



CITY OF FARMERS BRANCH, TEXAS
PROFESSIONAL SERVICES AGREEMENT

This Agreement ("Agreement") is made by and between the City of Farmers Branch, Texas ("City") and NewGen Strategies and Solutions, LLC, a Colorado Limited Liability Company, ("Professional"), acting by and through their duly authorized representatives, and is effective on the last date of signing.

ARTICLE 1
RECITALS AND INTENT

1.1 The City has requested general consulting and/or other professional services as assigned, and desires to engage Professional to provide certain professional services described in this Agreement ("Services") as may be assigned to Professional by the City in connection with the City's Water and Wastewater Revenue Sufficiency and Rate Study (the "Study").

1.2 The City desires to engage the services of Professional as an independent contractor, and not as an employee, to perform the assigned Services under the terms and conditions provided in this Agreement, and Professional desires to render professional services for the City on the terms and conditions provided in this Agreement.

1.3 This Agreement and the obligations of the parties are contained in this document and in any Request for Proposals or Qualifications issued by the City, and the Services and details of performance, if not stated herein, will be described in task orders or responses to proposals.

ARTICLE 2
CONTRACTUAL RELATIONSHIP

2.1 The City agrees to employ the Professional, and the Professional agrees to perform, as an independent contractor, certain professional services in accordance with the Study.

2.2 This Agreement shall serve as the general conditions for professional services. The Services to be provided under this Agreement are intended to include services within the scope of Professional's experience and ability and will include the services described in Professional's proposal dated May 10, 2024, attached to this Agreement and incorporated herein ("Proposal").

ARTICLE 3
SERVICES

3.1 All Services shall be performed with the professional skill and care ordinarily provided by competent professionals practicing under the same or similar circumstances, and as expeditiously as is prudent considering ordinary standards of professional skill and care.

3.2 Professional shall, promptly following issuance of an assignment, perform the Services in a timely fashion to comply with the City's requirements and in accordance with the Study criteria and objectives.

3.3 Professional shall comply with all applicable laws, rules and regulations governing all Services and any projects authorized by this Agreement.

3.4 Opinions of Probable Construction Cost. Any of Professional's opinions or estimates of probable costs to be paid or reimbursed by the City under the Study are to be made or reviewed on the basis of the Professional's experience and qualifications and represent the Professional's judgment as an experienced and qualified professional. However, since the Professional has no control over the cost of labor, materials, equipment or services furnished by others or over the contractor's methods of determining prices, or over competitive bidding or market conditions, Professional cannot and does not guarantee that proposals, bids or actual final construction costs will not vary from the opinions or estimates prepared or reviewed by the Professional.

ARTICLE 4

THE CITY'S RESPONSIBILITIES

4.1 The City shall provide to Professional any applicable criteria and requirements for any Project and all available information pertinent to the Project including previous reports. Professional may reasonably rely upon such information.

4.2 The City shall arrange for access to and make all provisions for Professional to enter upon public and private property as required for Professional to perform Services under this Agreement. If access by a property owner or Contractor is denied, Professional shall notify the City of such, immediately after refusal to enter had been given.

4.3 City will examine Professional's studies, reports, sketches, drawings, specifications, proposals and other information submitted by Professional, consult with others as City deems appropriate, and render timely written approvals and decisions to the Professional.

4.4 The City shall give prompt written notice to Professional whenever City becomes aware of any development that affects the scope or timing of Professional's Services or of any defect or nonconformance in the Services of the Professional.

ARTICLE 5

PROFESSIONAL'S COMPENSATION

5.1 In complete compensation for all the Services, the City shall pay to the Professional the sum of \$47,500.00, payable monthly based on percent completion of the Study and will not be increased without prior City approval. Additional services not included within the scope of services described in the Proposal will be payable at the hourly rates specified in the Proposal.

