M expense cost parameter allocations shall be reviewed by the Consultant for consistency with the Agreement. Any alternative O&M expense cost parameter allocations recommended by Consultant shall also be consistent with the Agreement.

**Task 4. Review of the Allocation of Direct Cost Pool O&M Expenses to Customer Classes**

O&M expenses directly associated with each cost pool are allocated to individual customer classes based on their proportionate share of water demands. The Consultant shall analyze customer demands and how these water demands are used to allocate direct cost pool O&M expenses to specific customer classes. The Consultant shall also review PWB's allocation of wholesale customer demand to each cost pool based on configuration of the Portland water system, wholesale metering, and SCADA flow metering of supply lines to specific interconnection points with each wholesale customer. This shall be accomplished via an audit of the operations of the existing Wholesale Rate Model. To the extent appropriate, and fully consistent with the Agreement, the Consultant shall develop recommended alternatives to these existing direct O&M expense allocations.

**Task 5. Review of the Allocation of Indirect O&M Expenses to Customer Classes**

Indirect O&M expenses not associated with specific direct cost pools are allocated to customer classes proportionally. The Consultant shall consider alternatives to this methodology that are fully consistent with the Agreement.

**Deliverables:**

The Consultant's shall be confirm the appropriateness of the existing O&M expense allocations in the Wholesale Rate Model. The Consultant shall recommend alternative O&M expense allocations that are fully consistent with the Agreement.

**Input and Review with PWB Staff**

PWB engineering/operations Staff input and review is required for Task #2 (allocation of O&M expenses to cost pools) and Task #3 (allocation of O&M expenses to cost parameters). PWB financial Staff input is required for Task #1 (detail of FY 15-16 O&M expenses).

**Schedule:**

The Consultant shall complete the required tasks within the first three (3) months of this approved contract.

**Work Requirement F: Check Assets & O&M Allocations for Consistency with Water Sales Agreement**

The Consultant shall identify how the current or specified future asset and O&M allocations might be consistent or inconsistent with the Agreement based on the Consultant's expert professional engineering and water system operations judgment. Review, defined work requirements, formats and due date shall be provided by the City's Project Manager as required. Any O&M expense allocations in the Wholesale Rate Model shall be consistent with the Agreement.

**Work Requirement G: Review Allocation of Water Use to Cost Pools**

Review the current allocation of water use by the City and its wholesale customers to the various cost pools used in the City's wholesale rate-setting process.

The Consultant shall review the allocation of wholesale customer water use to specific cost pools. The Consultant shall work with PWB engineering/operations Staff to understand the existing cost pool demand allocation methodology. The Consultant shall also review PWB's allocation of wholesale customer demand to each cost pool based on configuration of the Portland water system, wholesale metering, and SCADA flow metering of supply lines to specific interconnection points with each wholesale customer.

**Deliverables:**

The Consultant shall include a determination of how wholesale customer usage is currently allocated to specific cost pools and whether these allocations are appropriate in light of existing system operational characteristics and fully consistent with the Agreement.

**Input and Review with PWB Staff:**

PWB engineering/operations Staff input and review is required.

**Schedule:**

The Consultant shall complete the required tasks within the first four (4) months of this approved contract.

**Work Requirement H: Identify Alternative Methodologies for Recovery of First Year Capital Costs**

The Consultant shall complete a review of the Existing Methodology for the Recovery of First-Year Capital Costs for new assets that serve the regional supply system. The Consultant shall provide the City's Project Manager with a description of alternatives for the Recovery of First-Year Capital Costs and identify alternatives consistent with the Agreement.

**Deliverables:**

The Consultant shall identify potential alternative methodologies for the recovery of first-year capital costs.

**Input and Review with PWB Staff**

All Work Requirement H alternatives will be fully vetted with the PWB staff.

**Schedule:**

The Consultant shall complete the required tasks in the fourth (4<sup>th</sup>) and fifth (5<sup>th</sup>) months of this approved contract.

**Work Requirement I: Prepare Reports with Pros and Cons in a Matrix Format**

The Consultant shall prepare reports summarizing the analysis including evaluation of alternative methodologies for cost allocations. The evaluation should include the pros/cons and other criteria in a matrix format.

**Deliverables:**

The work product from this requirement shall be a final report as described above. The Consultant shall provide electronic copies in Microsoft Word and PDF for each preliminary draft. After receipt of City and wholesale customer's comments the Consultant shall provide the City's Project Manager electronic copies in PDF format of the final report. It is assumed that there are no more than two iterations of the draft materials, i.e., an initial draft submitted, City comments provided, a second draft submitted, comments again provided and a final report delivered.

