

ERIE COUNTY WATER AUTHORITY
 AUTHORIZATION FORM
 For Approval/Execution of Documents
 (check which apply)

Contract: _____ **Project No.:** 2020000129
Project Description: Professional Service Agreement with Raftelis Financial Consultants, Inc

Item Description:

Agreement Professional Service Contract Amendment Change Order
 BCD NYSDOT Agreement Contract Documents Addendum
 Recommendation for Award of Contract Recommendation to Reject Bids
 Request for Proposals
 Other _____

Action Requested:

Board Authorization to Execute Legal Approval
 Board Authorization to Award Execution by the Chairman
 Board Authorization to Advertise for Bids Execution by the Secretary to the Authority
 Board Authorization to Solicit Request for Proposals
 Other _____

Approvals Needed:

APPROVED AS TO CONTENT:

<input type="checkbox"/> Other (if Applicable)	_____	Date: _____
<input checked="" type="checkbox"/> Chief Operating Officer	<u><i>Russell Stolt</i></u>	Date: <u>4/22/2020</u>
<input checked="" type="checkbox"/> Executive Engineer	<u><i>Leonard F. Konalick</i></u>	Date: <u>04-21-2020</u>
<input type="checkbox"/> Director of Administration	_____	Date: _____
<input checked="" type="checkbox"/> Risk Manager	<u><i>Molly G. Musarra</i></u>	Date: <u>04/21/2020</u>
<input checked="" type="checkbox"/> Chief Financial Officer	<u><i>Karen A. Rendquist</i></u>	Date: <u>04/21/2020</u>
<input checked="" type="checkbox"/> Legal	<u><i>Margaret A. Murphy</i></u>	Date: <u>04/21/2020</u>

APPROVED FOR BOARD RESOLUTION:

Secretary to the Authority *[Signature]* Date: 04/22/2020

Remarks: Subject to the confirmation of disability and workers compensation insurance

Resolution Date: _____ **Item No:** _____



ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM

April 21, 2020

To: Commissioners Schad and Carney

From: Karen A. Prendergast, Chief Financial Officer *KAP*

Subject: Retention of Rate Consultant

Our current rate model was developed by Raftelis Financial Consultants in 2016 and was implemented on January 1, 2017. The new model was a significant change from our previous model, eliminating our declining block schedule and setting volumetric and infrastructure investment charges by assigning our cost of service to customers by type and size.

The Authority's Bond Resolution requires the retention of a Rate Consultant to be available to advise the Authority upon request in matters of rate analysis, forecasting revenues, and preparing required reports on sufficiency of water charges for the Bond Trustee.

At the Staff portion of the February 28, 2020 Board meeting, I recommended we retain Raftelis Financial Consultants to provide on-call consulting services, update our cost of service study and rate model, train Authority personnel to maintain the rate model, and prepare the required financial feasibility report for Bond Trustees due in 2021.

At this time, I am seeking Board authorization to enter into a professional service agreement with Raftelis with the scope of services discussed above.

cc T. McCracken
M. Murphy
R. Stoll
J. Tomaka

**PROFESSIONAL SERVICES AGREEMENT
FOR FINANCIAL SERVICES**

This is an Agreement effective as of April 9, 2020 (“Effective Date”) by and between

ERIE COUNTY WATER AUTHORITY

295 Main Street, Room 350
Buffalo, New York 14203

hereinafter referred to as the “Authority,” and

RAFTELIS FINANCIAL CONSULTANTS, INC.

20 Main Street, Suite 301
Natick, Massachusetts 01760

hereinafter referred to as “Consultant.”

The nature of the professional service sought by the Authority under this Agreement is a comprehensive written report setting forth a financial plan and rate updates, financial feasibility studies and debt issuance support, and a customer assistance program review and evaluation.