5.2 Invoices for Services performed under any assignment will be submitted to City by Professional at least as frequently as monthly, and shall describe the work and services performed

for which compensation is requested. Invoices will be due and payable within thirty (30) days after receipt.

5.3 No statement, term or provision in any invoice, bill or statement submitted to City by Professional will be construed to waive, amend or modify any term or provision of this Agreement or any assignment. The terms of this Agreement will prevail over any conflicting term of any other documents, including but not limited to invoices, statements, bills or this Proposal, save and except a written amendment to this Agreement signed by both parties.

5.4 The City may make changes within the general assigned Services in writing. If such changes affect the Professional's cost of or time required for performance of the Services, an equitable adjustment will be made but shall be in writing.

ARTICLE 6 INDEMNIFICATION

6.1 With respect to claims brought by third parties against either Professional or the City relating to the Services and this Agreement, or regarding claims made by Professional against City, Professional and the City agree as follows:

6.1.1 Professional will indemnify, defend and hold harmless the City, its directors, officers, agents and employees against claims, demands or causes of action; and all costs, losses, liabilities, expenses and judgments incurred in connection therewith, including attorneys' fees and court costs, brought by any of Professional's employees or representatives, or by any other third party, based upon, in connection with, resulting from, arising out of, or occasioned by the negligence or willful misconduct of Professional or the Professional's agents, employees or representatives, or another entity over which the Professional exercises control. Professional shall further reimburse the City its reasonable attorney's fees in proportion to Professional's liability.

6.1.2 It is a condition precedent to the indemnitor's contractual obligation of indemnification under this Agreement that the City provide written notice of a third-party claim, demand or cause of action as soon as practical, after written notice of such third-party claim, demand or cause of action is received by the City. It is a further condition precedent to the indemnitor's contractual obligation of indemnification under this Agreement that the indemnitor shall thereafter have the right to participate in the investigation, defense and resolution of such third-party claim.

6.1.3 Notwithstanding any provision of this article, the City shall in no event be liable or responsible to the Professional or any third party to the extent that the City has immunities or defenses, and nothing in this article or this section or this Agreement shall be deemed in any way as a waiver of any defenses or immunities, whether governmental, sovereign, official, qualified, legislative or otherwise, all such defenses and immunities being hereby expressly retained. Nothing in this Agreement shall be deemed in any way to grant or confer any right, title or interest in or to any person not a party to this Agreement.

6.2 THERE IS NO LIMITATION OF PROFESSIONAL'S LIABILITY AND NONE WILL BE ACKNOWLEDGED, AGREED TO OR OTHERWISE RECOGNIZED IN CONNECTION WITH THIS AGREEMENT AND ANY AND ALL SERVICES PROVIDED BY PROFESSIONAL.

ARTICLE 7 INSURANCE

7.1 The Professional shall obtain and maintain, throughout the term of the Agreement, Professional Liability insurance with limits not less than \$1,000,000 each claim/annual aggregate.

7.2 The types of insurance coverage and the minimum limits may be added or increased by the City based on project-specific needs, or specific coverages may be waived by express provision made in writing.

ARTICLE 8 DURATION, EXTENSION AND TERMINATION

8.1 This agreement shall be in effect until such time as the Study is complete and has been accepted by the City. Professional shall perform Services expeditiously and without undue delay. Either party may terminate this agreement on thirty (30) days' written notice to the other, in which case, Professional shall be paid for work and Services performed through the date of notice. Upon notice of termination, Professional shall cease all work in progress and shall furnish the City with all records, reports, studies, drafts, and other work in progress through the date of notice. Time is of the essence in the performance of all obligations hereunder.

