

January 15, 2024

Mr. Omar DeJesus
Finance Director
City of Haines City
620 E. Main Street
Haines City, FL 33844

Subject: **Agreement to Provide a Utility Rate and Impact Fee Study for the City of Haines City**

Dear Mr. DeJesus:

As you requested, Raftelis Financial Consultants, Inc. (Raftelis) is pleased to submit this proposal to the City of Haines City, Florida (City) to provide rate and financial consulting services on behalf of the City's water and wastewater utility systems (System). The primary responsibilities of Raftelis will be to assist the City with: i) the development of a five-year financial forecast to review the sufficiency of water and wastewater utility rates; ii) the evaluation of the Water and Wastewater Impact Fees and Accrued Guaranteed Revenue Charges (AGRFs); iii) the review of selected miscellaneous service charges and/or policies; and iv) identification of strategic rate structure changes to address the City's pricing and conservation objectives that may include alternative approaches to billing master-meter multi-family accounts and large commercial customers. Based on our understanding of the needs of the City, we submit this proposal for your consideration, which includes a detailed discussion of the proposed Scope of Services as shown in Exhibit A.

GENERAL CONTRACT TERMS

The contract terms regarding the project budget and scope, hourly rates for billing purposes, and other contract terms and conditions will be as set forth in the Water, Sewer, Reclaimed Water and Miscellaneous Fees – Rate Study Contract (Charlotte County Contract No. 2023000004) as executed and adopted between Raftelis Financial Consultants, Inc. and Charlotte County, Florida on April 25, 2023, related to a utility rate and impact fee study for the City. A copy of the hourly direct labor rates and reimbursable expenses for billing purposes as contained in the Charlotte County Contract No. 2023000004 is included in Exhibit B to this proposal. A copy of the request for proposals (RFP), our proposal response to Charlotte County, and the executed master agreement have been provided to the City under a separate cover.

PROJECT TEAM AND BILLING RATES

With respect to the performance of this engagement, Murray Hamilton will be the project manager and primary contact with the City. Other analysts and administrative personnel will be utilized during the course of the engagement as needed. Exhibit B summarizes the direct labor hourly billing rates relative to this engagement which is made part of this proposal.

SCOPE OF SERVICES

The scope of services to be performed by Raftelis is included on Exhibit A.

COMPENSATION AND BILLING

Based on the Scope of Services as summarized in Exhibit A and the direct labor billing rates as identified on Exhibit B, we propose to establish a maximum not-to-exceed contract for the project in the amount of \$98,000. The proposed budget is summarized in Exhibit C, which includes the direct cost of personnel anticipated to be assigned to conduct the various tasks of the project by Raftelis as well as an allowance for other direct expenses such as travel, telephone, and delivery charges. The costs incurred by Raftelis for such other direct costs, if any, would be billed to the City based on the standard rate for the recovery of such costs as identified in Exhibit B. It is proposed that Raftelis would bill monthly for services relative to this engagement based on the sum of: i) the hourly amount of time spent by the project team members; and, ii) the other direct costs incurred to provide the financial consulting service per Exhibit B. It is not anticipated that any subconsultants would be required to assist Raftelis in the completion of the project.

MUNICIPAL ADVISOR DISCLOSURE

As a registered Municipal Advisor under the Dodd-Frank Act, Raftelis is required to inform our clients of any existing or potential conflicts of interest that may be relevant to any proposed scope of services that may include providing “advice” as that term is defined in the Dodd-Frank Act. As of the date of this engagement letter, no conflicts of interest are known to exist.

Under the Dodd-Frank Act the definition of “advice” includes providing any opinion, information or assumptions related to the size, timing and terms of possible future debt issues or borrowing. This type of information may be integrated into the capital and financial planning components of a rate model update. This definition is applicable regardless of whether this information is developed and used solely for planning and decision-making purposes. For the services addressed in the scope of work identified for this engagement, any information that is developed by Raftelis that falls under this definition of municipal advice is not intended to represent a recommendation that the City should issue debt based on the terms and assumptions used to develop the financial plan or forecast, or that the City will, in fact, be able to issue debt under the exact terms and conditions assumed and used to develop the financial plan or forecast. The information developed as part of this rate model update, including any related municipal advice, is intended only to provide information useful in

evaluating the potential impact on the utility and future rate adjustments of one potential course of action for the City. If the City decides at some future date to issue debt, then at that time the City will need to engage an independent, registered Financial Advisor to assist in evaluating the availability of different types of debt, and the specific terms and conditions for issuing debt, which will be affected by market conditions and the City's credit rating at the time of issuance. At that time, as a registered Municipal Advisor, Raftelis can also provide additional assistance related to a specific bond or debt issue, such as preparing a bond feasibility report or financial forecast for inclusion in bond documents, without requiring additional oversight or supervision by the Financial Advisor.

