

City Council Action Report

To: The Mayor and Council

From: Cory Peterson, Interim Manger of Water and Environmental Services
Kurt Kowar, Service Center Manger of Logistics

Subject: Water and Wastewater Rate and Connection Charge Study (Long Term Water Resources Planning)

Date: October 27, 2005

Strategic Council Goals: Goal #1 – Fiscally Responsible City Government

Recommended Action:

- Authorize the Mayor to execute the attached contract by and between the City of Northglenn and Red Oak Consulting of Aurora, Colorado; and, authorize the City Manager to approve minor changes in the scope of work and execute relevant change orders up to a Council approved expenditure limit of \$71,665.00.

Background:

- As more development and growth occurs in southern Weld County the potential for a regional wastewater plant becomes increasingly viable. The need to have an accurate rate structure for our water and sewer services is vital in keeping Northglenn competitive in a regional setting. In addition, a revised rate structure will provide assurance for the City and residents that they are not subsidizing services provided to non-residents in this area, while at the same time maximizing the revenue received from new service areas.

Legal Considerations:

- The Council is within its legal purview to accept bids and approve contracts.

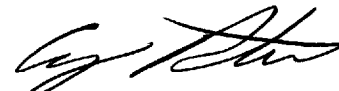
Policy Considerations:

- The task proposed to be performed by Red Oak Consulting is essential in fulfilling a part of City Council Goal #1 – Fiscally Responsible City Government, Objective 5: Expanding and Diversifying Revenue Sources.

Budget/Financial Considerations:

- Staff is requesting Council approval for this contract in the amount of \$65,150.00 with a contingency of \$6,515.00 (10%), for a total of \$71,665.00.
- Funding for this contract is available in the Water & Environmental Services operating budget.
- Due to the timing of this contract staff will recommend to Mayor and Council on November 10th a supplemental appropriation to transfer these funds from the operating to the CIP budget. Transfer of the identified funds will allow for continuation of this contract into 2006.

Respectfully Submitted,



Cory Peterson,
Interim Manager – WES

Respectfully Submitted,



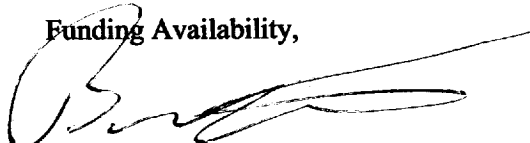
Kurt Kowar,
Center Manager-Logistics

Approved for Submittal,



Phil Nelson,
City Manager

Funding Availability,



Brent Worthington,
Center Manager-FISS

COUNCIL ACTION: _____

AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is made and entered into this ____ day of _____, 2005, by and between the City of Northglenn, State of Colorado (hereinafter referred to as the "City") and Red Oaks Consulting (hereinafter referred to as "Consultant").

RECITALS:

- A. The City requires professional services.
- B. Consultant has held itself out to the City as having the requisite expertise and experience to perform the required work for the Project.

NOW, THEREFORE, it is hereby agreed for the consideration hereinafter set forth, that Consultant shall provide to the City, professional consulting services for the Project.

I. SCOPE OF SERVICES

Consultant shall furnish all labor and materials to perform the work and services required for the complete and prompt execution and performance of all duties, obligations, and responsibilities for the Project which are described or reasonably implied from **Exhibit A** which is attached hereto and incorporated herein by this reference.

II. THE CITY'S OBLIGATIONS/CONFIDENTIALITY

The City shall provide Consultant with reports and such other data as may be available to the City and reasonably required by Consultant to perform hereunder. No project information shall be disclosed by Consultant to third parties without prior written consent of the City or pursuant to a lawful court order directing such disclosure. All documents provided by the City to Consultant shall be returned to the City. Consultant is authorized by the City to retain copies of such data and materials at Consultant's expense.

III. OWNERSHIP OF WORK PRODUCT

- A. The City acknowledges that the Consultant's work product is an instrument of professional service. Nevertheless, the products prepared under this Agreement shall become the property of the City upon completion of the work.
- B. The Client acknowledges and agrees that the interactive financial model utilized by Red Oak is a proprietary and confidential Red Oak Service Instrument, and is to be used solely for

the financial analysis proposed by Red Oak and is not be resold or otherwise used for secondary commercial gain.

