

January 31, 2023

Ms. Kathy Storey
Finance Director
City of Senoia, Georgia
80 Main Street
Senoia, Georgia 30276

Subject: Proposal for City of Senoia Stormwater Utility Rate Study

Dear Ms. Storey:

Raftelis is pleased to submit this proposal to assist the City of Senoia (“City”) with a Stormwater Utility Rate Study (“Study”). We appreciate the opportunity to submit this proposal, which details our project approach to meet the City’s objectives. Raftelis is uniquely qualified to serve as your expert consultant based on our experience working with the City in recent years, as well as our extensive experience successfully completing many similar studies for utilities in Georgia and across the country.

This year, the City is considering GEFA funding to support the stormwater capital improvement plan, and the Study will involve updating the rate model to include this new GEFA loan. Raftelis will develop a financial roadmap and GEFA loan memo for the stormwater utility. Raftelis will use the original rate model created in 2017 and updated in 2019 as the basis for the Study. The scope of services below identifies the key tasks and deliverables for the Study.

KICK-OFF CONFERENCE CALL

We believe that the execution of a productive kick-off discussion is the most effective way to begin a project of this nature. The goals for this meeting include:

- Providing a forum to finalize the work plan and schedule with City staff;
- Ensuring that we have an understanding of the overall goals of the study;
- Discussing the City’s preliminary financial planning and rate objectives;
- Reviewing the data needs for the project.

Accomplishing these objectives will help to ensure that the project progresses as smoothly as possible.

DATA COLLECTION AND REVIEW

We have prepared a detailed data request list (see last page) that identifies the initial information needed to complete the various analyses. Some of this information will be readily available, whereas other components may require more detailed analyses of operational data, customer billing information, and costs. Historical information will be reviewed related to costs, customers, usage, demand patterns, capital spending, and revenues generated. This review will provide context for developing appropriate trends and growth factors for creating financial forecasts. City staff will have an opportunity to review our findings to ensure that the assumptions are consistent

with the City's operational environment. Existing rate policies and ordinances will be reviewed for consistency with current and possible future fees.

FINANCIAL POLICIES

As part of the kick-off call, Raftelis will spend time identifying and discussing the City's financial policies related to the stormwater utility. Well-crafted financial policies can play a critical role in utility financial sufficiency and adequate risk mitigation. Whether required by bond covenants or policy driven, specific requirements for levels of reserves and debt service coverage, for example, can demonstrate effective financial management practices. From a credit perspective, financial policies are typically viewed favorably by rating agencies and may lead to higher bond ratings and lower financing costs.

ANALYSIS OF CUSTOMER CHARACTERISTICS

A central component of developing a financial plan is an analysis of customer demand. Raftelis will conduct a quantitative and qualitative review of stormwater customer billing data. Raftelis will develop a detailed understanding of customer characteristics to inform growth projections and scenarios for short and long-term planning.

FINANCIAL CONDITION ASSESSMENT

Raftelis will review current and historical financial information and assess the overall financial condition of the utility funds. Various financial metrics related to liquidity, leverage, and debt management will be calculated to provide an initial picture of the utilities' financial condition. We will also examine the revenue structure of the utility with particular emphasis on the stability of the revenue stream over time. Examining historical financial information will provide a basis for understanding prior capital financing strategies, helping us to develop assumptions for expense projections.

COMPREHENSIVE FINANCIAL PLAN

Raftelis will collect and evaluate the operating expenses, capital expenditures, debt service, and miscellaneous items to be included in a comprehensive ten-year financial plan (the plan will extend beyond ten years for; however, it should be noted that data uncertainty limits long-range reliability). The projections contained in the financial plan will be developed in consultation with City staff, and will focus on determining the level of rate revenue required to fund utility operations, meet target operational and contingency reserve balances, comply with debt service coverage ratios, and ensure long-term fund financial viability.

Key financial planning considerations will include ensuring an adequate level of rate revenue or other financing sources to:

- Meet annual operating requirements
- Fund necessary capital improvements
- Equitably recover revenue from new customers
- Comply with the City's financial policies

DOCUMENTATION

Raftelis will prepare a summary memo that documents the Study process and results. The draft memo may be used as part of the documentation needed for the upcoming stormwater GEFA loan.

An electronic copy of the draft memo (in Adobe Acrobat® and/or Microsoft Word® format) will be presented to City staff for their review and comment. Raftelis will incorporate City staff's comments on the draft memo into a final memo.