In consideration of the mutual promises set forth in this Agreement, the Authority and Consultant agrees as follows:

ARTICLE 1 – SERVICES OF CONSULTANTS

1.01 Standard of Performance

- A. ***Standard of Care:*** The standard of care for all financial professionals and related services performed or furnished by Consultant under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality.
- B. ***Technical Accuracy:*** The Authority shall not be responsible for discovering deficiencies in the technical accuracy of Consultant’s services. Consultant shall correct deficiencies in technical accuracy without additional compensation, unless such corrective action is directly attributable to deficiencies in Authority-furnished information.

1.02 Scope of Service

- A. The Consultant agrees and represents it will provide services relating to cost of service analysis, rate modeling and financial feasibility analysis as set forth in Paragraphs 1.02 B through 1.02 D, which are intended to summarize the work plan outlined in the Consultant's proposal engagement letter, dated January 6, 2020, which is hereby incorporated and included in this Agreement as Attachment A.
- B. ***Task 1 - Financial Plan and Rate Updates:*** In Task 1, the Consultant will perform the following services:
1. Update the cost of service analysis prepared by the Consultant in 2016 to reflect the Authority's current rate structure and financial position;
 2. Evaluate the current rate structure to ensure it meets the Authority's revenue requirements, including capital plan financing assumptions, and make recommendations for change if necessary;
 3. Prepare a report on the effectiveness of the current rate structure, outlining recommended changes, if any, and present findings to the Board if requested;
 4. Work with Authority personnel to maintain the cost of service data and evaluate its role in future rate modeling.
- C. ***Task 2 - Financial Feasibility Studies and Debt Issuance Support:*** In Task 2, the Consultant will perform the following services:
1. Prepare a financial feasibility report for the Authority's bond trustees as required by the Authority's Fourth General Bond Resolution;
 2. Assist in preparing required documentation in the event of a bond issuance.
- D. ***Task 3 - Customer Assistance Program Review and Evaluation:*** In Task 3, the Consultant will provide consulting services relative to rate analysis, revenue forecasting, and customer assistance programs, as needed.
- E. The Consultant agrees to complete Task 1 by September 30, 2020 to be considered in the 2021 budget. The Consultant agrees to prepare and submit a report to the Authority, required in Task 2, by December 31, 2021 to comply with Authority bond covenants.

ARTICLE 2 – PAYMENT OF PROFESSIONAL SERVICES

2.01 The Consultant shall submit periodic invoices to the Authority, detailing the hours and description of the services rendered to the Authority, as well as expenses incurred, in a form acceptable to the Authority’s Chief Financial Officer and/or Comptroller. The Consultant will be responsible for completing all work covered by this Agreement.

2.02 Costs for the services provided under this Agreement shall be billed at the following rates:

Project Director	\$310
Project Manager	\$245
Staff Consultant	\$185
Administrative Staff	\$ 80

2.03 Expenses will be reimbursed upon presentation of paid receipts with a total cost not to exceed \$12,500. Payments for services will be based on detailed actual hours worked with a total cost not to exceed \$170,000.

2.04 Upon receipt of a properly submitted invoice, the Authority will remit payment within 30 calendar days.

ARTICLE 3 – GENERAL PROVISIONS

3.01 **Subcontract and Assignments:** The Consultant may not subcontract or delegate any of the work, services, and/or other obligations of the Consultant without the express written consent of the Authority. The Authority and the Consultant bind themselves and their successors, administrators and assigns to the terms of this Agreement. The Consultant shall not assign, sublet or transfer its interest in the Agreement without the written consent of the Authority.

3.02 **Amendments:** No modification or variation from the terms of this Agreement shall be effective unless it is in writing and authorized by a resolution of the Board of Commissioners of the Authority and signed by all parties.

3.03 **Right to Terminate:** The Authority reserves the right to terminate the Consultant’s services at any time, without cause, based on thirty (30) days' written notice. Consultant shall not be entitled to lost profit and shall perform only such services, after notification of termination, as the Authority directs.