IV. COMPENSATION

A. In consideration for the completion of the services specified herein by Consultant, the City shall pay Consultant an amount not to exceed sixty five thousand one hundred and fifty dollars (\$65,150). Payment shall be made in accordance with the schedule of charges in **Exhibit B** which is attached hereto and incorporated herein by this reference. Invoices will be itemized and include hourly breakdown for all personnel and other charges. The maximum fee specified herein shall include all fees and expenses incurred by Consultant in performing all services hereunder.

B. Consultant may submit monthly or periodic statements requesting payment. Such request shall be based upon the amount and value of the work and services performed by Consultant under this Agreement except as otherwise supplemented or accompanied by such supporting data as may be required by the City.

1. All invoices, including Consultant's verified payment request, shall be submitted by Consultant to the City no later than the twenty-fourth (24th) day of each month for payment pursuant to the terms of this Agreement. In the event Consultant fails to submit any invoice on or before the twenty-fourth (24th) day of any given month, Consultant defers its right to payment pursuant to said late invoice until the twenty-fourth (24th) day of the following month.
2. Progress payments may be claimed on a monthly basis for reimbursable costs actually incurred to date as supported by detailed statements, including hourly breakdowns for all personnel and other charges. The amounts of all such monthly payments shall be paid within thirty (30) days after the timely receipt of invoice as provided by this Agreement.

C. The City has the right to ask for clarification on any Consultant invoice after receipt of the invoice by the City.

D. In the event payment for services rendered has not been made within forty-five (45) days from the receipt of the invoice for any uncontested billing, interest will accrue at the legal rate of interest. In the event payment has not been made within ninety (90) days from the receipt of the invoice for any uncontested billing, Consultant may, after giving seven (7) days written notice and without penalty or liability of any nature, suspend all work on all authorized services specified herein. In the event payment in full is not received within thirty (30) days of giving the seven (7) days written notice, Consultant may terminate this Agreement. Upon receipt of payment in full for services rendered, Consultant will continue with all authorized services.

E. Final payment shall be made within sixty (60) calendar days after all data and reports (which are suitable for reproduction and distribution by the City) required by this Agreement have been turned over to and approved by the City and upon receipt by the City of Consultant's certification that services required herein by Consultant have been fully completed in accordance with this Agreement and all data and reports for the Project.

V. COMMENCEMENT AND COMPLETION OF WORK

Within seven (7) days of receipt from the City of a Notice to Proceed, Consultant shall commence work on all its obligations as set forth in the Scope of Services or that portion of such obligations as is specified in said Notice. Except as may be changed in writing by the City, the Project shall be complete and Consultant shall furnish the City the specified deliverables as provided in Exhibit A.

VI. CHANGES IN SCOPE OF SERVICES

A change in the Scope of Services shall constitute any material change or amendment of services or work which is different from or additional to the Scope of Services specified in Section I of this Agreement. No such change, including any additional compensation, shall be effective, or paid unless authorized by written amendment executed by the City. If Consultant proceeds without such written authorization, then Consultant shall be deemed to have waived any claim for additional compensation, including a claim based on the theory of unjust enrichment, quantum meruit or implied contract. Except as expressly provided herein, no agent, employee, or representative of the City shall have the authority to enter into any changes or modifications, either directly or implied by a course of action, relating to the terms and scope of this Agreement.

VII. PROFESSIONAL RESPONSIBILITY

A. Consultant hereby warrants that it is qualified to assume the responsibilities and render the services described herein and has all requisite corporate authority and professional licenses in good standing, required by law.

B. The work performed by Consultant shall be in accordance with generally accepted professional practices and the level of competency presently maintained by other practicing professional firms in the same or similar type of work in the applicable community.

C. Consultant shall be responsible for the professional quality, technical accuracy, timely completion, and the coordination of all designs, drawings, specifications, reports, and other services furnished by Consultant under this Agreement. Consultant shall, without additional compensation, correct or resolve any errors or deficiencies in his designs, drawings, specifications, reports, and other services, which fall below the standard of professional practice, and reimburse the City for construction costs caused by errors and omissions which fall below the standard of professional practice.

