

**CITY OF FONTANA  
PROFESSIONAL SERVICES AGREEMENT  
DE-26-77-SP**

This Agreement is made and entered into as of January 13, 2026, by and between the City of Fontana, a public agency organized and operating under the laws of the State of California with its principal place of business at 8353 Sierra Avenue, Fontana, California 92335 ("City"), and Raftelis Financial Consultants, Inc., a Corporation, with its principal place of business at 3755 S. Capital of Texas Highway Suite 245 Austin, TX 78704 (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

**RECITALS**

A. City is a public agency of the State of California and is in need of professional services for the following project:

Sewer Rate Study DE-26-77-SP  
(hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

**AGREEMENT**

**NOW, THEREFORE, IT IS AGREED AS FOLLOWS:**

1. Services.

Consultant shall provide the City with the services described in the Scope of Services attached hereto as Exhibit "A."

2. Compensation.

a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit "B."

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **\$104,640**. This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the City by Consultant with a

statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by City.

5. Time of Performance.

Consultant shall perform its services in a prompt and timely manner and shall commence performance upon receipt of written notice from the City to proceed ("Notice to Proceed"). Consultant shall complete the services required hereunder within Exhibit A. The Notice to Proceed shall set forth the date of commencement of work.

6. Delays in Performance.

a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

11. Insurance. Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the City.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability
- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Contractors Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the City, and provided that such deductibles shall not apply to the City as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the City.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status.

(iv) Subject to written approval by the City, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the City as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the City and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must

specifically include work performed under this Agreement. The policy must “pay on behalf of” the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

Combined Single Limit

Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 combined single limit
Employer's Liability	\$1,000,000 per accident or disease
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the City evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the City at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the City at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any

insurance, self-insurance or other coverage maintained by the City or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to provide a waiver of subrogation in favor of the City, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the City and shall not preclude the City from taking such other actions available to the City under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the City, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the City, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Consultant or City will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, City may cancel this Agreement.

(iii) The City may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the City nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the City that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the City as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, City may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

## 12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of City's choosing), indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

## 13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which

include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. Reserved.

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of San Bernardino, State of California.

17 Termination or Abandonment

a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination



occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City.

19. Organization

Consultant shall assign **Angie Flores** as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

CITY:

City of Fontana  
8353 Sierra Avenue  
Fontana, California 92335  
Attn: Mae Lynn Alcantara

CONSULTANT:

Raftelis Financial Consultants, Inc.  
3755 S. Capital of Texas Highway Suite 245  
Austin, TX 78704  
Attn: Angie Flores

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. City's Right to Employ Other Consultants

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee,

commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

**[SIGNATURES ON FOLLOWING PAGE]**

**CITY OF FONTANA  
SIGNATURE PAGE  
SEWER RATE STUDY  
DE-26-77-SP**

**CITY OF FONTANA**

**RAFTELIS FINANCIAL CONSULTANTS,  
INC.**

By: \_\_\_\_\_  
Matthew C. Ballantyne  
City Manager

By: \_\_\_\_\_  
Angie Flores  
Vice President

*Attest:*

By: \_\_\_\_\_  
Germaine Key  
City Clerk's Office

By: \_\_\_\_\_  
Phillip Burum  
Deputy City Manager

*Approved as to form:*

\_\_\_\_\_  
Best Best & Krieger LLP  
City Attorney

By: \_\_\_\_\_  
Gia Kim  
Public Works Director/City Engineer

**IN COMPLIANCE WITH CONTRACT INSURANCE REQUIREMENTS**

By: \_\_\_\_\_  
Rakesha L. Voss  
Human Resources & Risk Management Director

**IN COMPLIANCE WITH PURCHASING AND CONTRACT ADMINISTRATION POLICIES/PROCEDURES**

\_\_\_\_\_  
Jessica Brown  
Chief Financial Officer

\_\_\_\_\_  
Sid Lambert  
Purchasing Office

EXHIBIT A  
Scope of Services

## PROJECT UNDERSTANDING

# Project Understanding

The City is seeking an expert consultant to complete a comprehensive sewer utility cost of service study. The key elements of the study are:

