



City of Bentonville
Bentonville Utility Board Meeting
Tuesday, August 24, 2021 – 11:00 am
Bentonville City Hall 305 SW “A” St.
City Council Chambers

AGENDA

Call to Order
Pledge of Allegiance
Attendance
Approval of Minutes: July 27, 2021

New Business

1. Raftelis Agreement – Mike Bender, PE (pages 2-24)
2. Ampirical Contract Amendment – Sub I – Travis Matlock, PE (pages 25-37)
3. Budget Adjustment – Ampirical Sub I – Travis Matlock, PE (pages 38-39)
4. Electric Rate Study Presentation – UFS, Inc.
5. Adjournment



Agenda Item Form

Date of City Council Meeting	9/14/2021
Department	Water Utilities
Submitted by	Mike Bender
Phone	(479) 271-6873, (479) 271-3140

Item Type: (Check Applicable Item Type)					
☐ Budget Adjustment	☐ Change Order	☐ Informational	☐ Ordinance	☒ Resolution	☐ Bid Award
Recommendation/Suggested Action (Enter recommendation in space below):					
Resolution - Staff recommends approval of a Resolution authorizing the Mayor and City Clerk to enter into a professional services agreement with Raftelis Financial Consultants, Inc. (Raftelis) in an amount not to exceed \$59,120 to perform a wastewater rate analysis and financial plan for the Water Utility. The City's 2021 budget includes \$60,000.00 for the wastewater rate analysis. This firm was selected following the City's standard RFQ solicitation and selection process for the procurement of professional services in accordance with state law.					

Estimated Cost	\$59,120.00
Is this Item Budgeted?	☒ Yes ☐ No
If no, please explain how item will be funded (briefly explain in space below) :	



Memo



To: City Council, Mayor Orman

From: Mike Bender

CC:

Date: August 17, 2021

Re: Contract for Wastewater Rate Analysis and Financial Plan – Raftelis Financial Consultants, Inc.

Staff recommends approval of a resolution authorizing the Mayor and City Clerk to enter into a professional services agreement with Raftelis Financial Consultants, Inc. (Raftelis) in an amount not to exceed \$59,120.00 to perform a wastewater rate analysis and financial plan. Staff consisting of Jake Harper, Gary Wilson, Preston Newbill, Nancy Busen, and Mike Bender reviewed and discussed Statements of Qualifications of two responding firms. Raftelis was determined to be best qualified to perform the rate study. The last wastewater rate analysis was performed in 2015 by HDR, Inc. Due to the issues discovered with the condition of the NACA line and potential impacts, the wastewater rate analysis was delayed until NACA's corrective actions and associated costs were more definitive.

The City's 2021 budget includes \$60,000.00 for this wastewater rate analysis.

Thank you for your consideration of this request

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING THE MAYOR AND
CITY CLERK TO ENTER INTO A PROFESSIONAL
SERVICES AGREEMENT WITH RAFTELIS
FINANCIAL CONSULTANTS, INC. FOR A
WASTEWATER RATE ANALYSIS AND FINANCIAL
PLAN**

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE
CITY OF BENTONVILLE, ARKANSAS.**

Section 1: That the Mayor and City Clerk be and are hereby authorized to enter into an Professional Services Agreement with Raftelis Financial Consultants, Inc. for a wastewater rate analysis and financial plan in an amount not to exceed \$59,120.00 as set forth in the agreement attached hereto as Exhibit "A".

Section 2: This resolution shall be in full force and effect from and after the date of its passage.

PASSED and APPROVED this _____ day of _____, 2021.

APPROVED:

Stephanie Orman, MAYOR

ATTEST:

Kirby Romines, CITY CLERK

PROFESSIONAL SERVICES AGREEMENT BETWEEN
THE CITY OF BENTONVILLE, ARKANSAS
AND
RAFTELIS FINANCIAL CONSULTANTS, INC.

This Consulting Agreement ("Agreement") is entered into this ____ day of _____, 2021 (hereinafter referred to as the effective date of the agreement) by and between, the City of Bentonville, Arkansas (the "Client") and Raftelis Financial Consultants, Inc., 227 W. Trade Street, Suite 1400, Charlotte, NC 28202 ("Raftelis").

Witnesseth

WHEREAS, Raftelis has substantial skill and experience in public finance, management, and pricing, and service delivery, and

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

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

Article 1. Statement of Work

Raftelis shall provide professional consulting services to prepare a Wastewater Rate Analysis and Financial Plan for the City of Bentonville. Raftelis will perform these services as set forth in the scope of work included herein as Attachment A.

Article 2. Time for Completion

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

Article 3. Compensation

Client shall pay to Raftelis the sum not to exceed \$59,120, which includes professional fees and direct expenses incurred in performing the scope of services, as well as an hourly technology expense reimbursement, outlined in Attachment B. The parties understand that this sum is based upon the scope of work contained herein at Raftelis' current standard hourly rate schedule included in Attachment B. Any expansion of the scope of work by the Client shall involve the discussion of additional fees by both parties.