D. Approval by the City of drawings, designs, specifications, reports, and incidental work or materials furnished hereunder shall not in any way relieve Consultant of responsibility for technical adequacy of the work. Neither the City's review, approval or acceptance of, nor payment for, any of the services shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and Consultant shall be and remain liable in accordance with applicable performance of any of the services furnished under this Agreement.

E. The rights and remedies of the City provided for under this Agreement are in addition to any other rights and remedies provided by law.

VIII. COMPLIANCE WITH LAW

The work and services to be performed by Consultant hereunder shall be done in compliance with applicable laws, ordinances, rules and regulations.

IX. INDEMNIFICATION

Consultant agrees to indemnify and hold harmless the City, its officers, employees, and insurers, from and against all liability, claims, and demands, on account of injury, loss, or damage, including without limitation claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage, if such injury, loss, or damage is caused in whole or in part by, or is claimed to be caused in whole or in part by, the negligent act, omission, error, professional error, mistake, negligence, or other fault of Consultant, any subconsultant of Consultant, or any officer, employee, representative, or agent of Consultant or of any subconsultant of Consultant, or which arise out of any workmen's compensation claim of any employee of Consultant or of any employee of any subconsultant of Consultant. Consultant agrees to investigate, handle, respond to, and to provide defense for and defend against any such liability, claims or demands at the sole expense of Consultant, or at the option of the City, agrees to pay the City or reimburse the City for the defense costs incurred by the City in connection with, any such liability, claims, or demands. Consultant also agrees to bear all other costs and expenses related thereto, including court costs and attorney fees, whether or not any such liability, claims, or demands alleged are groundless, false, or fraudulent. If it is determined by the final judgment of a court of any competent jurisdiction that such injury, loss, or damage was caused in whole or in part by the act, omission, or other fault of the City, its officers, or its employees, the City shall reimburse Consultant for the portion of the judgment attributable to such act, omission, or other fault of the City, its officers, or employees.

X. INSURANCE

A. Consultant agrees to procure and maintain, at its own cost, a policy or policies of insurance sufficient to insure against all liability, claims, demands, and other obligations assumed by Consultant pursuant to paragraph A. above. Such insurance shall be in addition to any other

insurance requirements imposed by this Agreement or by law. Consultant shall not be relieved of any liability, claims, demands, or other obligations assumed pursuant to Section IX. Indemnification, above, by reason of its failure to procure or maintain insurance, or by reason of its failure to procure or maintain insurance in sufficient amounts, durations, or types.

B. Consultant shall procure and maintain, and shall cause any subconsultant of Consultant to procure and maintain, the minimum insurance coverages listed below. Such coverages shall be procured and maintained with forms and insurers acceptable to the City. All coverages shall be continuously maintained to cover all liability, claims, demands, and other obligations assumed by Consultant pursuant to Section IX. Indemnification, above. In the case of any claims-made policy, the necessary retroactive dates and extended reporting periods shall be procured to maintain such continuous coverage.

1. Workmen's compensation insurance to cover obligations imposed by applicable laws for any employee engaged in the performance of work under this Agreement, and Employer's Liability insurance with minimum limits of five hundred thousand dollars (\$500,000) each accident, one million dollars (\$1,000,000) disease - policy limit, and one million dollars (\$1,000,000) disease - each employee. Evidence of qualified self-insured status may be substituted for the workmen's compensation requirements of this paragraph.
2. Commercial general liability insurance with minimum combined single limits of six hundred thousand (\$600,000) each occurrence and one million dollars (\$1,000,000) general aggregate. The policy shall be applicable to all premises and operations. The policy shall include coverage for bodily injury, broad form property damage (including completed operations), personal injury (including coverage for contractual and employee acts), blanket contractual, products, and completed operations. The policy shall contain a severability of interests provision.
3. Professional liability insurance with minimum limits of six hundred thousand dollars (\$600,000) each claim and one million dollars (\$1,000,000) general aggregate.
4. The policy required by paragraph 2. above shall be endorsed to include the City and the City's officers, employees, and consultants as additional insureds. Every policy required above shall be primary insurance, and any insurance carried by the City, its officers, its employees, or its consultants shall be excess and not contributory insurance to that provided by Consultant. No additional insured endorsement to the policy required by paragraph 1. above shall contain any exclusion for bodily injury or property damage arising from completed operations. Consultant shall be solely responsible for any deductible losses under any policy required above.