- **Financial Planning.** Development of a 10-year financial plan and associated revenue requirement forecast for the period FY2027 – FY 2036 that will ensure a level of annual sewer rate revenues adequate to recover the full cost of providing service.
- **Cost of Service Analysis.** The completion of a cost of service analysis that develops the cost of service for each of the City’s sewer customer classes using cost allocation methodologies compliant with Proposition 218 and industry accepted standards. In conjunction with the cost of service analysis, the following tasks will also be completed in conjunction with the cost of service analysis:
  - **Rate Structure Review.** Evaluation of the appropriateness of the City’s existing sewer utility customer class designations to ensure that customer classes are based on common demand characteristics. This will help achieve the City’s affordability and equity concerns.
  - **Comparative Benchmarking.** Analysis of the rate structures of comparable sewer utilities in California to inform potential City rate structure modifications
- **Proposed Rates.** Development of a five-year schedule of proposed rates for the period FY 2027 – FY 2031.
- **Review of Customer Service Fees.** Review of customer service fees and recommendations for modifications. Note that this is not a comprehensive fee analysis.
- **Comprehensive Report.** Preparation of a comprehensive rate study report that will fully document the assumptions and methodologies used to develop proposed rates.
- **Proposition 218 Notice Assistance.** Assistance developing a Proposition 218 notice that complies with all applicable legal requirements and educates customers and other stakeholders of the need for rate increase and the value of the City’s sewer utility services.
- **Public Outreach Materials.** Creation of customer outreach materials for the City’s website, public meetings, and the Proposition 218 notice.
- **Public Meetings.** Presentations at public meetings and a minimum of two City Council meetings.
- **Financial Model.** Development of an interactive Microsoft Excel financial model for use by City Staff.

## Scope of Services

Our project approach has been developed based on our work with sewer utilities throughout California. To ensure a successful project, we have developed a theme or framework under which this project will be guided – the ‘3d’s’:



**Defensible.** Scenarios, options, and ideas developed can withstand scrutiny or challenge by being grounded in logical reasoning, evidence and sound principles.



**Durable.** The ability of a solution, system, or decision to remain effective and relevant over time, even in the face of changing circumstances or pressures.



**Deliberate.** Using a process of intentionally and thoughtfully design or executing actions with a clear purpose, ensuring careful consideration of potential risks and outcomes.

This framework will ensure a clear focus, guide decision making, and encourage long-term thinking with the overarching goal of having a defined process for updating the City's financial planning, cost allocation, and rate design in a manner that is defensible, durable, and deliberate.

## Task 1: Project Initiation and Data Collection

- *Conduct a project kickoff meeting*
- *Review existing financials, rate resolutions, CIP plans, user classifications, billing records, and reserve policies*
- *Identify data gaps and request missing data*

### The Kickoff Meeting – Foundation for Project Success

Raftelis will facilitate an onsite kickoff meeting at the City. The meeting will allow for the finalization of the project scope, milestones, deliverables, and communications protocols along with the guiding principles for the study against which we will measure results. Key areas of discussion at the kickoff meeting will include:

- Customer water consumption characteristics and service territory demographics
- Planned capital improvement program expenditures
- The City's pricing objectives for water and sewer rates
- The effectiveness of the current water and sewer rate structures
- City staff's assessment of customer and key stakeholder concerns
- Potential rate structure alternatives considering recent Proposition 218 litigation
- Design of the water and sewer financial/rate models.

Prior to the meeting, we will submit a data request. Gathering the requested this information prior to the kickoff meeting will allow us to review and aggregate our list of questions and clarifications. We will place a priority on receiving customer billing data as rapidly as possible.



### Project Management

Nimble. Flexible. Adaptable. Those are three adjectives we often hear clients use to describe our performance on projects at the end-of-study of rate studies. We have high expectations for ourselves and a strong sense of what goes into a successful project. In addition to solid work products, you can expect:



**Efficient Use of Time.** Your time is valuable, and we treat it that way. We commit to running well-planned, useful, and efficient meetings. We will arrive at all meetings with a game-plan and expectation to move the project forward.