ARTICLE 9 OWNERSHIP OF DOCUMENTS

9.1 All documents including but not limited to reports, drawings and specifications, provided or furnished by Professional pursuant to this Agreement are instruments of service in respect to the Project, whether or not the Project is completed, and shall be the property of the City. The City shall have, keep and retain all rights, title and interest in and to all Instruments of Service, including all ownership, common law, statutory, and other reserved rights, including copyrights, in and to all Instruments of Service, whether in draft form or final form, which are produced at its request and in furtherance of this Agreement. The Professional shall endeavor to omit any information in the Instruments of Service which may constitute trade secrets. If any portion of the documents comprising the Instruments of Service have been previously copyrighted or otherwise protected from disclosure or unauthorized use by the Professional which have previously been prepared by the Professional and which are not created for the sole and specific purpose of this Project, such copyright protections or reservations of rights shall be expressly stated thereon.

9.2 When such documents are in electronic form, the City shall own copies of data files, text, specifications or drawings for the City's information in its use of the Services. However, due to the potential that electronic information can be modified by the City or other persons, unintentionally or otherwise, Professional reserves the right to remove all indicia of its ownership

and/or involvement from each electronic display or file. For documentation purposes, the original computer files will be retained by Professional for a period not to exceed five (5) years after completion of the Services. Thereafter, all such files shall be remitted to the City.

9.3 In addition, electronic information created and produced by Professional is considered a part of Professional's instrument of service and will not be used by the City on other projects, for additions to this Service, or for completion of this Service by another professional except by agreement or Professional's default.

9.4 Any such use or reuse of any instrument of service by the City or others without written verification or data adaptation by Professional for the specific purpose intended will be at the City's sole risk and without liability or legal exposure to Professional.

ARTICLE 10 LIMITATIONS ON RIGHTS AND REMEDIES

10.1 Professional and City agree that neither of them shall be responsible or liable to the other for the consequences of events that are beyond the reasonable control of the other party including, but not limited to, interference by third parties, changed conditions, labor strikes, fires, thefts or other losses, or acts of God.

10.2 If no environmental assessments are included within the scope of work of any assignment, the Professional shall have no responsibility for the discovery, presence, handling, removal, or disposal of or exposure of persons to hazardous materials in any form at the Project site, including but not limited to, asbestos, asbestos products, polychlorinated biphenyl (PCB) or other toxic substances, except prompt notice to Owner upon discovery.

ARTICLE 11 NO THIRD-PARTY RIGHTS

11.1 Nothing contained in this Agreement shall create a contractual relationship with or duties, obligations or causes of action in favor of any third party against either City or Professional.

11.2 The Services to be performed by the Professional under this Agreement are solely for the benefit of the City. This Agreement shall not be construed as creating any contractual relationship of any kind between the Professional and any third party. It is the intent of the parties that there are no third-party beneficiaries to this Agreement. The fact that the City may enter into other agreements with third parties that provide the Professional the authority to observe the work being performed by the third party shall not give rise to any duty or responsibility on the part of the Professional in favor of such third party.

ARTICLE 12 PROHIBITIONS

12.1 Prohibition on Boycott Israel. The Professional verifies that it does not Boycott Israel, and agrees that during the term of this Contract will not Boycott Israel as that term is defined in Texas

Government Code Section 808.001, as amended. For purposes of this verification, "Boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

12.2 Iran, Sudan, and Foreign Terrorist Organizations. The Professional represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or

<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal or State law and excludes the Professional and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Professional understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Professional and exists to make a profit.

12.3 Prohibition on Boycott Energy Companies. Professional verifies that it does not Boycott Energy Companies and agrees that during the term of this Contract will not Boycott Energy Companies as that term is defined in Texas Government Code Section 809.001, as amended. This section does not apply if Professional is a sole proprietor, a non-profit entity, or a governmental entity; and only applies if: (i) Professional has ten (10) or more fulltime employees and (ii) this Contract has a value of \$100,000.00 or more to be paid under the terms of this Contract.

