

**PROFESSIONAL SERVICES AGREEMENT BETWEEN THE**  
**LAKE HAVASU CITY ARIZONA**  
**AND**  
**RAFTELIS FINANCIAL CONSULTANTS, INC.**

This Consulting Agreement (“Agreement”) is entered into this 8th day of May, 2015 (hereinafter referred to as the effective date of the agreement) by and between the Lake Havasu City, Arizona, (the “Client”) and Raftelis Financial Consultants, Inc., with headquarters located 1031 South Caldwell Street, Suite 100, Charlotte, NC 28203 (“RFC”).

**Witnesseth**

WHEREAS, RFC has substantial skill and experience in water, wastewater and stormwater finance, management, and pricing, and service delivery, and

WHEREAS, The Client desires to hire RFC and RFC desires to provide services to the Client,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the terms and conditions set forth herein.

**Article 1. Statement of Work**

RFC shall provide professional consulting services to update the Client’s wastewater and water financial plans for the Lake Havasu City, Arizona. RFC will perform these services as set forth in its engagement letter sent to the Client dated May 4, 2015 and included herein as Attachment A. Additional services may be completed subject to amendment to the statement of work and not-to-exceed fee.

**Article 2. Time for Completion**

This Agreement will commence upon approval by the Client and remain in effect for a period of one year. Further renewals of this Agreement are at the option of the Parties and shall be in writing.

**Article 3. Compensation**

Client shall pay to RFC the sum not to exceed \$136,700, which includes professional fees and direct expenses incurred in performing the scope of services, as well as an hourly technology expense reimbursement, outlined in Attachment B. The parties understand that this sum is based upon the scope of work contained herein at RFC’s current standard hourly rate schedule included in Attachment B. Any expansion of the scope of work by the Client shall involve the discussion of additional fees by both parties.

RFC shall submit invoices to the Client on a monthly basis for services rendered to the date thereof. Such invoices shall be supported by appropriate documentation; at a minimum, the task performed, the individuals working on such task, the level of each such individual, and expenses incurred.

Each invoice will contain all hours and expenses from the RFC for the month. Upon receipt of monthly invoice, the Client will remit payment of same amount to the RFC within 30 days.

#### **Article 4. Additional Services**

At the Client's request, RFC may submit proposals for additional professional services. Each proposal submitted shall detail: (1) scope of work for the additional services, (2) period of services to be performed, and (3) method and amount of compensation. The Client shall provide written acceptance and authorization to RFC prior to the commencement of work on any proposed additional services. Each proposal for additional services accepted and approved by the Client shall become part of this Agreement and shall be governed by the terms and conditions contained herein.

#### **Article 5. Place of Performance**

RFC shall be responsible for maintaining its own office facilities and will not be provided with either office facilities or support by the Client.

#### **Article 6. Indemnification**

RFC hereby agrees to indemnify the Client and to hold the Client, its agents, directors, officers, officials, volunteers, and employees harmless against any and all claims, action, or demands against the Client and against any and all damages for injury to or death of any person and for loss of or damage to any and all property arising out of the negligent acts, errors or omissions of RFC under this Agreement. RFC shall not be held responsible for any claims caused by the negligence of the Client.

#### **Article 7. Insurance**

RFC shall maintain the types and levels of insurance during the life of this Agreement as specified below. The Client, its agents, directors, officers, officials, volunteers, and employees will be named as additional insured on RFC's Certificates of Insurance and the RFC will provide the Client with these Certificates of Insurance.