5. The certificate of insurance provided for the City shall be completed by Consultant's insurance agent as evidence that policies providing the required coverages, conditions, and minimum limits are in full force and effect, and shall be reviewed and approved by the City prior to commencement of the Agreement. No other form of certificate shall be used. The certificate shall identify this Agreement and shall provide that the coverages afforded under the policies shall not be cancelled, terminated or materially changed until at least thirty (30) days prior written notice has been given to the City. The completed certificate of insurance shall be sent to:

City of Northglenn
11701 Community Center Drive
Northglenn, Colorado 80233-8061
Attn: Eve Craven

6. Failure on the part of Consultant to procure or maintain policies providing the required coverages, conditions, and minimum limits shall constitute a material breach of agreement upon which the City may immediately terminate this Agreement, or at its discretion, the City may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by the City shall be repaid by Consultant to the City upon demand, or the City may offset the cost of the premiums against any monies due to Consultant from the City.
7. The City reserves the right to request and receive a certified copy of any policy and any endorsement thereto.
8. The parties hereto understand and agree that the City, its officers, and its employees, are relying on, and do not waive or intend to waive by any provision of this Agreement, the monetary limitations (presently one hundred fifty thousand dollars (\$150,000) per person and six hundred thousand dollars (\$600,000) per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, Colo. Rev. Stat. §24-10-101 et seq., 10 Colo. Rev. Stat., as from time to time amended, or otherwise available to the City, its officers, or its employees.

XI. NON-ASSIGNABILITY

Neither this Agreement, nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.

XII. TERMINATION

This Agreement shall terminate at such time as the work in Section I is completed and the requirements of this Agreement are satisfied, or upon the City's providing Consultant with seven (7) days advance written notice, whichever occurs first. In the event the Agreement is terminated by the City's issuance of said written notice of intent to terminate, the City shall pay Consultant for all work previously authorized and completed prior to the date of termination. If, however, Consultant has substantially or materially breached the standards and terms of this Agreement, the City shall have any remedy or right of set-off available at law and equity. If the Agreement is terminated for any reason other than cause prior to completion of the Project, any use of documents by the City thereafter shall be at the City's sole risk, unless otherwise consented to by Consultant.

XIII. CONFLICT OF INTEREST

The Consultant shall disclose any personal or private interest related to property or business within the City. Upon disclosure of any such personal or private interest, the City shall determine if the interest constitutes a conflict of interest. If the City determines that a conflict of interest exists, the City may treat such conflict of interest as a default and terminate this Agreement.

XIV. VENUE

This Agreement shall be governed by the laws of the State of Colorado, and any legal action concerning the provisions hereof shall be brought in the County of Adams, State of Colorado.

XV. INDEPENDENT CONTRACTOR

Consultant is an independent contractor. Notwithstanding any provision appearing in this Agreement, all personnel assigned by Consultant to perform work under the terms of this Agreement shall be, and remain at all times, employees or agents of Consultant for all purposes. Consultant shall make no representation that it is the employee of the City for any purposes.

XVI. NO WAIVER

Delays in enforcement or the waiver of any one or more defaults or breaches of this Agreement by the City shall not constitute a waiver of any of the other terms or obligation of this Agreement.

XVII. ENTIRE AGREEMENT

This Agreement and the attached Exhibits A and B is the entire Agreement between Consultant and the City, superseding all prior oral or written communications. None of the provisions of this Agreement may be amended, modified, or changed, except as specified herein.

XVIII. NOTICE

Any notice or communication between Consultant and the City which may be required, or which may be given, under the terms of this Agreement shall be in writing, and shall be deemed to have been sufficiently given when directly presented or sent pre-paid, first class United States Mail, addressed as follows:

The City: City of Northglenn
 11701 Community Center Drive
 Northglenn, Colorado 80233-8061

Consultant: Red Oak Consulting
 3300 South Parker Road Suite 305
 Aurora, CO 80014

IN WITNESS WHEREOF, the parties hereto each herewith subscribe the same in triplicate.