**Regular Check-Ins.** Many decades of project experience have taught us that the best way to keep a project on track is to ensure that it doesn't have too much room to drift off course. We like to schedule short weekly (or bi-weekly) check-in calls to ensure everyone's questions are answered, data needs are met, and no bottlenecks are developed in the project process. You will know we are on track because we will touch base with you regularly.



**Thorough Documentation of Calls and Meetings.** The Raftelis team takes detailed meeting notes and shares them promptly after each meeting or important call. This allows the full project team to stay abreast of progress, agreements made, and results delivered.

Raftelis will conduct careful and detailed project management and administration. Our Project Manager and Deputy Project Manager will plan, coordinate, monitor, and control all project tasks in concert with other appropriate project team members to ensure continuity and momentum throughout the project.

- **Project Schedule.** We will finalize the project schedule, milestones, and deliverables for the study at the kick-off meeting. We will review the schedule during the regularly scheduled meetings and identify tasks that may be at risk of delay and how that might impact other deliverables. Working with staff, we will develop a contingency plan if needed such as adjusting the sequence of tasks to minimize delays.
- **Staff and Team Management.** We will develop an internal responsibility matrix to clarify roles and maintain project delivery requirements. This will ensure that there is no duplication of effort and will allow us to stay on task and budget. Raftelis will also hold weekly internal meetings to review progress and coordinate deliverables.

Raftelis uses internal safeguards to forecast and track all personnel hours and expenses incurred on each task, which the Project Manager and Deputy Project Manager closely monitor. Analyzing weekly costs helps prevent cost overruns and allows the City to shift funding priorities if necessary. In our monthly invoicing of services, we typically indicate the dollar value of project work completed so our clients can see where the work stands in any given month. Regular reporting will indicate how the project schedule is proceeding and whether there are issues that need to be addressed relative to analysis, approach, assumptions, schedule, and/or administration.

### Quality Assurance and Quality Control

Credibility is vital for building consensus and gaining support for the implementation of study recommendations. To maintain stakeholder trust, the City must ensure the information provided is accurate, complete, and reliable. Our robust quality assurance (QA) process is designed to guarantee the integrity and reliability of all deliverables. Below are the key steps we implement throughout the project:

- **Initial Review and Validation.** Data inputs and assumptions are thoroughly reviewed for accuracy and completeness before analysis begins. Sources are cross verified to ensure reliability.
- **Structured Methodology.** A standardized and documented approach is followed for all technical analyses to ensure consistency and adherence to best practices.
- **Senior Expert Oversight.** John Wright, our Assistant Project Manager, will review critical deliverables, providing insights, validating assumptions, and ensuring alignment with industry standards and client expectations.
- **Scenario Testing and Sensitivity Analysis.** Key assumptions are tested under various scenarios to evaluate the robustness and reliability of results.
- **Final Review and Presentation.** A final quality check is conducted before delivery to confirm accuracy, completeness, and clarity based on the best available information at the time of production.





## Task 2: Financial Planning

- *Development of a 10-year financial plan for the period FY 2027 – FY 2036*
- *Analyze revenue requirements based on O&M, capital, debt service, and reserve targets*
- *Evaluate inflation assumptions, growth projections, and funding strategies*

### Financial Planning: Optimal Funding Strategy

The objective of the financial planning process is to identify the optimal mix of rate revenues, capacity charges, and external debt financing used to fund long-term utility operations. The mix of selected funding must be adequate to ensure:

- **Revenue Sufficiency.** Rate revenues and other sources of cash inflows that are adequate to pay for projected operating costs, capital expenditures, and City strategic initiatives.
- **Customer Bill Impacts.** Customer bills that are considered reasonable/acceptable by City Council.
- **Cash Reserves.** Operating and capital reserves that are adequate to mitigate risks such as seasonal climate variability, prolonged drought, and emergency infrastructure repairs.
- **Debt Service Coverage.** Debt service coverage that meets City financial management targets instead of merely meeting contractually required minimums.
- **Bond Rating.** Projected financial performance that meets the credit criteria associated with the bond rating the City seeks to maintain in the future.