Raftelis shall submit invoices to the Client on a monthly basis for services rendered to the date thereof. Such invoices shall be supported by appropriate documentation; at a minimum, the task performed, the individuals working on such task, the level of each such individual, and expenses incurred. Each invoice will contain all hours and expenses from the Raftelis for the month. Upon

receipt of monthly invoice, the Client will remit payment of same amount to the Raftelis within 30 days.

Article 4. Additional Services

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

Article 5. Place of Performance

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

Article 6. Indemnification

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

Article 7. Insurance

Raftelis shall maintain the types and levels of insurance during the life of this Agreement as specified below. The Client will be named as additional insured on Raftelis' Certificates of Insurance and Raftelis will provide the Client with these Certificates of Insurance.

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

Comprehensive automobile liability insurance - \$1,000,000 combined single limit each occurrence-hired and non-owned only

Workers Compensation insurance – Statutory limits

Professional liability insurance - \$5,000,000 occurrence and \$5,000,000 in the aggregate

Excess or Umbrella Liability - \$5,000,000 occurrence and \$5,000,000 in the aggregate

Article 8. Confidential Information

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

not use, duplicate, or divulge to others any such information belonging to or disclosed to Raftelis by the Client without first obtaining written permission from the Client. All tangible embodiments of such information shall be delivered to the Client by Raftelis upon termination hereof, or upon request by the Client, whichever occurs first. The Client acknowledges Raftelis has the right to maintain its own set of work papers which may contain confidential information.

Article 9. Independent Contractor Status

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

Article 10. Reliance on Data

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

Article 11. Opinions and Estimates

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

Article 12. No Consequential Damages

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

Article 13. Termination of Work

This Agreement may be terminated as follows:

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

Article 14. Notices

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

If for the Client:

Camille Thompson
Name

City Staff Attorney
Title

1000 SW 14th Street
Address

Bentonville, AR 72712

If for Raftelis:

Raftelis Financial Consultants, Inc.
3013 Main Street
Kansas City, MO 64108
Attention: Collin Drat

Article 15. Compliance with Applicable Laws

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

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

Article 16. General Provisions

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

- H. Third Party Rights Nothing in this Agreement shall be construed to create or confer any rights or interest to any third party or third party beneficiary. It is the intent of the parties that no other outside, non-party claimant shall have any legal right to enforce the terms of this Agreement.

Article 17. Disclosures

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

Under the Dodd-Frank Act the definition of “advice” includes providing any opinion, information or assumptions related to the size, timing and terms of possible future debt issues or borrowing. This type of information may be integrated into the capital and financial planning components of a Wastewater Rate Analysis and Financial Plan. This definition is applicable regardless of whether this information is developed and used solely for planning and decision making purposes. For the services addressed in the scope of work identified for this engagement, any information that is developed by Raftelis that falls under this definition of municipal advice is not intended to represent a recommendation that the City of Bentonville should issue debt based on the terms and assumptions used to develop the financial plan or forecast, or that the City of Bentonville will, in fact, be able to issue debt under the exact terms and conditions assumed and used to develop the financial plan or forecast. The information developed as part of this Wastewater Rate Analysis and Financial Plan, including any related municipal advice, is intended only to provide information useful in evaluating the potential impact on the utility and future rate adjustments of one potential course of action for the City of Bentonville. If the City of Bentonville decides at some future date to issue debt, then at that time the City of Bentonville will need to engage an independent, registered Financial Advisor to assist in evaluating the availability of different types of debt, and the specific terms and conditions for issuing debt, which will be affected by market conditions and the City of Bentonville’s credit rating at the time of issuance. At that time, as a registered Municipal Advisor, Raftelis can also provide additional assistance related to a specific bond or debt issue, such as preparing a bond feasibility report or financial forecast for inclusion in bond documents, without requiring additional oversight or supervision by the Financial Advisor.

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

Raftelis does not have any legal events or disciplinary history on Raftelis’ Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. Raftelis’ most recent form MA and each most recent Form MA-I filed with the SEC may be assessed electronically at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory actions is brought against Raftelis, Raftelis will provide complete disclosure to the City of Bentonville in detail.

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

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives.

By:

Signature

Title

Date

Witness

Raftelis Financial Consultants, Inc.

By:

Signature

Title

Date

Witness

Attachment A – Scope of Services

City of Bentonville



Scope of Services

Task 1: Project Initiation, Management, and Stakeholder Engagement

The project team will lead a kick-off meeting, during which we will confirm the work plan, schedule, data requirements, and deliverables. Prior to the kick-off meeting, we will review the data provided by the City and begin framing preliminary analyses and formulate any questions. During the kick-off meeting, we will conduct interviews with City staff to obtain a thorough understanding of the operations of the wastewater utility. Throughout the project we will manage the process via consistent communication, regular meetings (virtual and onsite) with City staff and a robust QA/QC process.

In addition, we will engage the City of Bentonville City Council (Council) and the Bentonville Utility Board (Utility Board) to explain the purpose and process of the study, via a *Ratemaking 101* presentation, which overviews the process we will follow to conduct the study, and a *Community Values Workshop*, which asks participants to rank the various policy trade-offs associated with different rate structure options.