**Input and Review with PWB Staff**

The Consultant will submit preliminary versions of all reports for review by City Staff.

**Schedule:**

The Consultant shall complete the required tasks in the sixth (6<sup>th</sup>) month of this approved contract.

**Work Requirement J: Attend Up to Four Additional Meetings**

The Consultant shall present the results of its audit at up to four meetings in addition to the working meetings described in Work Requirement B. These meetings will be authorized by the PWB Project Manager before they are conducted. Two weeks prior to each additional meeting, the Consultant will provide preliminary versions of all meeting materials to PWB PM for its review and commentary. One week prior to the actual meeting date, the Consultant will provide PWB PM and Wholesale Customer Staff with final meeting materials. The Consultant will provide meeting notes summarizing the discussions from all meetings within one week after meeting completion. The meeting notes shall be provided to the City's Project Manager electronically in MS Word.

**Deliverables:**

The deliverables for this task are as described in the above paragraph.

**Input and Review with PWB Staff**

As discussed above, the Consultant will submit preliminary versions of all meeting materials to PWB Staff two weeks prior to each meeting. Detailed meeting notes will be provided within one week after each meeting.

**Schedule:**

The Consultant shall complete the required tasks in the fifth (5<sup>th</sup>) and sixth (6<sup>th</sup>) months of this approved contract.

**WORK PERFORMED BY CITY**

The City has assigned a Project Manager to oversee the Consultant's work and provide support as needed. Specific duties the City shall perform include:

- Provide relevant documents for Consultant's review and use;
- Collect data as required for analysis;
- Data entry as required;
- Provide timely review of all draft deliverables;
- Organize and consolidate comments from all City Staff and separately comments from the Wholesale customers, on all draft deliverables;
- Provide all meeting space and meeting rooms; and,
- Staff all meetings.

## PROJECT REVIEWS

On a day-to-day basis, the progress of the work shall be managed by the City's Project Manager. In order to provide timely resolution of conflicts, the project also has a stakeholders group made up of Wholesale Customer staff. The Consultant shall be notified who the stakeholders consist of. Participating Wholesale Customer's staff shall be part of the City's project team to work with the Consultant throughout the project.

The Wholesale Customer's staff as part of the City's project team shall review and comment on project deliverables, recommendations, and report.

## DELIVERABLES

All deliverables and resulting deliverables from this contract shall become the property of the City of Portland. As such, the Consultant and any Subcontractors grant the City the right to copy and distribute (in any and all media and formats) project deliverables for regulatory, project certification/recognition, program development, public education, and/or for any purposes at the sole discretion of the City of Portland.

## CONSULTANT PERSONNEL

The Consultant shall assign the following personnel to do the work in the capacities designated:

NAME	ROLE ON PROJECT
Rick Giardina, CPA	Project Director
John Wright	Project Manager

## SUBCONSULTANTS

The Consultant shall assign the following subconsultants to perform work in the capacities designated:

NAME	ROLE ON PROJECT	SUBCONTRACT AMOUNT	MWESB STATUS
R. Hawley Consulting	Audit Allocations	29,260	ESB

The City shall enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its Proposal. For contracts valued \$50,000 or more, the Consultant shall submit a Monthly subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: <http://www.portlandoregon.gov/bibs/45475>.

## COMPENSATION

The maximum compensation shall not exceed **\$169,490** as described in the attached Exhibit A1 – Budget Detail. The “not to exceed amount” is the maximum amount of compensation due the Consultant for all the work required by the contract, including reimbursable expenses, if any. Errors in estimating the number of hours necessary to perform the work is the sole responsibility of the Consultant. Nothing in this contract requires the City to pay for work that does not meet the Standard of Care or other requirements of the Contract. The actual amount to be paid to the Consultant may be less than that amount.

Any estimate of the hours necessary to perform the work is not binding on the City. The Consultant remains responsible if the estimate proves to be incorrect. Exceeding the number of estimated hours of work does not impose any liability on the City for additional payment. If work is completed before the "not to exceed" amount is reached, the Consultant's compensation will be based on the Consultant's bills previously submitted for acceptable work performed and approved.

Unless authorized by a written Amendment to the Contract no additions or changes shall be made to this Contract. The cost submitted by the Consultant's must remain constant for the duration of the contract.