Commercial general liability insurance - \$1,000,000 for each occurrence and \$2,000,000 in the aggregate

Comprehensive automobile liability insurance - \$1,000,000 combined single limit each occurrence

Workers Compensation insurance – Statutory limits

Professional liability insurance - \$2,000,000 in the aggregate

Excess or Umbrella Liability - \$3,000,000 in the aggregate

#### **Article 8. Confidential Information**

RFC acknowledges and agrees that in the course of the performance of the services pursuant to this Agreement, RFC may be given access to, or come into possession of, confidential information from the Client, of which information may contain privileged material or other confidential information. RFC acknowledges and agrees, except if required by judicial or administrative order, trial, or other

governmental proceeding pertaining to this matter that it will not use, duplicate, or divulge to others any such information belonging to or disclosed to RFC by the Client without first obtaining written permission from the Client. "Confidential information" as used herein, includes information, materials, products, and deliverables developed during, and discoveries and contributions made by RFC in the performance of this Agreement. All tangible embodiments of such information shall be delivered to the Client by RFC upon termination hereof, or upon request by the Client, whichever occurs first. The Client acknowledges RFC has the right to maintain its own set of work papers which may contain confidential information.

#### **Article 9. Independent Contractor Status**

It is understood and agreed that RFC will provide the services under this Agreement on a professional basis as an independent contractor and that during the performance of the services under this Agreement, RFC's employees will not be considered employees of the Client within the meaning or the applications of any federal, state, or local laws or regulations including, but not limited to, laws or regulations covering unemployment insurance, old age benefits, worker's compensation, industrial accident, labor, or taxes of any kind. RFC's employees shall not be entitled to benefits that may be afforded from time to time to Client employees, including without limitation, vacation, holidays, sick leave, worker's compensation, and unemployment insurance. Further, the Client shall not be responsible for withholding or paying any taxes or social security on behalf of RFC's employees. RFC shall be fully responsible for any such withholding or paying of taxes or social security.

#### **Article 10. Reliance on Data**

In performance of the services, it is understood that the Client and/or others may supply RFC with certain information and/or data, and that RFC will rely on such information. It is agreed that the accuracy of such information is not within RFC's control and RFC shall not be liable for its accuracy, nor for its verification, except to the extent that such verification is expressly a part of RFC's scope of services.

#### **Article 11. Opinions and Estimates**

RFC's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made on the basis of available information and RFC's expertise and qualifications as a professional. RFC does not warrant or guarantee that its opinions, estimates, projections or forecasts of current and future levels and events will not vary from the Clients's estimates or forecasts or from actual outcomes. RFC identifies costs, allocates costs to customer classes and provides rate models. It does not establish rates, which is the legislative responsibility of the Client.

#### **Article 12. No Consequential Damages**

To the fullest extent permitted by law, neither party shall be liable to the other for any special, indirect, consequential, punitive or exemplary damages resulting from the performance or non-performance of this Agreement notwithstanding the fault, tort (including negligence), strict liability or other basis of legal liability of the party so released or whose liability is so limited and shall extend to the officers, directors, employees, licensors, agents, subcontractors, vendors and related entities of such party.

### **Article 13. Termination of Work**

This Agreement may be terminated as follows:

1. **By Client** (a) for its convenience on 30 days' notice to RFC, or (b) for cause, if RFC materially breaches this Agreement through no fault of Client and RFC neither cures such material breach nor makes reasonable progress toward cure within 15 days after Client has given written notice of the alleged breach to RFC.
2. **By RFC** (a) for cause, if Client materially breaches this Agreement through no fault of RFC and Client neither cures such material breach nor makes reasonable progress toward cure within 15 days after RFC has given written notice of the alleged breach to Client, or (b) upon five days' notice if Work under this Agreement has been suspended by either Client or RFC in the aggregate for more than 30 days.
3. **Payment upon Termination.** In the event of termination, RFC shall be compensated for all work performed prior to the effective date of termination.

### **Article 14. Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed deliverable when delivered in person or deposited in the United States mail, postage prepaid, addressed as follows:

If for the Client:

Charlie Cassens  
City Manager  
2330 N. McCulloch Blvd  
Lake Havasu City, AZ 86403

If for RFC:

Rick Giardina  
Executive Vice President  
Raftelis Financial Consultants, Inc.  
12835 East Arapahoe Road,  
Tower II, Suite 600  
Centennial, CO 80112

### **Article 15. Compliance with Applicable Laws**

RFC agrees not to discriminate in its employment practices, and will render services under this Agreement without regard to race, color, religion, sex, national origin, veteran status, political affiliation or disabilities.