12.4 Critical Infrastructure. In accordance with Chapter 2274, Texas Government Code, the City may not enter into a contract or agreement with a company, excluding a sole proprietorship, with 10 or more full-time employees for goods or services valued at \$100,000 or more (1) if the company would be granted direct or remote access to or control of critical infrastructure in Texas, excluding access specifically allowed by the City for product warranty and support purposes and (2) if the City knows the company is (A) owned by or the a majority of stock or other ownership interest of the company is held or controlled by (i) individuals who are citizens of China, Iran, North Korea, Russia, or a designated country or (ii) a company or other entity, including a governmental entity, that is owned or controlled by citizens of or is directly controlled by the government of such countries, or (B) headquartered in such countries. The signatory executing the Contract on behalf of Vendor represents that neither Vendor nor any of its parent companies, wholly-owned subsidiaries, majority-owned subsidiaries, and other affiliates is a company of

which the City may not contract pursuant to Section 2274.0102, Texas Government Code. The foregoing verification is made solely to comply with Section 2274.0102, Texas Government Code.

12.5 Prohibition on Discrimination Against Firearm Entities And Firearm Trade Associations. Professional verifies that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (ii) will not discriminate during the term of the contract against a firearm entity or firearm trade association. This section only applies if: (i) Professional has ten (10) or more fulltime employees and (ii) this Contract has a value of \$100,000.00 or more to be paid under the terms of this Contract. However, this prohibition does not apply: (i) if Professional is a sole proprietor, a non-profit entity, or a governmental entity; (ii) to a contract with a sole-source provider; or (iii) to a contract for which none of the bids from a company were able to provide the required certification.

ARTICLE 13 MISCELLANEOUS

13.1 This Agreement shall be effective upon its execution by the Professional and the City, subject to the notice to proceed, and shall remain in full force until all obligations under this Agreement have been fulfilled, unless sooner terminated as provided herein.

13.2 This Agreement shall be construed and enforced for all purposes pursuant to the laws of the State of Texas. Venue shall be exclusively in the state courts of proper jurisdiction of Dallas County, Texas.

13.3 This Agreement is non-assignable. Neither the Professional nor the City shall assign, subcontract or transfer its interest in this Agreement without the prior written consent of the other.

13.4 This Agreement, which expressly incorporates and includes the City's Request for Proposals or Qualifications, represents the entire agreement between the Professional and the City with respect to the subject matter hereof and supersedes and merges all prior negotiations, representations, discussions or agreements, either written or oral, with respect to the subject matter hereof.

13.5 No statement, term or provision in any proposal, response to any Request for Proposal or Qualifications, Statement of Qualifications, general conditions, invoice, bill or statement submitted by Professional to City will be construed to waive, amend or modify any term or provision of this Agreement.

13.6 This Agreement may be amended only by written instrument signed by duly authorized representatives of both the Professional and the City. The City's payment of invoices or statements shall not be deemed as the City's acceptance of any term or provision that amends or modifies this Agreement or the task order under which payment is made.

13.7 No consent or waiver, express or implied, by either party to this Agreement, to or of any breach of default by the other in the performance of any obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other or future breach or default by

such party. Failure on the part of any party to this Agreement to complain of any act or failure to act of the other party or to declare the other party in default hereunder, irrespective of how long such failure continues, shall not constitute a waiver of the rights of such party hereunder.

13.8 If a provision of this Agreement, or the application thereof to any person or circumstances, is rendered or declared illegal for any reason or shall be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but shall be enforced to the greatest extent permitted by applicable law. The parties agree to negotiate in good faith for a proper amendment to this Agreement in the event any provision hereof is declared illegal, invalid or unenforceable.

13.9 All notices required or permitted hereunder shall be in writing and shall be deemed delivered three (3) days after deposit with the United States Postal Service, certified mail, return receipt requested, addressed to the respective other party at the addresses shown below:

If to Professional:

NewGen Strategies and Solutions
275 W Campbell Rd Suite 440
Richardson, TX 75080
Attn: Richard Campbell

If to City:

City of Farmers Branch, Texas
13000 William Dodson Parkway
Farmers Branch, TX 75234
Attn: City Manager

13.10 The headings and captions used in this Agreement are for convenience only and shall not affect in any way the meaning or interpretations of the provisions set forth herein.