PLANNED MEETINGS:

- Virtual meetings as needed to prepare for onsite meeting.
- Onsite Meeting #1 – Kick-off meeting with City staff, Bentonville Utility Board, Bentonville City Council

DELIVERABLES:

- Kick-off meeting materials
- Kick-off meeting summary memorandum
- Ratemaking 101 and Community Values Exercise materials and results

Task 2: Financial Plan Development

The project team will develop a long-range financial plan for the wastewater utility. The financial plan will identify the overall level of revenue necessary to fund operations and maintenance expense (O&M), routine repair and replacement capital expenditures, and repayment of debt service (current and future), while also achieving the City's financial management objectives. Determining the revenue requirement involves a detailed cash flow forecast, which compares projected baseline revenues to projected expenditures and identifies the any adjustments to revenues necessary to fund utility operations in a financially sustainable manner. This involves the following subtasks: a projection of revenue under existing rates (Task 2.1); a projection of O&M expense (Task 2.2); a projection of routine and major capital expenditures (Task 2.3); and a projection of revenue adjustments based on detailed cash flow analysis (Task 2.4).

The projections we develop for the City will include the balance of the City's current fiscal year, plus the following 10 fiscal years. To the extent that the City has identified major capital improvements or incremental increases in O&M which lie outside of the 10-year window, we can extend the plans to include the additional years at no additional cost to the City.

Task 2.1 — Projection of Revenue Under Existing Rates

Raftelis will develop revenue projections under existing rates and projected customer usage by customer class. This will serve as a baseline for revenues if no adjustments to rate levels or structures are made. In Task 2.4, we will compare these baseline revenue projections to projected expenditures to determine the overall level of revenue necessary (including any revenue increases) to fund these projected expenditures and achieve the City's financial performance objectives.

Using historical customer billing data, we will evaluate trends in customer accounts and usage per account and establish a normalized usage per account, which avoids assigning undue weight to usage in wetter or drier periods. In addition to evaluating usage data considering weather patterns and conservation trends, we will also work with City staff to understand any potential changes in the local economy that might impact the demands of City customers.

We will then calculate revenues under existing rates at projected consumption levels. We will also incorporate analysis and projections of miscellaneous revenues. We will compare these revenues to the operating and capital expenses forecast in Tasks 2.2 and 2.3 to understand the sufficiency of existing revenues to fund projected expenditures.

Task 2.2 — Projection of O&M Expense

The City's budgets (for the current year and any available future years) will serve as the starting point for the projection of O&M expense. To project O&M expenses for the forecast period we typically make three adjustments: budget performance adjustments, incremental expense adjustments, and inflationary adjustments.

Budget performance adjustments will be made based on a detailed review of budgeted O&M expense compared to actual performance. To the extent that the utility tends to outperform in certain areas (i.e., spend less than budgeted), we will discuss potential adjustments so that the projection of baseline O&M (i.e., before any incremental expenses and inflationary adjustments) is a reasonable reflection of what is likely to occur.

Incremental expense adjustments account for expected future changes in O&M expense that exceed inflation. There are two reasons such adjustments are typically made. First, the City anticipates adding new personnel or programs that are not currently captured in the existing budgets. In this case, an adjustment will be made to include the costs of those additional personnel or programs. The current budget may also include one-time expenses that are not expected to be incurred in the future. In this case, the one-time expense will either be excluded from future years or, if it occurs periodically, normalized in future years.

Inflationary adjustments account for expected future inflation in O&M expense, after accounting for budget performance and any incremental expenses. Inflationary adjustments will be based on the best and most relevant data possible. Expenses driven by customer growth and usage (e.g., power and chemicals) will be adjusted based on the projections in Task 2.1. Personnel costs will be adjusted based on planned compensation adjustments from the City. For expenses where less detailed data is available, we will rely on historical trends, discussions with City staff, and our experience working with similar utilities throughout the United States.

Task 2.3 — Projection of Routine and Major Capital Expenditures

Task 2.3 involves developing a capital improvement financing plan that identifies the City's capital projects (routine and major) and the mix of cash and debt used to finance them. The cash flow impact of the capital financing plan is incorporated into the cash flow analysis in Task 2.4 as annual cash outlays (i.e., PAYGO or revenue-funded capital) and new debt service.

To develop the capital financing plan, we will review the City's approved capital improvement plan (CIP) and work with City staff to ensure that the appropriate level of investment is balanced against the potential rate implications. To the extent that the CIP is in current year dollars, we will include adjustments for future construction cost inflation based on an analysis of trends for the appropriate cost indices (e.g., Engineering News Record). We will also incorporate any projects that the City already has in progress from prior approved CIPs that will be completed in the first few years of the forecast period. The CIP will incorporate both routine repair and replacement expenditures as well as major capital improvements. Given the recurring nature of routine expenditures (i.e., sewer line replacement), many utilities employ a PAYGO funding approach. Major capital improvements are funded with debt to spread out the financial burden on customers and to ensure that the cost of major improvements is borne by all customers, not just current customers. We will work with City staff to develop an optimal mix of cash and debt financing to achieve the City's financial management objectives. The projected capital costs, including PAYGO and any new debt service, will be incorporated into the cash flow projections in Task 2.4.