By signing this engagement letter indicating its approval and acceptance of the proposed scope of work and fees, the City is also explicitly acknowledging that Raftelis has provided the necessary disclosures addressing conflicts of interest and any limitations on the scope of Municipal Advisory services to be provided by Raftelis as part of this engagement.

The Municipal Securities Rulemaking Board (MSRB) provides significant protections for municipal entities and obligated persons that are clients of a municipal advisor. To understand the protections provided and how to file a complaint with an appropriate regulatory authority, visit the MSRB web site at www.msrb.org.

PROJECT SCHEDULE

Upon notification to proceed as provided by the City, Raftelis will complete the evaluation of utility rates and impact fees within 180 days. The completion of the study is subject to the availability of information provided to Raftelis from the City that would be necessary to conduct the evaluations.

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TERMS AND CONDITIONS

Standard terms and conditions, that are made part of this agreement, are outlined in the Water, Sewer, Reclaimed Water and Miscellaneous Fees – Rate Study Contract (Charlotte County Contract No. 2023000004) as executed and adopted between Raftelis Financial Consultants, Inc. and Charlotte County, Florida on April 25, 2023.

If this agreement is acceptable to you, please execute the proposal and send a signed digital copy to us. We appreciate the opportunity to provide utility rate consulting services to the City of Haines City.

Very truly yours,

Raftelis Financial Consultants, Inc.

Murray M. Hamilton, Jr.
Vice President

ACCEPTED BY:

City of Haines City, Florida

Name

Title

Date

Attachments

Add Exhibit B, C, and D and Delete Page

EXHIBIT A

CITY OF HAINES CITY, FLORIDA UTILITY RATE AND IMPACT FEE STUDY

SCOPE OF SERVICES

The following sections outline the scope of service to be performed by Raftelis Financial Consultants, Inc. (Raftelis) as it relates to the preparation of a water and wastewater user rate and impact fee study (Rate Study) for the City of Haines City (City). The Rate Study will include a financial forecast that will begin with the current budget year (Fiscal Year 2024) and estimate the water and wastewater systems' financial operations over the next five-year period beginning with the fiscal year ending September 30, 2025 (Fiscal Years 2025 through 2029). The activities associated with the Rate Study are summarized below by major task:

1. Data Request and Data Gathering – Raftelis will prepare a written data request for the collection of financial, customer billing, operating, engineering, and planning data necessary to conduct the rate and impact fee study. Information requested will include, but is not limited to, financial statements, existing rate schedules, operating budgets and capital work plans, existing debt service schedules, summaries of fixed assets including utility plant investment, detailed accounting records, cost estimates and detailed customer billing data. The initial data request will be as comprehensive as possible; however, based on review the City's initial response, it is contemplated that follow-up data requests may be required during the course of the study. This task will also include attendance at an initial, on-site project meeting, if necessary, to confirm study goals and objectives, establish a project schedule, and review the study's data requirements.
2. Identification of Fiscal Policies and Objectives – This task will include a review of existing City Ordinances and/or Resolutions, financial policy and loan agreements associated with outstanding loan obligations. Based on this review Raftelis will identify goals related to financial performance indicators, capital funding practices and reserve fund policies to provide financial guidelines and support for the rate and fee setting process.
3. Customer and Sales Forecast – Raftelis will prepare a five-year forecast of customer and usage requirements based on detailed customer accounting information provided by the City for the water and wastewater systems. This task will include a review of historical customer and usage statistics by rate classification and development of a forecast of customers and sales based on the best available information about future growth. This task also includes preparing a profile of billing determinants for a historical "Test Year" and the projected period included in the financial forecast. The profile of billing statistics will consider existing customer classes and rate schedules and reflect appropriate rate structure criteria. The task will involve the development of bill frequency reports based on detailed billing records and the reporting capabilities of the City's billing system. To support the City's cost-of-service objectives, this study may also evaluate alternatives to billing master-meter multi-family accounts. To support this analysis, the City will need to

provide additional reports listing the accounts and monthly bills for Fiscal Year 2023 for all individually metered and master-metered multi-family accounts. In addition to the monthly consumption and billing reports, Raftelis will need to know the number of dwelling units being served behind each master-meter. The first step of this task will be to work with City staff to specify the billing data to be provided. Once the customer and usage data and reports are provided it will be assembled for use in the five-year financial forecast and rate analysis.