Any act of discrimination committed by RFC, or failure to comply with these statutory obligations when applicable, shall be grounds for termination of this Agreement.

## Article 16. General Provisions

- A. Entire Agreement: This Agreement represents the entire and sole agreement between the Parties with respect to the subject matter hereof.
- B. Waiver: The failure of either Party to require performance by the other of any provision hereof shall in no way affect the right to require performance at any time thereafter, nor shall the waiver of a breach of any provision hereof be taken to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy available at law or in equity.
- C. Relationship: Nothing herein contained shall be construed to imply a joint venture, partnership, or principal-agent relationship between RFC and the Client; and neither Party shall have the right, power, or authority to obligate or bind the other in any manner whatsoever, except as otherwise agreed to in writing.
- D. Assignment and Delegation: Neither Party shall assign or delegate this Agreement or any rights, duties, or obligations hereunder without the express written consent of the other. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the successors, legal representatives, and assignees of the Parties hereto.
- E. Severability: If any provision of this Agreement is declared invalid or unenforceable, such provision shall be deemed modified to the extent necessary and possible to render it valid and enforceable. In any event, the unenforceability or invalidity of any provision shall not affect any other provision of this Agreement, and this Agreement shall continue in force and effect, and be construed and enforced, as if such provision had not been included, or had been modified as above provided, as the case may be.
- F. Governing Law: This Agreement shall be governed by, and construed in accordance with, the laws of the State of Arizona.
- G. Paragraph Headings: The paragraph headings set forth in this Agreement are for the convenience of the Parties, and in no way define, limit, or describe the scope or intent of this Agreement and are to be given no legal effect.
- H. Third Party Rights: Nothing in this Agreement shall be construed to create or confer any rights or interest to any third party or third party beneficiary. It is the intent of the parties that no other outside, non-party claimant shall have any legal right to enforce the terms of this Agreement.
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IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives.

By: \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Title  
\_\_\_\_\_  
Date  
\_\_\_\_\_  
Witness

Raftelis Financial Consultants, Inc.

By: \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Title  
\_\_\_\_\_  
Date  
\_\_\_\_\_  
Witness

This is to certify that an appropriation in the amount of this contract is available therefore and that \_\_\_\_\_ has been authorized to execute the contract and approve all requisitions and change orders.

By \_\_\_\_\_

\_\_\_\_\_  
Title

Seal



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

[www.raftelis.com](http://www.raftelis.com)

May 4, 2015

Mr. Charlie Cassens  
City Manager  
Lake Havasu City  
2330 N. McCulloch Blvd.  
Lake Havasu City, AZ 86403

**Subject: 2015 Wastewater Feasibility Analysis and Report and Water Financial Plan Update**

Dear Mr. Cassens:

On behalf of Raftelis Financial Consultants, Inc. (RFC), I am pleased to submit this proposal to Lake Havasu City (City) to assist the City and the City's financing team (Project Team) with updating the City's wastewater financial plan and rate model in support of a planned debt refinancing. The City is expecting to retire and/or refinancing outstanding loans through Water Infrastructure Financing Authority of Arizona (WIFA) and/or issuing additional debt as follows:

- Defeasement Series 2002, 2004 and/or 2004A
- Refinancing existing Greater Arizona Development Authority (GADA) debt through WIFA
- Refinancing existing WIFA debt through WIFA and/or open market debt issue

Additional assistance to update the City's water utility financial plan and rate model is also included as part of this proposal.

This proposal includes a basic scope of services, additional services, project team, schedule and fee.

**Basic Scope of Services**

**Task 1 – Project Management**

The project management task includes activities related to data request and review, periodic project status calls and related project management activities to be completed throughout the duration of the project.