Task 2.4 — Utility Cash Flow Forecasts and Revenue Adjustments

We will develop a detailed cash flow forecast for the multi-year planning horizon. This forecast will compare existing revenues (Task 2.1) to forecast expenditures (Tasks 2.2 and 2.3), identifying any deficiencies in funding under existing revenues. Throughout Task 2.4, we will discuss the City's existing financial policies and objectives (formal and informal). This will include a review of the performance of the utility relative to key financial ratios (e.g., days cash, capital structure, and debt service coverage). Throughout these discussions, we will provide recommendations to ensure the City's financial management strategies align with industry best practices.

We will structure rate adjustments to achieve the City's strategic financial management objectives and maintain alignment with best financial management practices regarding debt service coverage ratios and reserve balances. Where possible, revenue adjustments will be smoothed, mitigating the impact on customers in any given year. The ultimate outcome of Task 2.4 will be the identification of the overall level of revenue required (including any adjustments to revenue) to fund the provision of safe and reliable wastewater service in a financially sustainable manner. This revenue requirement will be attributed to the City's customer classes based on their use of the wastewater system in Task 3.

PLANNED MEETINGS:

- Virtual meetings as needed.
- Onsite Meeting #2 – review study assumptions and inputs with Bentonville Utility Board and Bentonville City Council

DELIVERABLES:

- Meeting materials
- Meeting summary memorandum

Task 3: Cost-of-Service Analysis

The project team will utilize our experience, combined with industry best practices as set forth in the Water Environment Federation's (WEF) *Manual of Practice No. 27, Financing and Charges for Wastewater Systems*, to assign the revenue requirement determined in the wastewater financial plan to the City's customer classes.

This will involve three steps: functionalization (Task 3.1), which assigns the revenue requirement to the various components of the wastewater system (e.g., collection and treatment); classification, which assigns the functionalized costs to demand parameters, or the components of customer demand which drive costs (e.g., sanitary flow, infiltration and inflow, biochemical oxygen demand, and total suspended solids) (Task 3.2); and distribution, which assigns costs to customer classes in proportion to the demands they place on the wastewater system (Task 3.3).

Task 3.1 — Functionalize Revenue Requirement

Applying the principle of cost causation requires a determination of how the costs incurred relate to the design and operation of the wastewater system. The functionalization step allocates the revenue requirement to the various functions each utility performs in order to deliver service. The cost of each function is then related to the demand characteristics, which drive variation in those costs (Task 3.2) and ultimately to customer classes based on their proportionate share of that demand (Tasks 3.3).

Functional categories for the wastewater utility may include:

- Laterals
- Collection mains
- Pump stations
- Treatment plant
- Industrial waste control
- Customer service

Task 3.1 involves allocating the revenue requirement to these functions. The project team will work closely with City staff to determine allocations that reasonably align the costs incurred with each function. We will functionalize O&M expenses based on an evaluation of the City's detailed wastewater budget and interviews with City staff. We will functionalize capital expenditures (i.e., PAYGO capital and debt service) based on the City's investment in wastewater assets.

Task 3.2 — Allocate Functionalized Revenue Requirement to Cost Components

The cost of each function from Task 3.1 is driven by different types of customer demand. Task 3.2 attributes the functionalized costs to these cost components. The result is an understanding of the proportion of the revenue requirement that can be attributed to each type of customer demand. This allows for a distribution of the revenue requirement based on customer demands in Tasks 3.3.

The City's wastewater system was designed around the volume and strength of wastewater contributed by customers. Volume includes sanitary flow that is the result of customers direct contribution of wastewater into the City's collection system and infiltration and inflow (I/I). Infiltration in many systems is largely driven by aging customer sewer laterals, which deteriorate over time resulting in root intrusion, cracks, joint misalignment, and general leakage, causing groundwater penetration, especially during heavy rain events. The age and condition of the sewer collection system also contributes to infiltration. Inflow can be caused by directly connected residential storm drainage systems, broken or missing cleanout caps, faulty manhole covers or frames, and other issues.

Wastewater strength relates to the concentration of pollutants that must be removed from City wastewater via the physical and biological processes at the City's wastewater treatment plants. Wastewater strength includes measures such as biochemical oxygen demand (BOD) and total suspended solids (TSS).

The cost drivers related to wastewater customer demand include:

- Sanitary flow
- I/I
- BOD
- TSS
- Customer bills

Costs that are driven by wastewater volumes will be allocated to sanitary flow and I/I. Costs related to strength are allocated to BOD or TSS. Functions that are driven by multiple demand components will be allocated between those components based on the design and operation of the infrastructure used to meet the type of demand in question. For

example, the design of different components of the wastewater treatment process is a function of volume and the different strength components. We will work with City staff to determine appropriate allocations between the various cost components.

Task 3.3 — Distribute Costs to Customer Classes

While Tasks 3.1 and 3.2 allocate the revenue requirement according to the various types of customer demand, Task 3.3 will involve assigning the revenue requirement to each customer class proportionate to their share of the type of demand, which drives variation in those costs. This involves three steps:

First, we will determine customer class units of service. To determine the units of service by customer class for the wastewater utility, we will create a mass balance analysis, which uses a combination of customer billing information and wastewater plant discharge monitoring reports (DMR) to determine customer class units of service.