13.11 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement is hereby executed as of the last date of signature set forth below.

[Signatures on following[page]

NEWGEN STRATEGIES AND SOLUTIONS, LLC

DocuSigned by:
By Chris D. Ekrut
Name: Chris D. Ekrut
Title: chief financial officer

Date: 5/20/2024

CITY OF FARMERS BRANCH, TEXAS

By Ben Williamson
Ben Williamson, City Manager

Date: 5/24/24

ATTEST:

Jim Flores
City Secretary Deputy



275 W Campbell Rd
Suite 440
Richardson, TX 75080
Phone: (972) 680-2000

May 10, 2024

Mr. Ray Silva-Reyes
City of Farmers Branch, TX
13000 William Dodson Parkway
Farmers Branch, TX 75234

Re: **Water and Wastewater Revenue Sufficiency and Rate Study**

Dear Mr. Silva-Reyes:

Based on our conversations, NewGen Strategies and Solutions (NewGen) is pleased to have this opportunity to assist the City of Farmers Branch, TX (City) in performing a Water and Wastewater Revenue Sufficiency and Rate Study (Study). In particular, it is our understanding that the City desires the Study to incorporate:

- A five (5) year forecast of the City's revenue requirements, including, but not limited to, the forecasting of operation and maintenance expenses (including wholesale service requirements), cash capital outlays, debt service payments and corresponding bond covenant requirements, and applicable fiscal policies requirements and objectives;
- A five (5) year forecast of customer demands;
- An evaluation of the sufficiency of the City's current rates to meet the five (5) year revenue requirement forecast;
- The development of rates to meet the forecasted revenue requirements and incorporating the rate framework outlined in the proposed scope of services; and
- A letter report and presentation to the City Council of our findings and recommendations.

The remainder of this letter outlines our proposed project team, scope of services, and pricing for the engagement. On review, we look forward to discussing further with you to determine what adjustments may be needed to the scope to fully align with the City's goals and objectives.

Project Team

Richard Campbell, Principal and Managing Director – Water Practice

PROJECT ROLE: Project Manager | LOCATION: Dallas, TX | EMAIL: rcampbell@newgenstrategies.net



Mr. Richard Campbell, Managing Director of NewGen's Water Practice, will serve as Principal Manager for this engagement. Mr. Campbell has 35 years of proven experience building and directing consulting teams providing financial management advisory consulting for a variety of complex projects associated with water, wastewater, electric, and natural gas utilities.

Mr. Campbell is an expert in a full range of utility finance issues, including debt issuance support (revenue bond feasibility); valuation studies for acquisitions and mergers;

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alternative capital financing analyses; economic feasibility studies; wholesale and retail ratemaking/cost of service; impact fee credit calculations; asset planning and asset management; renewal and replacement development programs; and strategic and business planning. He has successfully represented energy utility systems, in wholesale and retail rate proceedings, before the Federal Energy Regulatory Commission and has appeared in front of state commissions, which includes the preparation and representation of expert testimony.

Chris Ekrut, Chief Financial Officer

PROJECT ROLE: Technical and QA/QC Manager | LOCATION: Dallas, TX | EMAIL: cekrut@newgenstrategies.net



Mr. Chris Ekrut, MPA, Chief Financial Officer for NewGen, will serve as Technical and QA/QC Manager for this engagement. As QA/QC Manager, he will ensure the project is performed to our high standards and comports with all regulatory and industry standards as well.