4. *Review of Capital Improvements Program* – This task will involve the development of a capital finance plan to fund the City’s water and wastewater system capital improvements program (CIP). In addition to reviewing the City’s current CIP, this activity will also include identification of available funding sources and fund balances and development of a capital funding strategy for the capital projects based on project timing and the analysis of alternative funding sources, if any. These capital funding sources typically include the potential issuance of debt, grants, non-ad valorem special assessments and funds generated internally from rates and impact fees. It is recognized that the initial funding strategy developed in conjunction with the City staff may need to be modified during the course of the rate study in order to achieve the City’s goals with respect to the level and timing of proposed rate adjustments. These modifications or alternative capital funding strategies will ensure that the capital finance plan supports the overall cost recovery strategy deemed to be appropriate by the City.
5. *Development of Projected Revenue Requirements* – Raftelis will prepare a five-year financial forecast and revenue requirement analysis based on the City’s current water and wastewater operating budget and CIP. This task will include analysis of operations and maintenance expenses, capital expenditures and funding criteria, and other non-operating costs such as debt service, renewal and replacement funding requirements and general fund transfers. The cost information will be compiled in a detailed manner such that costs can be summarized and classified by utility function or service. This task will also include the development of a forecast of revenues and income including utility rate revenues, other operating revenues from miscellaneous service charges and other income such as interest income on fund balances. The forecast of utility rate revenue will be based on applying the existing rate schedules to the customer and sales forecast and detailed profile of water and wastewater billing determinants developed in task 3. The final step in this task will be to compare the projected revenues from existing rates with the projected revenue requirements in order to estimate the adequacy of current rate levels. Based on this summary of the adequacy of rates, Raftelis will recommend any overall water and wastewater system rate adjustments and develop an appropriate cost recovery strategy in conjunction with the City staff. Developing up to three (3) utility-wide rate options has been considered when preparing this scope of work.

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6. Design of Monthly Water and Wastewater Rates – Based on discussions with City Staff, Raftelis will develop water and wastewater rate design alternatives to address the City’s goals and objectives regarding pricing policy. The utility rate design will consider rate structure features such as base versus variable cost recovery, water conservation incentives, and possibly the implementation of an alternative water supply surcharge. An alternative water supply surcharge or other rate features may be considered to address estimated costs associated with Polk Regional Water Cooperative (PRWC) and the City’s planned investments in alternative ware supplies, if any. Strategic rate structure changes may also include identifying alternative approaches to billing master-meter multi-family accounts and large commercial customers which better aligns with the costs to provide water and wastewater service. Based on the City’s selected rate option identified in task 5, Raftelis will prepare no more than two (2) rate design options for consideration by the City Commission.

7. Design of Water and Wastewater Impact Fees and AGRFs – Based on the City’s CIP, existing treatment plant capacity utilization, fixed asset records, and estimated participation in the Polk County Regional Water Cooperative (PRWC), the cost of water and wastewater system expansion to serve new growth will be identified. These growth-related costs, along with level-of-service standards appropriate for each utility system, will be used to develop proposed Water and Wastewater Impact Fees and Accrued Guaranteed Revenue Charges (AGRFs). This task will also include developing a detailed impact fee comparison to evaluate the proposed Water and Wastewater Impact Fees’ competitiveness with other utility systems in the area.

8. Miscellaneous Service Charge Review – A review of the City’s miscellaneous service charges for water and wastewater charges, deposits and fees will be conducted to ensure that all charges recover the estimated cost of providing each service. Examples of miscellaneous charges include, but are not limited to, turn-on/turn-off fees, late payment charges and fees, reconnect after disconnecting for non-payment charges, meter test fees, and after hour service call charges. This task will also consider whether the City needs to implement any new miscellaneous service charges based on interviews with City staff.

9. Present Rate Study Results – Raftelis will attend two public meetings before the City Commission to present the results of the water and wastewater system rate and impact fee study to the City. Additional on-site meetings will be held with City staff throughout the course of the study including an initial project meeting, and two (2) subsequent meetings to gather data and review preliminary study results and alternatives. A total of five (5) on-site meetings are included in this scope of service; however, Raftelis will also take advantage of opportunities to host web-based or Microsoft Teams meetings when available. This task will also include preparation of a briefing document and report to summarize the study results.

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LIST OF DELIVERABLES

The deliverables to be provided in this engagement include the following items:

- Data Request
- Five Year Financial Forecast for the Water and Wastewater Systems
- Water and Wastewater Rate Design Analysis
- Proposed Water and Wastewater Rates
- Proposed Water and Wastewater Impact Fees and AGRFs
- Proposed Miscellaneous Service Charge Adjustments
- Water and Wastewater Rate and Impact Fee Comparisons with Other Jurisdictions
- Briefing Document to Summarize Water and Wastewater Rate Study
- Water and Wastewater Rate Study Report

ADDITIONAL SERVICES

During the course of the study, the City may request additional services from Raftelis. Examples of such additional services would include additional meetings above and beyond the five (5) on-site meetings identified in the scope of services and additional financial scenarios and/or rate options. Other examples of additional services include providing services relating to the issuance of new debt, meeting with third parties regarding the derivation of the rates and fees, providing litigation support services in the event of a challenge of the rates or fees, performance of impact fee negotiations and the preparation of developer agreements for the payment of such impact fees with potential large developments within the City limits, requests for updated financial, cost or rate analyses or impact fee scenarios after substantial completion of the initial work, and other related issues not contemplated in the above scope of services. No additional services are contemplated at this time and such services will not be conducted until authorized by the City and as mutually agreed upon between the City and Raftelis.