3.04 **Indemnification:**

- A. To the fullest extent permitted by law, the Consultant agrees to indemnify and hold the Authority harmless from all third party claims, liabilities, damages and costs (including all reasonable attorney’s fees, and cost of defense) to which the Authority, its officers, directors and employees may be subject to, arising out of the death or bodily injury to any person or the destruction or damage to any property to the extent caused by the negligent acts, errors or omissions, or willful misconduct of the

Consultant's performance of professional services provided under this Agreement or anyone for whom the Consultant is legally liable.

- B. To the fullest extent permitted by law, the Authority agrees to indemnify and hold the Consultant harmless from all third party claims, liabilities, damages and costs (including all reasonable attorney's fees and cost of defense) to the extent caused by the negligent acts, errors or omissions of the Authority, its contractors, consultants or anyone for whom the Authority is legally liable.

3.05 **Confidential Information:**

- A. In order to assist the Consultant in the performance of this Agreement, the Authority may provide the Consultant with confidential information including, but not limited to information relative to the services to be performed. All information received by the Consultant in any fashion and under any conditions resulting from the rendering of the services in consideration of this agreement, are considered confidential. The Consultant shall hold in confidence and not disclose to any person or any entity, any information regarding information learned during the performing of services including, but not limited to, information relative to the services to be performed.
- B. The Consultant shall use at least the same degree of care to protect and prevent unauthorized disclosure of any confidential information as it would use to protect and prevent unauthorized disclosure of its own proprietary information. The Consultant shall use confidential information only in the performance of this Agreement. No other use of the confidential information whether for the Consultant's benefit or for the benefit of others shall be permitted.
- C. All data and information in any format submitted or made available to the Consultant by the Authority or any other person on behalf of the Authority, unless otherwise publicly available, and all data and information, and other work developed by the Consultant under this Agreement, shall be utilized by the Consultant solely in connection with the performance of services under this Agreement only and shall not be made available by the Consultant to any other person.
- D. In no event is the Consultant authorized to disclose confidential information without the prior written approval of the Authority. Consultant may provide such information to its Authority-approved subcontractors for the purpose of performing the services; or disclose such information, with notice to the Authority, if such information is required to be disclosed by law or court order. The terms of this paragraph shall be binding during and subsequent to the termination of this Agreement.

3.06 **Reliance on Data:** In performance of the services, it is understood that the Authority and/or others may supply the Consultant with certain information and/or data, and that the Consultant will rely on such information. It is agreed that the accuracy of such information is not within the

Consultant's control and they shall not be liable for its accuracy, nor for its verification, except to the extent that such verification is expressly part of the Scope of Services.

3.07 **Opinions and Estimates:** The Consultant's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made based on available information and the Consultant's expertise and qualifications as a professional. The Consultant does not warrant or guarantee that its opinions, estimates, projections or forecasts of current and future levels and events will not vary from the Authority's estimates or forecasts or from actual outcomes. The Consultant identifies costs, allocates costs to customer classes and provides rate models. The Consultant will not establish rates, which is the responsibility of the Authority.

3.08 **Insurance:** The Consultant shall secure and maintain such insurance as will protect itself from claims under the Workers' Compensation Act; claims for damages because of bodily injury, including personal injury, sickness or disease, or death of any of its employees or of any person other than its employees; and from claims for damages because of injury to or destruction of property including loss of use resulting therefrom in the amounts indicated on Attachment B. The Consultant shall provide and maintain insurance that will provide coverage for claims arising out of the negligent performance of its services. The Consultant shall provide Certificates of Insurance certifying the coverage required by this provision.