CITY OF NORTHGLENN, COLORADO

By: _____
Kathleen M. Novak, Mayor

ATTEST:

Diana Lentz, City Clerk

APPROVED AS TO FORM:

Herbert C. Phillips, City Attorney

CONSULTANT

By: Jon A. Salpe
Principal Consultant 10/20/05
Title Date

Witness:

~~ATTEST:~~

Eve Craker
Center Manager 10/20/05
Title Date

Exhibit A

Task 100 – Project Orientation

Red Oak will provide request list for financial, operating, and statistical data needed to complete study. Red Oak will facilitate project orientation workshop with City representatives to assure mutual understanding of study objectives, gather available data, review study schedule, become familiar with utility billing records, and discuss relevant City policies.

Task 200 – Financial Plan

Red Oak will develop water and wastewater utility financial plans for the 10-year study period, 2006 through 2015. These plans will test the adequacy of revenue from existing rates and charges to meet future revenue requirements. If necessary, Red Oak will develop alternative scenarios of revenue increases from rate adjustments that will adequately meet revenue requirements.

Task 201 - Develop up to five cash flow scenarios for study period for each utility containing the following elements:

- ◆ Capital improvement program.
- ◆ Funding plan for capital improvements including connection charge revenue, grants, and loans.
- ◆ Revenue from existing rates based on historical usage patterns for recent two-year period and expected growth rate.
- ◆ Operation and maintenance expenses recognizing most recent budget, expected operational changes, and inflation.
- ◆ Annual capital costs including routine capital outlay and debt service on existing and proposed loans.
- ◆ Maintenance of minimum capital and operating reserves.
- ◆ Debt service coverage.

Task 202 - Facilitate financial plan workshop with City representatives to review alternative financial plan scenarios and finalize financial plan.

Task 203 - Publish technical memorandum summarizing assumptions, procedures, findings and recommendations of water and wastewater financial plans.

Task 300 – Cost of Service Analysis

Red Oak will identify the cost of providing water and wastewater service to each customer class and determine the extent to which revenue from existing rates recovers class cost of service.

Task 301 - Identify customer classes served by water and wastewater utilities. At a minimum, classes will include single family and multi-family residential, commercial, irrigation and municipal.

Task 302 - Determine cost of providing service to customer classes using standard industry practices supported by the American Water Works Association and Water Environment Federation.

Task 303 - Compare class revenue from existing rates to class cost of service to determine level of cost recovery for each class.

Task 304 - Facilitate cost of service workshop with City representatives to review cost of service findings.

Task 305 - Publish technical memorandum summarizing assumptions, procedures, findings and recommendations of cost of service analyses.

Task 400 – Rates

Red Oak will design water and wastewater rates that:

- ◆ Produce adequate revenue.
- ◆ Recover class cost of service.
- ◆ Are understood by customers and easy to administer.
- ◆ Comply with City policies.

Task 401 - Review existing water and wastewater rate structure for ability to satisfy rate criteria.

Task 402 - Design cost of service rates for each year of study period.

Task 403 - Design alternative rates for each year of study period, if necessary, to transition from existing rates to cost of service rates over the study period.

Task 404 - Compare class revenue from cost of service and alternative rates with class cost of service.

Task 405 - Compare typical monthly bills under existing, cost of service and alternative rates for each customer class.

Task 406 - Facilitate rate design workshop with City representatives to review cost of service and alternative rates and select proposed rates for Council consideration.

Task 407 - Publish technical memorandum summarizing assumptions, procedures, findings and recommendations of water and wastewater rate design.

Task 500 - Connection Charges

Red Oak will develop connection charges that:

- ◆ Allow growth to pay for growth.
- ◆ Recover new connector's proportionate share of capacity in growth facilities.
- ◆ Are understood by new connectors and easy to administer.
- ◆ Comply with City growth policies.