**Travel** - It is the policy of the City that all travel shall be allowed only when the travel is essential to the normal discharge of the Consultant's responsibilities under the Contract. All travel must be for official City business only. All travel and lodging shall be conducted in the most efficient and cost-effective manner resulting in the best value to the City. Reimbursable direct costs include pre-approved travel beyond a 100-mile radius of Portland. Personal expenses shall not be authorized at any time. Alcohol is not an authorized purchase under this Contract. Travel costs shall be reimbursed in accordance with the City's Travel Expense Guidelines, which are based on the General Services Administration (GSA) per diem rates. All Travel shall be pre-approved in writing by the City's Project Manager. Upon submitting invoices which indicate travel the Consultant shall provide all travel receipts for any items being requested for reimbursement. All receipts shall indicate the company that payment was made to, detail describing the type of services purchased and the total amount paid initially by Consultant. All requests shall be in accordance with the limits of travel reimbursement. When submitting invoices and travel has been authorized and conducted by the consultant a separate line item shall be identified on the invoice.

**Hourly Rates** - The Consultant shall be compensated per the – Hourly Rates and Classifications listed below. Hourly rates shall remain the same through the term of the Contract.

CLASSIFICATION	HOURLY RATE
Project Director	\$290
Project Manager	\$185
Administrative	\$70

**Reimbursable Costs**

All allowable reimbursable direct costs, with the exception of sub-consultant costs, shall be billed with no mark-up. Reimbursable direct costs include document reproduction costs requiring outsourcing (for example, printing of drawings and specifications), and the purchase, rental or leasing of specialized field equipment and the cost of disposable field equipment. All reimbursable costs shall be subject to prior authorization and approval by the City.

**Subconsultant Costs**

Compensation for sub-consultant shall be limited to the same restrictions imposed on the Consultant. The maximum markup on sub-consultant services shall not exceed 5% for the total term of the Contract. No double markups are allowed.

The City will enforce all social equity contracting and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Consultant in its Proposal. For contracts valued \$50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: <http://www.portlandoregon.gov/bibs/45475>.

**PAYMENT TERMS: Net 30 Days**

**PROGRESS PAYMENTS**

On or before the 15th of each month, the Consultant shall submit to the PWB's Accounts Payable an invoice for work performed by the Consultant during the preceding month. The invoice shall contain the City's Contract Number and set out all items for payment including, but not limited to: the percentage of work successfully completed for each task, and the percentage of work still required with remaining dollars available, project name, tasks, type of analysis performed, staff hours for each task, and total costs for the billing period. The Consultant shall also attach photocopies of claimed reimbursable expenses, if applicable. The Consultant shall stamp and approve all subconsultant invoices and note on the subconsultant invoice what they are approving as "billable" under the contract. The billing from the prime should clearly roll up labor and reimbursable costs for the prime and subconsultants – matching the subconsultant invoices. Prior to initial billing, the Consultant shall develop a billing format for approval by the City. Invoices shall either be e-mailed to: [wbaps@portlandoregon.gov](mailto:wbaps@portlandoregon.gov).

The City shall pay all amounts to which no dispute exists within 30 days of receipt of the invoice. Payment of any bill, however, does not preclude the City from later determining that an error in payment was made and from withholding the disputed sum from the next progress payment until the dispute is resolved.

The Consultant shall make full payment to its subcontractors within 10 business days following receipt of any payment made by the City to Consultant.

**ACH Payments**

It is the City's policy to pay its Consultant invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, Consultants shall execute the City's standard ACH Vendor Payment Authorization Agreement which is available on the City's website at: <http://www.portlandoregon.gov/bfs/article/409834>.

Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered directly into Consultant accounts with financial institutions. All payments shall be in United States currency.

## WORKERS' COMPENSATION INSURANCE STATEMENT

IF YOUR FIRM HAS CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST SIGN HERE:

I, undersigned, am authorized to act on behalf of entity designated below, and I hereby certify that this entity has current Workers' Compensation Insurance.

Contractor Signature: Richard D. Sindler Date: 2/6/2015 Entity: Raftelis Financial Consultants, Inc.