### Importance of Comprehensive Demand Forecasting

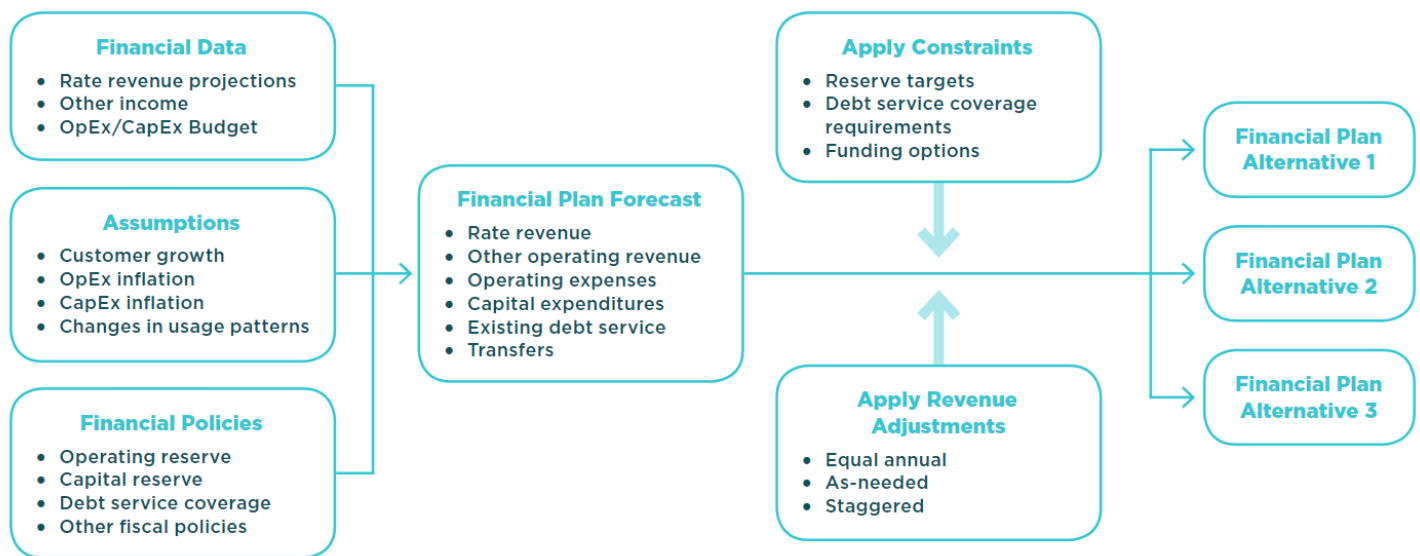
A critical component of the financial planning process is the development of demand forecasts based on realistic assumptions regarding future customer billed water consumption and associated sewer discharges. Projected sewer rate revenues should **not** be based on an overly optimistic forecast of future customer demand. Rather than developing a simplistic projection of demand based on recent consumption.

### Scenario Planning Over a 10-Year Period

Comprehensive long-term scenario planning under different demand forecasting and funding inputs allows for the identification of optimal funding strategies. Figure 1 provides an illustration of the scenario planning process. We anticipate working with City staff to develop multiple 10-year sewer utility financial planning scenarios with differing assumptions for items such as those listed below. The outcome of the scenario planning process will be a projection of the annual amount of rate revenue that must be collected from sewer customers during each year of the 10-year planning horizon.

- Billed water consumption.
- Inflation rates (i.e., cost escalation factors).
- Operating expenses.
- Capital expenditures.
- Cash reserve levels.
- Debt service coverage level.

Figure 1: Financial Planning Process



## Task 3: Cost of Service Analysis

- *Allocate costs to customer classes using industry-accepted Water Environment Federation standards*
- *Determine unit cost of service for sewer utility cost components*
- *Establish nexus between costs incurred and rates charged*