3.09 **Rights, Title and Interest to Specific Materials:**

- A. All deliverables under this Agreement, whether produced by the Consultant alone or with others, and regardless of whether produced during regular working hours, shall be considered the property of the Authority. The Consultant shall, during and subsequent to the terms of this Agreement, assign to the Authority, without further consideration, all right, title and interest in all deliverables under this Agreement. All deliverables under this Agreement shall be and remain the property of the Authority whether registered or not.
- B. In performing work under this agreement, the Consultant may be granted access to the Authority's documents, data and other information. The Consultant understands and agrees that the use of such documentation, data and information shall be treated as confidential information.

3.10 **New York Law and Jurisdiction:** Notwithstanding any other provision of this Agreement, any dispute concerning any question of fact or law arising under this Agreement which is not disposed of by agreement between the Consultant and the Authority shall be governed, interpreted and decided by a court of competent jurisdiction of the State of New York in accordance with the laws of the State of New York.

3.11 **Conflicts of Interest:** The Consultant represents that it has advised the Authority in writing prior to the date of signing this Agreement of any relationships with third parties, including competitors of the Authority, which would present a conflict of interest with the rendering of the services, or which would prevent the Consultant from carrying out the terms of this Agreement or which would present a significant opportunity for the disclosure of confidential information. The

Consultant will advise the Authority of any such relationships that arise during the term of this Agreement. The Authority shall then have the option to terminate the Agreement without further liability of the Consultant, except to pay for services rendered.

3.12 **Additional Conditions:** The Consultant and the Authority acknowledge that there may be additional conditions, terms and provisions which shall apply specifically to the services to be performed. The parties agree to negotiate in good faith to agree upon such additional terms.

3.13 **Entire Agreement:** This Agreement constitutes the entire understanding of the parties and no representations or agreements, oral or written, made prior to its execution shall vary or modify the terms herein. This Agreement supersedes all prior contemporaneous communications, representations, or agreements, whether oral or written with respect to the subject matter hereof and has been induced by no representations, statements or agreements other than those herein expressed. No subsequent agreement made between the parties shall be binding on either party unless reduced to writing and signed by an authorized officer of the party sought to be bound by such agreement.

3.14 **Independent Status:**

- A. Nothing contained in the Agreement shall be construed to render either the Authority or the Consultant, an owner, member, officer, partner, employee or agent of the other, nor shall either party have authority to bind the other in any manner, other than as set forth in this Agreement, it being intended that the Consultant shall remain an independent contractor responsible for its own actions. The Consultant is retained by the Authority only for the purpose and to the extent set forth in this Agreement.
- B. The Consultant is free to choose the aggregate number of hours worked and the scheduling of such hours as it shall see fit at its discretion within the limitations set forth in Article 1.
- C. Neither the Consultant nor its employees shall be considered under the provisions of this Agreement or otherwise as having an employee, servant or agency status or as being entitled to participate in any plans, arrangements or distributions of the Authority.
- D. In providing the services under this Agreement, the Consultant represents and warrants that it has complied with all applicable federal, state and local laws particularly with respect to licenses, withholdings, reporting and payment of taxes. The Consultant agrees to furnish copies of documentation to the Authority evidencing its compliance with such laws. The Consultant further represents and warrants that any income accruing to the Consultant and its employees from the Agreement shall be reported as such to the appropriate taxation authorities.

3.15 **Doing Business Status:** The Consultant represents it is qualified to do business in State of New York and has registered with the New York Secretary of State.

3.16 **Gratuities:** The Consultant shall prohibit its agents, employees and consultants from using their positions for personal financial gain, or from accepting any personal advantage from anyone under circumstance which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their official duties. The Consultant or its employees shall not, under circumstances which might be reasonably interpreted as an attempt to influence the recipients in the conduct of their duties, extend any gratuity or special favor to employees of the Authority.

3.17 **Notice:** Any notices required by this Agreement or otherwise shall be delivered by United States Postal mail or personal delivery upon the addresses hereinbefore stated. Any change in such addresses shall be required to be in writing to the other party and acknowledged as such.