The mass balance analysis will assign influent volumes received at the City's wastewater treatment plants to each customer class based on an analysis of the available usage data. Volume-related units include sanitary flow plus I/I. The total influent volume (sanitary plus I/I) at the City's wastewater treatment plant is known. We will estimate the breakdown of total influent volume between sanitary flow and I/I using winter period water usage, customer billing data and collection system data (e.g., lengths of collection mains of various diameters).

We will determine strength-related units in a similar fashion. The strength loadings at the City's wastewater treatment plants are known. Strength units for surcharge customers (whose loadings are monitored) would be subtracted from the wastewater plant loadings with the remaining amount to be distributed to the non-monitored customers based on assumed strength loadings.

Second, we will calculate a unit cost of service for each demand parameter by dividing the costs (by component) determined in Task 3.2 by the units of service (by component). The result is a unit cost of service for each component of demand.

Finally, we will distribute costs to each customer class be used to distribute costs to the City's customer classes by multiplying the applicable unit cost for each component of demand by each customer class' units of service. The outcome is an understanding of each customer class' responsibility for the overall revenue requirement identified in Task 2. Raftelis will develop a comparison of class cost of service to class revenue generation under the City's existing rates. This comparison will identify variances between the level cost each class causes the City to incur and the revenue currently recovered from that class. To the extent that significant variances are identified, these can be used as a guide for recommended rate adjustments in Task 4.

PLANNED MEETINGS:

- Virtual meetings as needed to review preliminary cost of service analysis results.

DELIVERABLES:

- Meeting materials
- Meeting summary memorandum

Task 4: Rate Design and Analysis of Bill Impacts

The project team will recommend adjustments to the City's wastewater rate structure to improve alignment with cost of service, industry best practices, and the community values identified in Task 1. Once rate alternatives are established, the project team will assess the impact on City customers via traditional methods, such as typical customer bills and peer

benchmarking. We will also conduct a high level investigation of affordability using a typical residential customer bill and household income information available from the United States Census Bureau. We will work with City staff to ensure that any recommended changes are compatible with the City's billing system.

During Task 4 we will evaluate the level of revenue recovery from the City's base facility charge relative to the volume charge. This will involve an investigation the level of fixed revenue generation relative to fixed costs and the impact of adjusting the base facility charge on lower volume customers. In addition, we will also investigate the proportion of wastewater revenues which may be considered effectively fixed even though they are recovered on a volumetric basis, such as revenues associated with essential indoor water use.

PLANNED MEETINGS:

- Virtual meetings as needed to review interim deliverables and materials for onsite meeting.
- Onsite Meeting #3 – present preliminary findings to Bentonville Utility Board and Bentonville City Council

DELIVERABLES:

- Presentation materials
- Meeting summary memorandum

Task 5: Rate Study Report and Presentation of Study Results

Task 5.1 — Reports and Presentations

The project team will produce a report which summarizes the results of the study. Drafts will be circulated to City staff and any comments will be incorporated into a Final Draft report, which will be provided in hard copy and electronic format to the City. Senior members of our project team will also present the draft final results of the study to the Utility Board and the City Council. After incorporating feedback from the Utility Board and City Council, the project team will present the final study results at a meeting for adoption of the rate ordinance and be available to answer any final questions.

Task 5.2 – Strategic Communications Review of Deliverables

Sam Villegas, our Director of Strategic Communications Services, will review our public-facing deliverables to ensure that they can be understood by a non-technical audience. We will also create an infographic explaining, in lay terms, the results of the study including how rates are calculated; the approach used for the study; the findings and recommendations and the impacts on typical City customers.

Task 5.3 – Communications Materials and Website Review

The project team will produce materials which will communicate any potential changes in the rates in an accessible, non-technical fashion. These communications materials include: an infographic, a frequently asked questions (FAQ) document, and 3 targeted social media postings. We will provide the graphical components of these documents (icons, graphics etc.) as separate files so that they can be used by the City in the future. All materials will use the City's typeface and color scheme so that they match the City's existing communications materials. In addition, our Strategic Communications Services team will review the City's website as it relates to engagement with utility customers and provide recommendations to ensure clarity, messaging, and the customer experience.

PLANNED MEETINGS:

- Virtual meetings as needed to review interim deliverables and materials for onsite meeting.
- Onsite Meeting #4 – Meet with City staff to review draft report and presentation materials.
- Onsite Meeting #5 – Present draft final study to Bentonville Utility Board and Bentonville City Council
- Onsite Meeting #6 – Present final report to Bentonville City Council at meeting for rate adoption.

DELIVERABLES:

- Presentation materials
- Rate Study Report
- Infographic
- FAQ Document
- Social Media Posting

Task 6: Development of the Cost-of-Service Model

The project team will develop a user- friendly rate model in Excel, which the City can use as a decision support tool moving forward. This model will be non-proprietary and accessible by the City without any licensing restrictions or fees. We will also provide up to 8 hours per year of model support at no additional cost to the City.