### Industry Standard Cost Allocation Methodologies

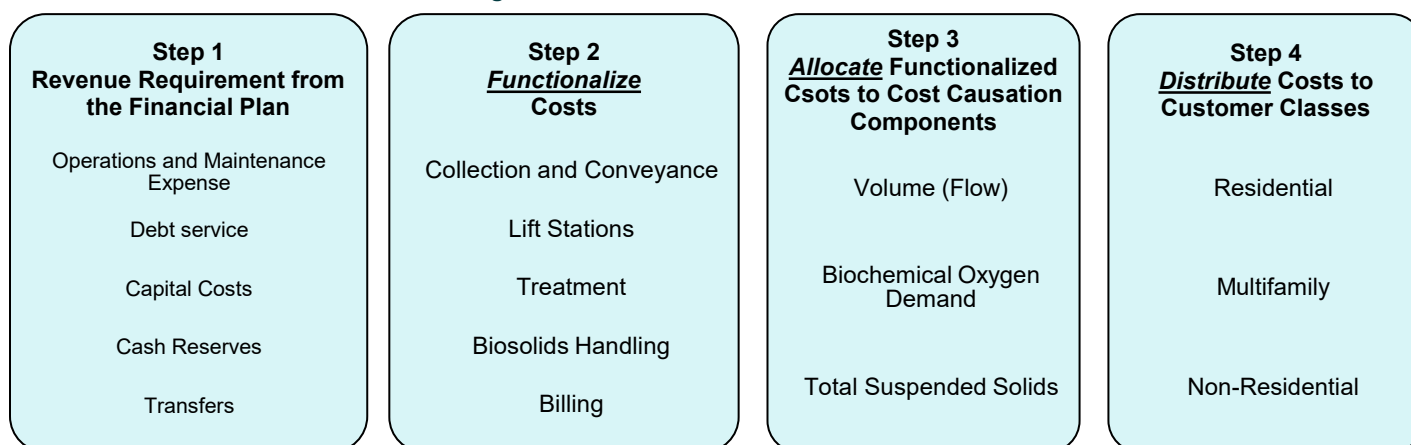
Raftelis conducts sewer cost of service studies using industry standard methodologies as published by the Water Environment Federation (WEF). This results in the allocation of costs to individual customer classes based on the proportionate demands they place on the sewer utility systems.

Ultimately, a determination of whether utility rates comply with Proposition 218 can only be made by a court of competent jurisdiction. Raftelis is not a law firm, and we offer no legal opinion on client compliance with Proposition 218. However, the use of industry standard methodologies results in outcomes that are aligned with the requirements of Proposition 218.

### Overview of the Cost of Service Process

The cost of service analysis is a natural extension of the demand forecasting and financial planning processes. The costs included in the sewer utility revenue requirement are developed during the financial planning process and allocated to customer classes based on their projected demand characteristics as determined in the demand forecasting process. Figure 1 shows a high level overview of a typical sewer cost of service process.

Figure 1: Wastewater Cost of Service Process



## Steps in the Cost of Service Analysis

### • Step 1: Cost Functionalization

As a first step in the sewer cost-of-service process, the total system revenue requirement must be allocated to the appropriate functional cost categories associated with both wastewater treatment and collection system activities. Sewer functions typically include treatment (often subdivided by treatment processes), collection, solids management, and customer service. During the initial phases of the study, we will work with City staff to determine the appropriate functional categories and factors to use in the analysis. Criteria for allocating costs will be based on an evaluation of the design and function of system facilities. We fully understand that the City purchases wholesale treatment services from IEUA and the City of Rialto. Therefore, you did not have City owned treatment facilities. For a utility that maintains its own wastewater treatment facilities, these functional categories often include the functions listed below:

- Service laterals
- Collection sewers
- Interceptor/conveyance systems
- Lift and pumping stations
- Treatment plant - preliminary, secondary, and tertiary treatment
- Treatment plant - disinfection
- Sludge processing/biosolids handling
- Meters
- Customer service
- Administration

### • Step 2: Allocation to Cost Causation Components

Following functionalization, a cost allocation process is undertaken. Some costs the utility incurs are a function of the water quantity discharged by a customer, while other costs are associated with addressing discharge strengths or conveying sanitary sewer flows. Customer service, billing, and metering costs are generally a function of the number of customers served and the size and type of meter or service. As with the sewer cost functionalization process, Raftelis will work with City staff to determine the specific allocation factors that best represent wastewater utility system cost drivers. We fully understand that the City purchases wholesale treatment services from IEUA and the City of Rialto. Therefore, you did not have City owned treatment facilities. Typical cost classification categories for a utility that maintains its own wastewater treatment facilities include:

- Average day volume
- Biochemical oxygen demand (BOD)

- Suspended solids (TSS)
- Nutrients such as nitrogen (TKN) or phosphorous (P), if applicable
- Customer billing, service, and metering

- **Step 3: Mass Balance Analysis**

Raftelis will complete a "mass balance" analysis that correlates IEUA and City of Rialto wastewater treatment plant influent volumes and strength loadings to the wastewater return flows and strength loading characteristics of different wastewater service customer types. Note that the process of estimating customer wastewater return flows and strength loadings by customer type may be a key driver of potential recommendations regarding alternative wastewater customer class definitions.

- **Step 4: Unit Costs of Service**

Based on estimated return flow and strength loadings, Raftelis will estimate the total system units of service associated with each cost classification parameter. We will then estimate the total system unit cost of service for each cost classification parameter.

- **Step 5: Identification of Fixed and Variable Cost Components**

A natural outcome of the cost-of-service analysis will be an identification of the fixed and variable components of the City's sewer utility revenue requirement.

- **Step 6: Distribution of Costs to Customer Classes**

The final step in the cost-of-service process is the determination of the specific revenue requirement for each wastewater service customer class. This is achieved by multiplying the total system unit cost of service for each customer parameter by the unique units of service estimated for each customer class.

## **Outside City and Extraterritorial Rates**

We will evaluate and determine the appropriateness of outside city and, if still applicable, extraterritorial rates charged by the City.

## **Rate Structure Review**

We will evaluate appropriateness of the City's existing sewer utility customer designations. This evaluation will be made with a focus on ensuring customer classifications are based on common demand characteristics. This will help to achieve the City's affordability and equity concerns.

## **Comparative Benchmarking**

Raftelis will survey up to eight (8) California utilities who provide sewer utilities that purchase wholesale sewer treatment services from a third party (i.e., sewer utilities that only provide collection and conveyance). The purpose of this process will be to assist in the analysis of potential modifications to the City's rate structure.

## Task 4: Development of Proposed Rates

- *Development of potential rate structure modifications/alternatives*
- *Analyze the impact of potential rate structure modifications/alternatives on factors such as affordability and equity.*
- *Development of a five-year schedule of proposed rates for the period FY 2027 – FY 2031.*

### Importance of Legal Counsel Participation in the Rate Design Process

There has been recent Proposition 218 litigation involving the water rate structures of the City of San Diego and the Otay Water District. Although we are not aware of any Proposition 218 litigation regarding sewer rate structures, we suggest that the City's legal counsel be an active participant in discussions regarding the City's sewer rates. This will help to ensure that the outcome of the rate design process meets all relevant legal defensibility standards.

### Pricing Objectives Workshop During the Kickoff Meeting

As part of the project kickoff meeting, we will address the effectiveness of the City's current sewer rate structure from the perspectives listed below. We suggest that the City's legal counsel participate in this portion of the project kickoff meeting.

- Revenue stability
- Rate equity
- Customer affordability
- Ease of rate structure administration
- Customer/stakeholder concerns

### Evaluation of Potential Rate Structure Modifications/Alternatives

Based on the work completed in Tasks 1 – 3 and the pricing objectives workshop held at the project kickoff meeting; we will develop recommendations for potential sewer rate structure modifications/alterations.

### Recommended Rates for FY 2027 – FY 2031

We will prepare recommended rates to be included in the City's Proposition 218 for the period FY 2027 and FY 2031.

## Task 5: Review of Customer Service Fees

Raftelis will review the City's current customer service fees and, if appropriate, make recommendations for potential modifications. Note that this is not a comprehensive fee analysis.

## Task 6: Comprehensive Report

Raftelis will complete comprehensive draft and final rate study reports. The report that will fully document the assumptions and methodologies used to develop proposed rates. The report will provide an administrative record that demonstrates the steps taken to achieve compliance with Proposition 218.