IF YOUR FIRM DOES NOT HAVE CURRENT WORKERS' COMPENSATION INSURANCE, CONTRACTOR MUST COMPLETE THE FOLLOWING INDEPENDENT CONTRACTOR CERTIFICATION STATEMENT:

As an independent contractor, I certify that I meet the following standards:

1. The individual or business entity providing labor or services is registered under ORS Chapter 701, if the individual or business entity provides labor or services for which such registration is required;
2. Federal and state income tax returns in the name of the business or a business Schedule C or form Schedule F as part of the personal income tax return were filed for the previous year if the individual or business entity performed labor or services as an independent contractor in the previous year; and
3. The individual or business entity represents to the public that the labor or services are to be provided by an independently established business. Except when an individual or business entity files a Schedule F as part of the personal income tax returns and the individual or business entity performs farm labor or services that are reportable on Schedule C, an individual or business entity is considered to be engaged in an independently established business when four or more of the following circumstances exist. Contractor: check four or more of the following:
  - ☐ A. The labor or services are primarily carried out at a location that is separate from the residence of an individual who performs the labor or services, or are primarily carried out in a specific portion of the residence, which portion is set aside as the location of the business;
  - ☐ B. Commercial advertising or business cards as is customary in operating similar businesses are purchased for the business, or the individual or business entity has a trade association membership;
  - ☐ C. Telephone listing and service are used for the business that is separate from the personal residence listing and service used by an individual who performs the labor or services;
  - ☐ D. Labor or services are performed only pursuant to written contracts;
  - ☐ E. Labor or services are performed for two or more different persons within a period of one year; or
  - ☐ F. The individual or business entity assumes financial responsibility for defective workmanship or for service not provided as evidenced by the ownership of performance bonds, warranties, errors and omission insurance or liability insurance relating to the labor or services to be provided.

\_\_\_\_\_  
Contractor Signature

\_\_\_\_\_  
Date

FOR CITY USE ONLY

**PROJECT MANAGER-COMplete ONLY IF CONTRACTOR DOES NOT HAVE WORKER'S COMPENSATION INSURANCE**  
ORS 670.600 Independent contractor standards. As used in various provisions of ORS Chapters 316, 656, 657, and 701, an individual or business entity that performs labor or services for remuneration shall be considered to perform the labor or services as an "independent contractor" if the standards of this section are met. The contracted work meets the following standards:

1. The individual or business entity providing the labor or services is free from direction and control over the means and manner of providing the labor or services, subject only to the right of the person for whom the labor or services are provided to specify the desired results;
2. The individual or business entity providing labor or services is responsible for obtaining all assumed business registrations or professional occupation licenses required by state law or local government ordinances for the individual or business entity to conduct the business;
3. The individual or business entity providing labor or services furnishes the tools or equipment necessary for performance of the contracted labor or services;
4. The individual or business entity providing labor or services has the authority to hire and fire employees to perform the labor or services;
5. Payment for the labor or services is made upon completion of the performance of specific portions of the project or is made on the basis of an annual or periodic retainer.

\_\_\_\_\_  
City Project Manager Signature

\_\_\_\_\_  
Date

**CONSULTANT SIGNATURE:**

This contract may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same Agreement.

The parties agree the City and Consultant may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

I, the undersigned, agree to perform work outlined in this contract in accordance to the STANDARD CONTRACT PROVISIONS, the terms and conditions, made part of this contract by reference, and the STATEMENT OF THE WORK made part of this contract by reference; hereby certify under penalty of perjury that I/my business am not/is not in violation of any Oregon tax laws; hereby certify that my business is certified as an Equal Employment Opportunity Affirmative Action Employer and is in compliance with the Equal Benefits Program as prescribed by Chapter 3.100 of Code of the City of Portland; and hereby certify I am an independent contractor as defined in ORS 670.600.

**RAFTELIS FINANCIAL CONSULTANTS, INC**

BY: Richard D. Giardina Date: 2/6/2015

Name: Richard D. Giardina

Title: Executive Vice President

CONTRACT NUMBER: 30004344

CONTRACT TITLE: Portland Water Bureau Audit Allocations

**CITY OF PORTLAND SIGNATURES:**

By: N/A  
Bureau Director

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Chief Procurement Officer

Date: \_\_\_\_\_

By: N/A  
Elected Official

Date: \_\_\_\_\_

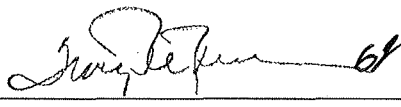
Approved:

By: N/A  
Office of City Auditor

Date: \_\_\_\_\_

APPROVED AS TO FORM

Approved as to Form:

By:  68  
Office of City Attorney  
CITY ATTORNEY

Date: 2/12/15