PLANNED MEETINGS:

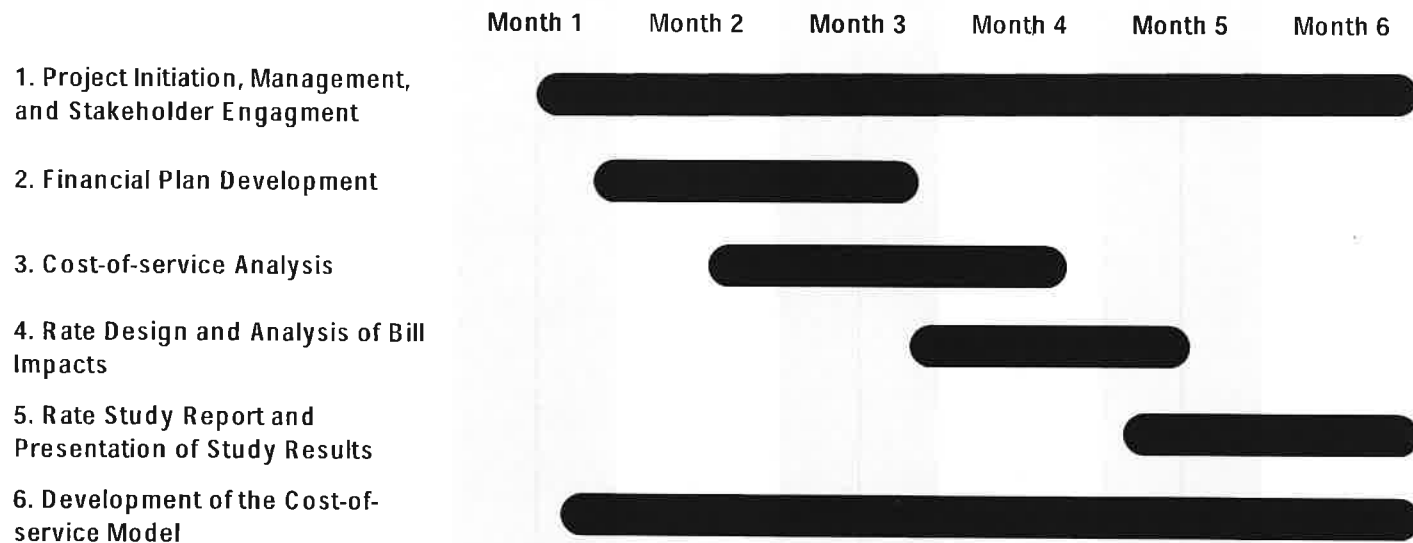
- Virtual meetings for model training.
- Virtual meetings for model support (up to 8 hours/year).

DELIVERABLES:

- Wastewater financial planning, cost of service and rate model

Schedule

The draft schedule below assumes that six months will be required to complete the study. During the project kick-off, we will work with City staff to establish a detailed timeline for project delivery, including milestones for interim project deliverables and the onsite meetings.



Price Proposal

Tasks	Hours					Total	Total Fees & Expenses
	TB	CD	SC	BS	SV		
1. Project Initiation, Management, and Stakeholder Engagement	2	6	8			16	\$3,810
2. Financial Plan Development	4	8	32			44	\$10,080
3. Cost-of-Service Analysis	2	8	32	6		48	\$12,160
4. Rate Design and Bill Impacts	4	4	16			24	\$5,660
5. Rate Study Report and Presentation of Study Results	4	20	30		30	84	\$19,940
6. Development of the Cost-of-Service Model	0	2	8			10	\$2,210
Total Estimated Hours	16	48	126	6	30	226	
Hourly Billing Rate	\$310	\$245	\$215	\$450	\$245		
Total Professional Fees	\$4,960	\$11,760	\$27,090	\$2,700	\$7,350	\$53,860	

TB - Tom Beckley
 CD - Collin Drat
 SC - Staff Consultants
 BS - Bill Stannard
 SV - Sam Villegas

Total Fees	\$53,860
Travel Expenses	\$3,000
Technology & Communication Charge	\$2,260
Total Fees & Expenses	\$59,120

Attachment B – RAFTELIS' 2021 Standard Hourly Billing Rates

<u>Position</u>	<u>Hourly Billing Rate **</u>
Chair	\$450
Chief Executive Officer/President	\$400
Executive Vice President	\$340
Vice President/Principal Consultant	\$310
Vice President of Communications and Marketing	\$310
Director of Governmental Services	\$310
Senior Manager	\$275
Director of Florida Operations	\$225
Manager	\$245
Director of Strategic Communication Services	\$245
Senior Consultant	\$215
Consultant	\$185
Associate	\$155
Creative Services	\$125
Analyst	\$110
Administration	\$80
Technology/Communications Charge*	\$10

* Technology/Communications Charge – this is an hourly fee charged monthly for each hour worked on the project to recover telephone, facsimile, computer, postage/overnight delivery, conference calls, electronic/computer webinars, photocopies, etc.

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



Agenda Item Form

Date of City Council Meeting	9/14/2021
Department	Electric
Submitted by	Travis Matlock, PE
Phone	479-271-5941

Item Type: (Check Applicable Item Type)					
☐ Budget Adjustment	☐ Change Order	☐ Informational	☐ Ordinance	☒ Resolution	☐ Bid Award
Recommendation/Suggested Action (Enter recommendation in space below):					
Resolution to amend existing Ampirical agreement for Substation "I" engineering to include bidding services and construction observation/oversight for \$322,209.					

Estimated Cost	\$322,209.00
Is this Item Budgeted?	☐ Yes ☒ No
If no, please explain how item will be funded (briefly explain in space below) :	
Expenses will be paid for from Reserves.	