## Task 7: Assistance with Proposition 218 Noticing

Proposition 218 notifications are more than a legal requirement: they are also an opportunity to strategically educate and inform ratepayers of Fontana's investments, value, and services. Raftelis has designed numerous Proposition

218 notifications that exceed the statutory minimum, delivering visually appealing pieces that enhance comprehension of rate changes while explaining the systems residents rely on each day. Raftelis' in-house strategic communications team prepares notices for mailing within the required 45-day noticing period prior to holding the public hearing. We'll work closely with your team to coordinate deadlines for a smooth process.

We incorporate two rounds of content edits into our workflow to limit costly changes at the design phase. Once the content passes the City's legal review, Raftelis' in-house graphic design team will match the City's established brand guidelines and create an attractive piece that encourages your customers to read the information and gain a broader understanding of the issues. Our pricing includes the development of a print-ready PDF.

Raftelis will deliver final press-ready documents for Fontana to print and mail to all parcel owners and customers of record. Please note that Raftelis does not undertake preparing the mailing list or printing and mailing. The City is in the best position to compile property owners' and customer account addresses and know which ones are valid. The City is encouraged to work with its preferred printing vendor; otherwise, Raftelis can provide recommendations for printers that many of our California clients use to print and mail the Proposition 218 public notices successfully.

Protests are a crucial part of any Proposition 218 process. To ensure that protests are collected and considered in a manner that aligns with the public's expectations, Raftelis will work with Fontana staff to develop a system that prioritizes transparency and credibility. We would begin by assessing the City's capacity to accept protests and integrate our staff into the tabulation and interpretation of the results. As a starting point, we recommend that protests be sent to the City Clerk for collection. On the day before the public hearing, a Raftelis team member will join the City Clerk to tabulate protests. A formal system will be determined during the kickoff meeting.

For the public hearing, Raftelis will prepare meeting materials and present study results. The Raftelis team has presented in at least 50 public hearings and is skilled at clearly and concisely explaining the need for rate increases and the risks of inaction. Presentation materials will be provided to Fontana's leadership team for review and comment.

## **Task 8: Public Outreach & Communications Materials**

Comprehensive rate studies, Cost-of-Service analyses, and the Proposition 218 process are strategic opportunities, not just legal requirements. They provide an avenue to communicate the value of your service, build crucial community trust, and foster a deeper understanding of the utility. Raftelis' Strategic Communication Services group will help you capitalize on these opportunities by developing strategic communication materials that are tailored to your audiences and their specific priorities.

The tasks listed below are based on our previous experiences developing public outreach and communications materials. Our proposed consulting fee reflects these tasks. Our proposed services can be modified to meet the City's specific needs.

### **Research and Planning**

Before starting communications work, we conduct thorough research in close collaboration with Fontana staff, stakeholders, and Raftelis rate study managers to ensure alignment. This includes analyzing customer segments and concerns, consulting with technical experts to integrate financial insights, identifying issues that may influence perceptions, and applying proven best practices from similar Proposition 218 processes. These insights guide the development of clear messaging and outreach strategies tailored to stakeholder needs.

Through this process, we will develop a strategic communications framework that includes a key message platform, communications channels, tactical recommendations based on the study and the community, and a timeline that outlines key engagement dates and the publishing scheduling for the Proposition 218 notice to ensure a smooth and coordinated effort.

### **Public Outreach Materials**

The art of conveying complex information in an accessible manner is crucial, especially when it involves subjects as impactful as rate changes. Recognizing the importance of this, we propose a multifaceted approach to present the proposed rate adjustments and contextualize them within the broader narrative of the City of Fontana's financial health and operational necessities.

To achieve this, we'll develop key messaging and engaging materials, each designed to demystify the process and explain the rationale behind the rate adjustments. These materials will be delivered to the City with two rounds of revisions included.

These will include the following items, adjusted for use online, at in-person meetings, and in Proposition 218 notices:

- **Frequently Asked Questions (FAQs):** Designed for online accessibility and as a tool for your staff, this comprehensive list will address common concerns and queries, grounding decisions in Fontana's current financial standing and the meticulous rate study process.
- **Fact Sheets:** A one-page visually organized document that summarizes key project details in a clear, accessible format for quick stakeholder reference.
- **Rate Comparison Charts:** Rate comparison charts are a visual tool that display current and proposed sewer rates alongside those of comparable utilities, allowing stakeholders to quickly assess how Fontana's rates align within the regional context, or comparing the rates between different types of customers.
- **Graphics:** Visual elements, such as charts, diagrams, and illustrations, can simplify complex information and make key aspects of the sewer rate study clear and engaging for stakeholders across print and digital formats.