ARTICLE IV – SEVERABILITY

4.01 Any provision or part of the Agreement held to be void or unenforceable by a court of competent jurisdiction shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties, which agrees that the Agreement shall be reformed to replace such stricken provisions or part thereof with a valid enforceable provision that comes as close as possible to expressing the intent of the stricken provision. The validity and enforceability of all other provisions of this Agreement shall not otherwise be affected.

ARTICLE V – DURATION

5.01 All services to be provided under this Agreement shall be provided over a three-year period from April 1, 2020 through March 31, 2023 with two potential one-year extensions at mutually agreed upon terms.

5.02 The Authority reserves the right to terminate this Agreement in the event it is found that the Certification filed by the Consultant in accordance with New York State Finance Law §139-k was intentionally false or intentionally incomplete. Upon such finding, the Authority may exercise its termination right by providing written notification to the Consultant in accordance with the written notification terms of this Agreement.

ERIE COUNTY WATER AUTHORITY

By: _____
Jerome D. Schad, Chairman

RAFTELIS FINANCIAL CONSULTANTS, INC

By: _____

STATE OF NEW YORK)
COUNTY OF ERIE)ss:

On the _____ day of _____, in the year 2020, before me personally came Jerome D. Schad to me known, who, being by me duly sworn, did depose and say that he resides in Amherst, New York, that he is the Chairman of the Erie County Water Authority described in the above instrument; and that he signed his name thereto by order of the Board of Commissioners of said Authority.

Notary Public

STATE OF NEW YORK)
COUNTY OF ERIE) ss:

On the _____ day of _____, in the year 2020, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides in _____, that he is a Project Director described in the above instrument; and that he signed his name thereto by order of said corporation.

Notary Public

Attachment A

Ms. Karen Prendergast
Chief Financial Officer
Erie County Water Authority
295 Main Street, Room 350
Buffalo, NY 14203

Dear Ms. Prendergast,

Raftelis is pleased to provide this proposal to provide on-call water rate, financial, and management consulting services to the Erie County Water Authority (ECWA or Authority). Over the course of our engagement, Raftelis will maintain and update the Authority's rate projections developed during the Cost of Service study completed in 2016, in accordance with accepted industry practice, as well as present and defend those projections and underlying methodology as needed. In addition to rate and financial planning services, Raftelis might also be asked to assist ECWA with other support services such as debt issuance assistance and update reports. Although these are the most common on-call services requested during engagements of this nature, Raftelis is willing to assist the Authority in any capacity that we are capable of, for example with data management services, management consulting, or affordability analyses, and hence are not proposing to limit our potential services to those outlined in this document. It is instead our hope that the Authority will continue to look to Raftelis as a trusted advisor in multiple capacities, and we look forward to the opportunity to continue to earn that trust through our consulting services.

Example Task 1: Financial Plan & Rate Updates

Utilizing the Authority's existing financial plan developed during the Cost of Service study as a baseline, Raftelis will maintain and update as necessary ECWA's model to be consistent with financial planning and budgeting processes, ECWA's rate phase-in plan, as well as industry guidelines published by AWWA. We will review and document cost escalation rates, capital plan financing assumptions, and subsequent rate increases and any necessary deviations from the results of the Cost of Service study. We will review rate covenants and accounting covenants, both internal and external, to ensure that all requirements and related obligations are satisfied annually. Raftelis will discuss our understanding of rate and accounting covenants with ECWA staff in order to ensure that all legal covenant requirements are properly reflected in the revenue sufficiency and revenue requirements analyses.

Raftelis will update and analyze demand and billing records to prepare an analysis of revenues generated under existing rates. Raftelis will specifically look to analyze the Authority's most recent billing data to track and identify any trends that may have resulted since the Cost of Service study in 2016. We will periodically update the financial plan and demand analysis with the Authority's most recent information to ensure accuracy with the short- and long-term financial and rate plans.