Mr. Ekrut has provided consulting services since 2004, with the majority of projects centered in the water and wastewater industry around user/impact fees. He has filed expert witness testimony with regard to cost of service and rate design, as well as provided litigation support before rate regulatory agencies. He has conducted a number of wholesale and retail water and wastewater rate studies, developed water and wastewater rate models, storm water fee models, assisted in the negotiation and/or litigation involving a number of wholesale water contracts, and assisted utilities in the developed of business and financial plans. Mr. Ekrut serves as an instructor for the national "Fundamentals of Water Cost of Service and Rate Design" class sponsored by EUCL and as a Faculty Member for the National Association of Regulatory Commissioner's (NARUC) National Rate School. He is also credentialed by the Society of Utility Regulatory and Financial Analysts as a Certified Rate of Return Analyst (CRRA).

Proposed Scope of Services

To ensure the Study can be provided within the available fiscal resources of the City, the proposed scope of services will examine the overall cash flow and sufficiency of revenues for the City but will not include a full cost-of-service analysis as that term is defined by the AWWA. As part of this limitation, the Project Team will maintain any existing differentials in pricing between customers located inside versus outside the City's municipal boundaries, if applicable. By agreeing to this engagement, the City specifically recognizes the appellate jurisdiction of the Public Utility Commission of Texas (PUCT) under Texas Water Code 13.043(b)(3). Further, the City recognizes that the scope of services as proposed may be considered insufficient to meet the City's burden of proof as required by the PUCT should customers located outside the municipal boundaries petition the PUCT for a review of the City's adopted rates. Should a challenge of this type be brought against the City, any services requested of NewGen's Project Team during said appeal will be provided under a separate engagement based on time and expenses incurred.

Task 1 – Overview

Initiation of Initial Data Request

The Project Team will develop an initial data request that will be needed to adequately begin the review and evaluation of the City's water and wastewater rates. This data will include, but is not limited to,

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Water and Wastewater Revenue Sufficiency and Rate Study

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operating, financial, management, policy, and ordinance data. The purpose of the initial data request is to become more familiar with the City's operations and policies in order to maximize the effectiveness of our time with City representatives in the project kick-off meeting. The Project Team will issue the initial data request within five (5) days after receiving notice to proceed on the project.

Initial Data and Information Assessment

Once the City has submitted the initially requested data, the data will be reviewed for discussion during the project kickoff meeting. Throughout the course of the project, data received by the Project Team will be sampled and tested for accuracy. The sampling and testing of data is imperative in regard to the billing data used to set rates and essential in the development of proper cost allocations and reliable revenue projections that the billing data be as accurate as possible. The Project Team will work closely with the City's billing staff and software provider to extract the appropriate billing data. In addition, as necessary, the Project Team will conduct informal interviews with City staff during our review of the historical data to ensure that the Project Team understands the information provided.

Project Kickoff Meeting

After receiving the initially requested data, the Project Team will work with the City to schedule a virtual, Microsoft Teams-based kickoff meeting. The primary reason for the kickoff meeting is to allow the key Project Team consultants and participants from the City to be introduced and lay the general framework for how the study will be conducted. This meeting will also allow for the finalization of the proposed work approach, as well as discussion and clarification of the information previously analyzed.

In addition, the project kickoff meeting will allow for the Project Team to gain a better understanding of the goals and objectives, as well as expectations, the City desires to achieve from the study. As part of the kickoff meeting, the Project Team members will also discuss:

- Political and customer views/opinions of current rates,
- Capital/operational demand changes anticipated over the study's forecasted period,
- Initial rate design pricing objectives, and
- Initial strategies for implementing/communicating possible rate changes.