Our team will ensure designs meet the City's printing vendor specifications. Printing services are available through Raftelis at an additional cost.

### **Public Engagement Meetings**

Our proposed consulting fee includes the cost of one onsite public meeting.

## **Task 9: Public Meetings and City Council Presentations**

Our proposed consulting fee assumes that Raftelis will support City staff at two public meetings and at two City Council meetings (a total of 4 onsite meetings). In consultation with City staff, we will prepare the agendas and presentations materials for each public meeting and City Council presentation.

## Task 10: Microsoft Excel Financial Model

Raftelis designs financial planning models tailored to the specific needs of our clients. The financial planning model we develop will be provided to the City at the end of our consulting engagement at no extra costs. The Microsoft Excel model will include financial planning, cost allocation, rate design and customer bill impact modules. This financial planning module will allow for virtually unlimited inputs for items such as inflation factors, customer class demand, percentage revenue increases, capital improvement expenditures and external debt financing. As a separate service not included in our proposed consulting fee we can provide onsite model training for City staff.



Raftelis will develop a customized financial model that incorporates a dashboard to allow you to easily run scenarios and see the impacts in real time. Shown here is a sample dashboard that we developed for another project.



## SCHEDULE

Raftelis will complete the scope of services within the timeframe shown in the schedule below. The proposed schedule assumes a notice-to-proceed by the beginning of December 2025 and that Raftelis will receive the needed data in a timely manner and be able to schedule meetings as necessary. Project completion is estimated for June 2026 with updated rates effective on July 1, 2026.

TASKS	Dec 2025	Jan 2026	Feb 2026	Mar 2026	Apr 2026	May 2026	Jun 2026	Jul 2026
1. Project Initiation and Data Collection	●	Kick-off meeting			Rates effective July 1, 2026			●
2. Financial Planning								
3. Cost of Service Analysis								
4. Development of Proposed Rates								
5. Review of Customer Service Fees								
6. Comprehensive Report								
7. Assistance with Proposition 218 Noticing					●	Issue Prop 218 notice		
8. Public Outreach and Communications Materials								
9. Public Meetings and City Council Presentations								
10. Microsoft Excel Financial Model								

● Web Meetings

● Deliverables

## EXHIBIT B

### Schedule of Charges/Payments

Consultant will invoice City on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform City regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract.

Tasks	Meetings		Hours								Total Fees & Expenses
	Virtual	In Person	John Mastracchio	Angie Flores	John Wright	Consultant	Matt Wittern	Creative Services	Admin	Total Hours	
1. Project Initiation and Data Collection		1		4	4				1	9	\$4,620
2. Financial Planning	2			2	4	20				26	\$6,970
3. Cost of Service Analysis	2			2	4	20				26	\$6,970
4. Development of Proposed Rates	2		1	2	4	20				27	\$7,405
5. Review of Customer Service Fees	2			1	6	8				15	\$4,405
6. Comprehensive Report	2		1	1	6	24				32	\$8,680
7. Assistance with Proposition 218 Noticing	2				4	4	16	4		28	\$7,960
8. Public Outreach and Communications Materials		1					68	20		88	\$25,910
9. Public Meetings and City Council Presentations		4		32	32	8				72	\$31,720
10. Microsoft Excel Financial Model											
Total Meetings / Hours	12	6	2	44	64	104	84	24	1	323	–
Hourly Billing Rates	–	–	\$425	\$375	\$340	\$230	\$295	\$170	\$100	–	–
Total Professional Fees	–	–	\$850	\$16,500	\$21,760	\$23,920	\$24,780	\$4,080	\$100	–	\$91,990
Travel Expenses											\$9,420
Technology Fee											\$3,230
ADA Compliance Fee											\$0
Total Expenses											\$12,650
Total Fees & Expenses											\$104,640