MEMORANDUM

DATE: September 14, 2021

TO: City Council, Mayor Orman

FROM: Travis Matlock, Electric Utility Director

**RE: Amendment to Ampirical Engineering Contract
to provide construction services**

BEUD recommends amending the contract with Ampirical for the engineering on Substation "I" to include construction services (bidding and construction observation/oversight) for \$322,209.

The original contractor for the Substation "I" engineering was approved at the August 11, 2020 City Council and the engineering began in late 2020. BEUD is now ready to begin the bidding phase of design and recommend the amendment in order to allow Ampirical to work with Purchasing to procure the large materials and bid the construction of Substation "I".

As a reminder, with the expansion of Substation "E", the existing transformer will be relocated to Substation "I" as the new, upsized transformers are delivered to Substation "E" in 2022. This will save the City approximately \$600,000 in material costs.

This is a non-budgeted item and would be paid for from Electric Department reserves.

	AMENDMENT BEUD WMT Substation/T-Line Relocation		Doc. No.:	20081-BEUD-CO-PM-002	
			Project No.:	20081.00.00	
			Client AFE:		
			Rev. No./Date:	0	8/18/2021
			Issue for:		
			File Loc.:		
To: Travis Matlock, PE Electric Utility Director City of Bentonville 3200 Municipal Drive Bentonville, AR 72712 Phone: (479) 271-5941					
Description of Change: Provide project management, engineering, and construction management services for BEUD's Substation "I" Upgrade project per estimate letter dated August 16, 2021.					
Estimated Change Costs:					
Total \$ 322,209.00					
Attachments: 1) Substation "I" Upgrade Estimate Letter dated August 16, 2021					
WE AGREE hereby to make the change(s) specified above at this price			\$ 322,209.00		
Date:		PREVIOUS CONTRACT AMOUNT		\$182,548.00	
Authorized Signature (Ampirical)		NEW CONTRACT TOTAL		\$504,757.00	
ACCEPTED - The above prices and specifications of this Change Order are satisfactory and are hereby accepted. All work to be performed under same terms and conditions as specified in original contract unless otherwise stipulated.					
Date of Acceptance: _____					
Signature: _____					
{Name, Title} Contractor, Authorizing Agent					

4 Sanctuary Boulevard, Mandeville, LA 70471 Phone (985) 809-5240 Fax (985) 809-5250



Bentonville Electric Utility Department

Ampirical Project: TBD
August 16, 2021

Subject: Substation "I" Upgrade Estimate

Dear Mr. Matlock,

As requested, Ampirical has prepared the estimate below to provide project management services and construction management oversight for the Substation I Upgrade Construction.

SCOPE DESCRIPTION:

- Provide engineering, project management, project controls, and construction management support to:
 - o Develop preliminary project schedule to submit with bid request packages.
 - o Develop contracting strategy for subcontractor scopes.
 - o Develop subcontractor scopes and price sheets for bid request packages.
 - o Develop requests for material quotes.
 - o Evaluate subcontractor proposals in relation to scope of work to be executed and provide recommendation for successful bidder.
 - o Evaluate material quotations and provide recommendation on successful bidder.
 - o Support BEUD through contract execution phase by corroborating successful bidder's pricing with scope of work to be completed and developing project execution schedule.
 - o Construction manager to attend pre-construction meeting with subcontractors.
 - o Support project through construction phase.
 - Collaborate with BEUD to address issues related to subcontractor's scope of work
 - Provide quality control support
 - Collect and manage quality control documentation
 - Provide daily reports to BEUD outlining project progress and risks
 - o Create As-Builts and submit construction closeout documentation.

ESTIMATE OVERVIEW:

Ampirical Solutions, LLC shall perform the above scope of work for the Time & Material cost of **\$322,209**.

Time shall be billed on a monthly basis according to Ampirical's Rate Sheet included as Exhibit A.

**SCHEDULE OVERVIEW:**

The estimated procurement and construction schedule for the Substation I Upgrade project is below.

<u>PROJECT PHASE</u>	<u>START DATE</u>	<u>FINISH DATE</u>
<i>SCOPING</i>	9/7/2021	9/17/2021
<i>BID PREPARATION</i>	9/20/2021	10/8/2021
<i>RFQ POSTING</i>	10/11/2021	10/29/2021
<i>BID EVALUATION</i>	11/1/2021	11/19/2021
<i>CONTRACT EXECUTION</i>	11/29/2021	12/31/2021
<i>PRE-CONSTRUCTION MEETINGS</i>	1/3/2022	1/28/2022
<i>CONSTRUCTION</i>	1/31/2022	6/3/2022
<i>CLOSEOUT</i>	6/6/2022	7/8/2022

OPINION OF PROBABLE COST (OPC) ESTIMATE:

The estimated total cost of the Substation I Upgrade Project is based on the following:

- The existing south power transformer at Substation E will be transferred to the existing transformer foundation by January 31, 2022.
- The existing control house will remain in-service, and no modifications to the control house structure are necessary.