Optional Task: PRESENTATION

As an optional task, Raftelis will be able to present the results of the Study to the City Council, City Manager or other audiences as identified by City. Raftelis will prepare a PowerPoint presentation that will be provided to the City in advance of any such presentation for their review and comment. We have assumed one presentation of the study results.

PROJECT TIMELINE

Based on a notice to proceed date of February 1, 2023, Raftelis anticipates that the scope of work for this project will be completed by April 2023. Final presentation of the study may extend beyond this date if unforeseen scheduling challenges arise. An estimated timeline is presented below which will be confirmed with City staff during the kick-off call.

PROJECT FEES

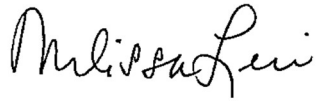
We propose to complete the scope of work detailed in this engagement letter for fees and expenses not-to-exceed \$19,860, excluding the optional Presentation task. If this task is included, total fees would be \$24,608. The project fees are based on our standard 2023 hourly billing rates for professional and administrative personnel assigned to the project, plus direct expenses. Expenses would relate to travel costs, computers, postage, supplies, etc. The project would be staffed by myself serving as Project Manager, and staff consultants who will work under my direction. An estimated workplan that shows the number of hours for each task is presented below. Raftelis reserves the right to shift time between tasks and personnel while staying below the total not-to-exceed cost.

Tasks	Web Meetings	In-person Meetings					Total Fees & Expenses
			ML	VW	Admin	Total	
1. Project Initiation, Management, and Kickoff Call	1		6	8	2	16	\$4,230
2. Review of Policies, Customer Data, and Financial Position	1		6	8		14	\$4,020
3. Financial Plan Development	1		6	20		26	\$6,900
4. Final Memo Preparation			6	10	2	18	\$4,710
5. Presentation (Optional)		1	6	8			\$4,748
Total Meetings / Hours	3	1	24	46	4	74	
Hourly Billing Rate			\$340	\$230	\$95		
Total Professional Fees			\$8,160	\$10,580	\$380	\$19,120	
Total Fees							\$19,120
Total Expenses							\$740
Total Fees & Expenses (Excluding Optional Task 5)							\$19,860

ML - Melissa Levin
VW - Vanessa Waller
Admin - Administration

Raftelis is grateful for the opportunity to work with the City of Senoia on this important project. Our primary focus is to ensure that your expectations are met or exceeded throughout this engagement. Please do not hesitate to contact me at 704-936-4441 or mlevin@raftelis.com with any questions.

Sincerely,



Melissa Levin
Vice President

We accept the terms of this Engagement Letter: (please sign and return one original).

_____	_____
Signature	Date
_____	_____
Title	Name of authorized agent

City of Senoia, Georgia
2023 Stormwater Utility Rate Study
Preliminary Data Request

A preliminary list of the data needs for the Study is provided below. Although this list should encompass most of the information required to complete the Study, it is possible that additional information and data needs will be identified and requested during the engagement. Please feel free to send the information as it becomes available.

1. Fund Balance:
 - a. Stormwater Enterprise Fund reserve balances as of December 31, 2022. If possible, please separate any specific reserve funds (e.g., operation, capital, etc.). Typically, this information is broken out in Audited Comprehensive Financial Reports (ACFRs). We can use audited or unaudited results from this report for fiscal year (FY) 2022.
2. Financials:
 - a. FY 2022 stormwater Operating Expense and Revenue Actuals. Please provide sufficient detail to show operational divisions and major sub-categories of costs.
 - b. FY 2023 and FY 2024 (when available) stormwater Operating Budget and Budgeted Revenues. Please provide sufficient detail to show operational divisions and major sub-categories of costs.
 - c. Trial balances for the Stormwater Enterprise Fund for FY 2021 and FY 2022
 - d. A copy of any adopted financial policies (e.g., debt service coverage, liquidity, capital financing, etc.) used by the City
3. Capital and Debt Structure:
 - a. Principal and interest payment schedules on all outstanding debt for the stormwater system
 - b. The most recent 10-year stormwater capital improvement plan (CIP) including anticipated funding sources.
 - c. If applicable, the most recent Official Statement to investors associated with debt issued for stormwater projects
 - d. If applicable, a copy of the Master Indenture or Trust Agreement (or similar document) securing the City's outstanding stormwater revenue bonds
4. Customer Billing Data/Units of Service:
 - a. Detailed stormwater billing data including account numbers, billed Equivalent Residential Units (ERUs), customer class, rates charged, and revenue collected, for FY 2021 (January 1, 2021 – December 31, 2021) and FY 2022 (July 1, 2022 – December 31, 2022)
 - b. A ten-year history of stormwater rates and charges