Task 1 Deliverables:

- Initial Request for Information
- Email recap of kickoff meeting (to include discussion of any issues discovered during initial information assessment)

Task 2 – Analyze Utility Fund Finances

Determination of Test-Year Revenue Requirements

Revenue requirements will be developed for the water and wastewater utilities using the AWWA accepted cash needs approach. The cash needs approach closely follows municipal budgeting practices and incorporates a utility's operation and maintenance costs, debt service and bond coverage requirements, cash funded capital outlays, reserve requirements, and transfers. In developing the revenue requirements, the Project Team will assess and project each utility's cost of service by analyzing each utility's historical costs, the current budget year, and any forecasts made for future fiscal years. The

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Project Team will develop a test-year cost of service for each utility. A test-year is a common term in rate studies that refers to an adjusted fiscal year cost that will be used as a basis for setting rates. The test-year cost of service will be adjusted by non-rate revenue sources to develop the test-year revenue required from utility rates.

Forecast of Revenue Requirements

Using the test-year information previously developed, the Project Team will begin the development of a revenue requirement forecast through Fiscal Year 2029. As necessary, interviews with City staff may be conducted to gather additional data to complete this task. During this task, it is crucial to thoroughly analyze the assumptions used in projecting the revenue requirements. These assumptions may include, but may not be limited to, growth rate, inflation rates, increase in contractual obligations and contractor costs, and capital improvements. The Project Team will work closely with City staff to examine the City's planned method of financing (e.g. cash, debt, grants) future capital improvements and the financing methods' impact on rates, operating and capital reserve targets, and debt coverage requirements, as well as examine anticipated operational and/or staffing changes over the forecast period.

Determination of Realizable Revenue at Current Rates

The results of this task will provide the data to properly evaluate the cost of service, the magnitude of overall increases, if any, and the probability of redistribution of revenue responsibility between customer classes as well as providing the Project Team the ability to compare the actual cost to provide utility service with the anticipated billed revenues of the utility. In the revenue determination, adjustments will be made to the historical billing data to reflect normalized weather conditions and usage. This task will also provide a "check" of the data provided by City staff.

Task 2 Deliverables:

- Preliminary results of revenue sufficiency analysis
- One (1) Microsoft Teams-based Project Update and Status Meeting

Task 3 – Develop Rate Schedule

Development of Rate Design

In the formulation of a rate and fee design plan, a clear and distinct understanding of the City's overall goals and objectives, such as water conservation, should serve as the foundation for the development of options since rate and fee design enables the utility to meet its service pricing objectives and financial policies. Pricing objectives could include, but would not be limited to:

- | | |
|----------------------------|--------------------------------|
| ▪ Cost of Service Recovery | ▪ Ease of Administration |
| ▪ Revenue Stability | ▪ Billing System Compatibility |
| ▪ Affordability | ▪ Water Conservation |
| ▪ Transparency | ▪ Economic Development |

Prior to commencing Task 3, members of the Project Team will discuss with City staff the potential rate design alternatives that meet the City's pricing goals and objectives. Note that pricing for this task includes development a maximum of up to two (2) alternative water and wastewater rate structures. Additional structures will be analyzed on an agreed upon compensation amount by the Project Team and the City.

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Determination of Realizable Revenue with Alternative Rate Structures

The Project Team will analyze and compare the revenues forecasted to be generated under alternative rate structures to the forecasted cost of service to determine the adequacy of the alternative rate structures to meet the City's financial goals, including bond coverage requirements and operating and capital reserves. In the revenue determination, adjustments will be made to the historical billing data to reflect normalized weather conditions and usage. In addition, the monthly impact on customer bills under the alternative rate structures will be examined.

Task 3 Deliverables:

- Up to two (2) alternative water and wastewater rate designs
- Preliminary Recommendations on recommended rate adjustments and rate design
- One (1) Microsoft Teams-based Project Update and Status Meeting

Task 4 – Comparison of Water and Wastewater Rates

Rate Comparison Review

The Project Team will compare the City's current and proposed water and wastewater utility rates to utility rates of municipal utilities of similar size, demographics, geographic location, and operational characteristics so as to provide an estimation of the City's comparable and competitive position. The amount of comparative municipal utilities is limited to a maximum of eight (8) utilities.