OPC Estimate to Complete Procurement & Construction: \$ 4,000,000

CLARIFICATIONS/ASSUMPTIONS:

- 1) The City of Bentonville will contract all required subcontractors to complete work.
- 2) The City of Bentonville will procure and expedite all material required to complete work.
- 3) The City of Bentonville has existing subcontracts and other required legal documents to contract required work.
- 4) Project manager support during construction is not included in estimated Time & Material cost.
- 5) Site construction management support is based on providing a construction manager on-site for 50 hours/week for 18 weeks.
 - a. Construction manager time over 40 hours per week will be billed at 1.5 times the Construction Manager rate in Exhibit A.
 - b. Construction manager per diem will be invoiced using applicable Lodging, Meals & Incidentals rates per U.S. General Services Administration website.
- 6) The construction and procurement scope of work is based on Substation "I" drawings submitted to BEUD on July 2, 2021.



- a. Work is restricted to Substation I. No overhead or underground transmission/distribution modifications are required beyond limits shown on drawing ESI-0401.

EXHIBITS:

A – Ampirical 2021 Rate Sheet

Ampirical appreciates the opportunity to work with Bentonville Electric Utility Department on its Substation I Upgrade Project, and we look forward to continuing to develop and execute this project to completion.

If you have any questions or comments, feel free to contact me.

Thank you again for the opportunity to support BEUD and the City of Bentonville.

Best Regards,

A handwritten signature in black ink, appearing to read 'Scott Curry', followed by a stylized flourish.

Scott Curry
AMPIRICAL
Project Manager
scurry@ampirical.com

2021 ENGINEERING RATES

<u>Classification</u>	<u>Hourly Rate</u>
Principal Engineer	\$241.00
Director	\$196.00
Design Manager	\$187.00
Staff Engineer	\$189.00
Sr. Project Manager	\$187.00
Program Manager	\$199.00
Project Manager II	\$157.00
Project Manager I	\$134.00
Construction Manager	\$167.00
Project Controls Specialist	\$157.00
Sr. Safety Consultant	\$159.00
Safety Consultant	\$121.00
Lead Engineer	\$178.00
Senior Engineer	\$165.00
Engineer III	\$139.00
Engineer II	\$126.00
Engineer I	\$114.00
Sr. Technical Specialist	\$167.00
Technical Specialist	\$157.00
Senior Designer	\$134.00
Designer	\$108.00
Senior Drafter	\$87.00
Drafter	\$70.00
Document Specialist	\$89.00
Lead Procurement Specialist	\$116.00
Procurement Specialist	\$102.00
Project Support Specialist	\$62.00
Clerk	\$58.00

Future Rates

Escalation of 1% annually shall apply to all rates for years beyond that shown above.

Billing

The above rates include direct labor plus *all* other components, such as payroll taxes, benefits, insurance, worker's compensation, overhead, and profit. Therefore, the total amount billed will be the straight time hours worked multiplied by the above numbers.

Overtime

Overtime rates are the above hourly wages multiplied by 1.5. These rates begin as soon as 10 hours per day or 40 hours per week are exceeded or for any work on holidays and weekends.

Subcontractors

If any subcontracting is necessary, these services will be invoiced at cost plus 9%.

Other Charges

Travel Expenses	- Travel time shall be billed at straight time not to exceed 8 hours - Cost of travel expenses (Airfare, Car Rental/Fuel, Lodging, Meals, etc.) shall be billed at cost - Company/Personal Car mileage shall be reimbursed at the current standard IRS Rate	
Drawing Reproduction Services	Letter or Legal B&W: \$0.08 per copy Letter or Legal Color: \$0.39 per copy Tabloid (11x17) B&W: \$0.292 per copy Tabloid (11x17) Color: \$2.92 per copy Large Format B&W: \$0.225 per sq.ft. Large Format Color: \$2.25 per sq.ft.	
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Equipment	Cost plus 9%	



Bentonville Electric Utility Department

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Material	Cost plus 9%	
Equipment	Cost plus 9%	



Agenda Item Form

Date of City Council Meeting	9/14/2021
Department	Electric
Submitted by	Travis Matlock, PE
Phone	479-271-5941

Item Type: (Check Applicable Item Type)					
☒ Budget Adjustment	☐ Change Order	☐ Informational	☐ Ordinance	☐ Resolution	☐ Bid Award
Recommendation/Suggested Action (Enter recommendation in space below):					
Budget adjustment using \$322,209 from Reserves to pay for amendment with Ampirical.					

Estimated Cost	\$322,209.00
Is this Item Budgeted?	☐ Yes ☒ No
If no, please explain how item will be funded (briefly explain in space below) :	
Expenses will be paid for from Reserves.	





Budget Adjustment Request

Date of City Council Meeting	9/14/2021
Department	Electric
Submitted by	Travis Matlock, PE
Phone	479-271-5941

Purpose of Budget Adjustment <i>(Enter purpose in space below):</i> Reserves will be used to pay for Ampirical amendment for Construction Services.

General Ledger Account Information*				
Org (Department)	Object	Account Description	Revenue + (-)	Expense + (-)
503010	47310	Capital Improvements - Other		\$ 322,209.00
		Totals	\$ -	\$ 322,209.00
		Net Impact on Fund Balance	\$ (322,209.00)	
*Final Account Number will be determined by Accounting Department after approval and purchase				