**Task 2 – Wastewater Financial Plan and Rate Model**

RFC will work with the City to refine the City's wastewater financial plan and rate model to incorporate current year and projected wastewater system revenues, expenses and debt service coverage and reserve requirements for a study period of up to ten (10) years. As the rate model is being used to project future rate revenue adjustments as well as incorporated within the anticipated Bond Official Statement and WIFA loan applications, RFC will need to work with City staff to verify the reasonableness of all material assumptions and projections.

Using the current wastewater rate model, we will work with City staff to incorporate more recent expense and revenue projections over the study period including:

- Accounts, billed sewer use and user charge revenues by customer class through March 2015
- Operation and maintenance (O&M) expenses in adjusted for inflation
- Multi-year capital improvement program needs and potential capital funding alternatives
- Annual growth rate, new development and treatment capacity fee revenues
- Annual debt service for outstanding debt
- Cash balance, reserves and additional sources and uses
- Modifications to the rate stabilization fund

Wastewater user charge revenues will be projected based on adopted user charges with adjustments, if necessary, to fund annual expenditures and exceed established financial performance thresholds and rate stabilization reserve. Transfers from the City's General Fund and/or irrigation and drainage district (IDD) will also be incorporated.

We will also modify the wastewater financial plan, rate model and Schedule A reflecting various debt retirement and refinancing scenarios.

This task anticipates maintaining the existing requirements of Wastewater Bond Resolution, as amended, so long as WIFA loans are outstanding. As additional debt instruments are evaluated, RFC will work with the City and the City's finance team to develop additional financial planning and reserve requirements and incorporate these within Schedule A and the wastewater rate model.

The results of up to ten (10) scenarios will be incorporated within the updated wastewater rate model to reflect changes in debt service, projected growth, O&M expenses, CIP, debt service coverage and/or reserve requirements.

### **Task 3 – Update Water Financial Plan**

RFC will also work with the City to update the City's water financial plan to incorporate current and projected IDD revenues, expenses and debt service coverage and reserve requirements for up to ten (10) years. The objective is to assess the capacity of the IDD fund to provide transfers to the wastewater fund in lieu of wastewater user charge adjustments.

Using the current water financial plan, we will work with City staff to incorporate more recent expense and revenue projections over the study period including:

- Base year water sales revenues, property tax and other revenues
- O&M expenses adjusted for inflation
- Multi-year capital improvement program needs and potential capital funding alternatives
- Annual growth rate and new development inside the IDD
- Annual debt service for outstanding and projected debt obligations
- Cash balance, reserves and additional sources and uses

Overall water revenues and debt capacity will be projected with across-the-board user charge revenue adjustments, if necessary, to fund annual expenditures and exceed established debt service coverage and reserve requirements. Transfers to the City's Wastewater Fund may also be evaluated as part of the financial plan update. The results of up to three (3) scenarios will be

incorporated within the updated water rate model to incorporate changes to water revenue requirements.

#### **Task 4 – Rating Agency, WIFA Board Meetings and City Council Presentations**

During this task, RFC and the Project Team will prepare presentation materials for rating agency, WIFA and/or City Council presentations.

RFC will assist the Project Team in presenting the wastewater financial plan to up to three (3) rating agencies over a two-day period.

RFC will also assist the Project Team in developing additional presentation materials and presenting the wastewater financial plan at up to one (1) WIFA Board meeting and one (1) City Council meeting.

#### **Task 5 – Feasibility Report**

During this task, RFC will document the financial feasibility of the wastewater system detailing the revenue and expense projections underlying the ten-year financial plan, including projected rate revenue adjustments and/or other funding sources. This report is anticipated to be incorporated within Bond Official Statement and provided to the rating agencies and WIFA in support of the proposed debt retirement and/or restructuring.