Task 501 - Review existing water and wastewater connection charge structure for ability to satisfy connection charge criteria.

Task 502 - Select methodology to develop connection charges. Methodologies to be considered include equity buy-in, marginal cost and hybrid.

Task 503 - Design connection charges for each year of study period using selected methodology.

Task 504 - Test ability of connection charges to recover growth related costs through projection of long-range cash flow through buildout of growth related revenues and capital costs.

Task 505 - Facilitate connection charge workshop with City representatives to review connection charge findings.

Task 506 - Publish technical memorandum summarizing assumptions, procedures, findings and recommendations of water and wastewater connection charge design.

Task 600 – Study Report

Red Oak Consulting will document study assumptions, procedures, findings and recommendations in study report.

Task 601 - Publish draft study report for City review.

Task 602 - Facilitate draft report workshop with City representatives to review City comments.

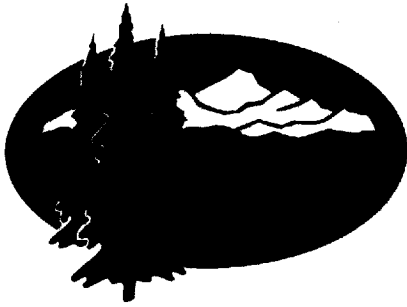
Task 603 - Publish final report incorporating City comments.

Task 700 – Study Presentation

Red Oak Consulting will attend one set of individual City Council briefings, two City Council work sessions and one City Council regular session to discuss study findings and recommendations.

Exhibit B

Task	Description	Hours	Fee
100	Project Orientation	16	\$ 3,050
200	Financial Plan	126	17,020
300	Cost of Service Analysis	94	13,390
400	Rates	54	8,270
500	Connection Charges	66	10,290
600	Study Report	44	5,270
700	Study Presentation	44	7,860
	Total	444	\$ 65,150



Logistics Service Center
11701 Community Center Drive
Northglenn, CO 80233-8061
Phone: 303.450.8774
Cell: 303.349.3772
Fax: 303.450.8708
Email: kkowar@northglenn.org

Memorandum

To: The Mayor & City Council
From: Kurt Kowar, Logistics Center Manager
Date: October 20, 2005
Subject: **Integrated Water Resources Master Plan**

Staff is hereby presenting to the Mayor & Council a team of consultants that, working with staff will solidify the future of the City's long term water resources.

It is essential that as growth occurs along the Front Range and competition for water resources and opportunity for partnerships increase that the City of Northglenn is positioned to take full advantage. Our sustainability is tied to creating a long term plan that sets in place the mechanisms to ensure our future needs. Staff is proposing to move forward looking at our water and wastewater as a whole to use each to its maximum benefit that it can provide.

Three consultants are being recommended to the Mayor & Council, each with their own distinct area of expertise and knowledge. In addition to those characteristics, they are also being selected because of the intimate knowledge they bring of our neighboring city's and an idea of how partnerships could best be formed. It is important not to downplay this component as it is an asset to begin conversations with common relationships that have a developed trust and credibility.

Camp Dresser & McKee will work with staff, Council, and the community, to understand our goals and available opportunities. Staff will work with them to look outside the box at water resources and partnerships that can enhance our long term solutions. The process will look at water, wastewater, and all combinations in between.

Red Oak will work with staff and council to look across our resources and understand our true costs of doing business now and in the long term. The outcome will include rate structures that support our current business and future alternatives. In addition, the findings will include methods for implementing any solutions that will minimize impacts to the community.

Integra Engineering will work with staff to complete the mapping and modeling of our collection system, distribution system, water plant, and wastewater plant. Using the baseline data created, Integra and staff will explore the various alternatives that would affect our systems and understand the impacts to the existing infrastructure. In addition, the mapping and models completed during this process will become the foundation for our utility asset management.

It is important that we stress this is a team approach that will incorporate the consultants, staff, Council, and our community in moving through this process. The key component of that being "team", in which the synergy created from our collective expertise, knowledge, ideas, contacts, and partnerships will ensure a beneficial outcome to the residents of Northglenn.

Staff thanks you in advance for your time and consideration on the recommendations made for this important policy direction of the City.