Task 4 Deliverables:

- Regional comparison of water and wastewater rates

Task 5 – Discuss Findings and Present Final Report

Draft Report Preparation

The Project Team will develop a draft report summarizing findings, conclusions, and recommendations of the water and wastewater rate study. The Project Team is committed to ensuring that the City thoroughly understands the recommendations in the draft report and will ensure that City staff has sufficient time to address their concerns and/or questions prior to finalizing the report.

Final Report Preparation and Presentation

Upon receipt of City staff comments, the Project Team will make appropriate changes and provide the City with the final report. After completion of the final report, the Project Team will make a presentation of its recommendations to the City Council in a work session.

Task 5 Deliverables:

- Draft Report
Presented within 90–120 days of notification of award, given the timely receipt of the required financial and operational data, the draft report of the Study will be provided for the City's review and comment that summarizes the Project Team's findings, conclusions, and recommendations.

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▪ Final Report

The final report will be provided to the City within two (2) weeks after delivery of the draft report, given the timely receipt of the City's comments.

▪ Meeting to discuss draft report.

▪ Public Meetings and/or presentations as follows:

- One (1) in-person work session with City Council to discuss the proposed rates.

Proposed Budget

NewGen will perform the services described in Tasks 1 through 5 for a lump sum of \$47,500, inclusive of one (1) public meeting. Costs incurred by NewGen under this agreement will not exceed \$47,500 without prior written authorization of the City.

Assistance provided to the City will be performed at the direction of the City Council and/or City Staff. NewGen will invoice the City monthly based on percent completion of the project, with payment due within thirty (30) days upon receipt of invoice. Services requested but not included in the scope of services outlined above can be provided based on our hourly billing rates, effective through December 31, 2024, which are as follows:

NewGen Strategies and Solutions 2024 Billing Rates	
Position	Hourly Billing Rate
Partner	\$265 – \$405
Principal	\$250 – \$405
Senior Manager	\$225 – \$280
Manager	\$195 – \$235
Senior Consultant	\$170 – \$195
Consultant	\$160 – \$170
Administrative Services	\$130

Note: Billing rates are subject to change based on annual reviews and salary increases.

This agreement is subject to cancellation by the City with thirty (30) days prior written notice provided to NewGen. In the event of cancellation, all labor and expense charges incurred by NewGen through the date of cancellation will be considered due at the time notice of cancellation is delivered, regardless of work product and/or engagement status.

By executing this letter, you agree that the services rendered by NewGen will be performed in accordance with instructions or specifications received by the City and will be provided with the degree of skill and judgment exercised by recognized professionals performing services of similar nature and consistent with the applicable industry best practices.

City of Farmers Branch, TX
Water and Wastewater Revenue Sufficiency and Rate Study

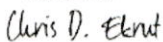
Mr. Ray Silva-Reyes
May 10, 2024
Page 7

All payments made under this engagement should be remitted to:

NewGen Strategies and Solutions, LLC
275 W Campbell Rd, Ste. 440
Richardson, Texas 75082

If this letter and its terms and conditions are acceptable, please execute one copy and return to our Richardson, Texas office. If you should have any questions regarding this letter and/or require additional information, please contact Chris Ekrut at (972) 680-2000 or cekrut@newgenstrategies.net.

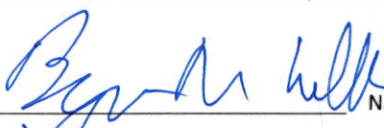
Very truly yours,

DocuSigned by

FB62F346CFA8440

Chris D. Ekrut
Chief Financial Officer, NewGen Strategies and Solutions, LLC

City of Farmers Branch, TX

Water and Wastewater Revenue Sufficiency and Rate Study (\$47,500)

Signature:  Name (Printed): Benjamin Williams
Title: City Manager Date: 5-23-24

City of Farmers Branch, TX
Water and Wastewater Revenue Sufficiency and Rate Study