#### **Project Related Travel**

The Basic Scope of Services anticipates travel to the City and/or on behalf of the City as follows:

- Task 2
  - On-site meetings at the City to develop and refine multi-year financial plan
- Task 4
  - Rating agency presentations over a three-day period, including travel to San Francisco or New York
  - WIFA Board meeting and City Council presentations; up to two (2) separate meetings

#### **Additional Services**

The City may request additional services be performed upon authorization subject to additional compensation. Additional services may include, but are not limited to the following tasks:

- Presentation and/or attendance at more than one (1) WIFA Board meeting
- Presentation and/or attendance at more than one (1) City Council meeting
- Additional rating agency presentations and/or multiple trips
- Additional scenarios and analyses above those included in Tasks 2 and 3
- Water cost of service and customer class based rate study
- Preparation of report documenting water fund financial plan findings and recommendations
- Extending models beyond the planned ten-year study period
- Formal training session and/or model delivery at the completion of the project.

## Project Team and Schedule

I will serve as the Project Director and Andrew Rheem will serve as the Project Manager to be assisted by other qualified consultants to complete the proposed scope of services.

The project is anticipated to be completed in support of a planned July 2015 closing date.

## Proposed Fee

We proposed to complete the Basic Scope of Services for a not-to-exceed fee of \$137,000 as summarized below.

**Lake Havasu City, Arizona**  
**2015 Wastewater Feasibility Analysis and Report and Water Fund Financial Plan**  
 Proposed Hours & Fees

Task	Task Descriptions	Hours Requirements					Total	Total Fees & Expenses
		Giardina	Rheem	Analyst	QA	Admin		
	Hourly Rates	\$300	\$220	\$170	\$190	\$70		
1	Project Management	8	40	24	0	4	76	\$16,320
2	Wastewater Financial Plan and Rate Model	16	80	140	4	0	240	\$50,816
3	Update Water Financial Plan	4	24	40	2	0	70	\$14,360
4	Rating Agency, WIFA and City Council	40	60	16	4	4	124	\$34,644
5	Wastewater Feasibility Report	8	24	60	4	12	108	\$20,560
	<b>TOTAL ESTIMATED HOURS</b>	76	228	280	14	20	618	
	<b>PROFESSIONAL FEES</b>	<b>\$22,800</b>	<b>\$50,160</b>	<b>\$47,600</b>	<b>\$2,660</b>	<b>\$1,400</b>		<b>\$124,620</b>
							Expenses	<b>\$12,080</b>
							<b>TOTAL FEES &amp; EXPENSES</b>	<b>\$136,700</b>

Thank you for the opportunity to submit this proposal. We look forward to again assisting the City. Please contact me at 720-638-8790 or Andrew Rheem at 720-638-3790 if you have any questions.

Sincerely,

**RAFTELIS FINANCIAL CONSULTANTS, INC.**



Rick Giardina, C.P.A.  
 Executive Vice President

## Attachment B – RFC's 2015 Standard Billing Rates

<u>Position</u>	<u>Hourly Billing Rate **</u>
Chair	\$400
Chief Executive Officer / President	\$375
Chief Operating Officer	\$305
Executive Vice President	\$300
Vice President/Principal Consultant	\$270
Director of Governmental Services	\$270
Senior Manager	\$240
Director of Florida Operations	\$205
Manager	\$220
Director of Data Services	\$220
Senior Consultant	\$190
Consultant	\$170
Associate	\$140
Analyst	\$100
Administration	\$70
Technology / Communications Charge*	\$10

\*\* For services related to the preparation for and participation in deposition and trial/hearing, the standard billing rates listed above will be increased by 50%.

**Attachment B – RFC’s 2015 Standard Billing Rates**

<b><u>Position</u></b>	<b><u>Hourly Billing Rate **</u></b>
Chair	\$400
Chief Executive Officer / President	\$375
Chief Operating Officer	\$305
Executive Vice President	\$300
Vice President/Principal Consultant	\$270
Director of Governmental Services	\$270
Senior Manager	\$240
Director of Florida Operations	\$205
Manager	\$220
Director of Data Services	\$220
Senior Consultant	\$190
Consultant	\$170
Associate	\$140
Analyst	\$100
Administration	\$70
Technology / Communications Charge*	\$10

\*\* For services related to the preparation for and participation in deposition and trial/hearing, the standard billing rates listed above will be increased by 50%.