Raftelis will make recommendations to the Authority as to the necessary rate increases to provide for financial sufficiency, while at the same time providing revenues to meet all the Authority's rate, bond, and accounting covenants. We will also make annual recommendations to ensure that the Authority's rate increases are consistent with the results and plan of the recently completed Cost of Service analysis.

Raftelis will also prepare the Authority's annual rate report, taking into consideration historical actuals, estimated actuals, and forecasts of revenue requirements, rates, subsequent revenues, and their impact on the Authority's finances and required covenants.

Example Task 2: Financial Feasibility Studies and Debt Issuance Support

One area in which Raftelis could also provide assistance annually or at least every few years, is with Financial Feasibility Studies (Bond Feasibility) and related materials in connection with Bond issuances. Raftelis has extensive experience developing Bond Feasibility Reports for other clients for inclusion in their Official Statement to investors.

The work plan that we propose for ECWA includes the development of comprehensive financing plans for funding major capital improvement programs. The capital financing plan will be based on capital planning schedules and cost estimates provided by ECWA staff. The plan will recommend a blend of funding that takes into consideration the relative costs of different types of financing, bond ordinance covenants, legal restrictions, rate impacts, and utility finance policies. The analysis will evaluate different blends of funding sources such as revenue bonds, rate revenues, fund balances, and other available financing sources. Sensitivity analysis will be performed using different assumptions for debt terms and interest rates.

Raftelis will collect and review financial, operating, engineering, and legal information and prepare a Bond Feasibility Report for inclusion in the Preliminary Official Statement (POS) and the Final Official Statement (OS). Specifically, Raftelis will evaluate current budget information as well as financial and operating data for the last five fiscal years. The review will examine information related to capital costs; revenues from rates, fees, and other sources; the number and types of accounts; and the billable flows. A Bond Feasibility Report also typically discusses items such as utility characteristics, customer demographics, utility infrastructure condition, facilities management, environmental regulations compliance, and the specific projects that will be financed with the revenue bonds. The data collected as part of this task will serve as the basis for Bond Feasibility Report financial forecasts, debt service coverage ratios, compliance with Additional Bonds Tests, and documentation of forecast assumptions and system operating characteristics

Raftelis will work with the Authority's engineer, or subcontract an engineer if the Authority desires, to develop an opinion as to the condition of ECWA assets and their ability to satisfy regulatory requirements. This team will visit major system facilities and discuss design and maintenance history with ECWA staff. The Engineer will assist in preparing a written opinion of the ability of system assets to satisfy operating requirements and anticipated regulatory changes. The Consulting Engineer's evaluation could also include an estimate of the remaining useful service life of the assets. The Consulting Engineer's evaluation will be compiled into the Bond Feasibility Report for inclusion in the OS and POS.

To develop the financial plan necessary for the Bond Feasibility Report, Raftelis will rely on data derived from processes in Task 1 to estimate the revenues generated from user rates. We will then review additional revenue sources that may be available for debt service coverage based on requirements identified in the Authority's Bond Ordinance. This analysis will enable us to evaluate the ability of rates to satisfy the revenue requirements projected by the financial plan. Finally, we will review other factors that could have an impact on revenue requirements and debt service coverage. Covering a period of six years, Raftelis will develop a financial forecast that identifies operating and non-operating revenues, expenses, and net income. The analysis will include required revenue adjustments to calculate, at a minimum, the debt service coverage ratios as described in the rate covenants. This financial forecast will be prepared on the accrual basis of accounting and will be consistent with generally accepted accounting principles. Appropriate adjustments will then be made for the purpose of determining projected net revenues available for debt service, which will be used to calculate debt service coverage on an annual basis.

Raftelis will prepare a preliminary draft of the financial feasibility report that includes the financial forecast schedule, documentation of assumptions, explanatory notes, and background information. The documentation will include engineering data supporting utility demographic projections and usage levels. The report will also describe the construction projects that will be financed with the bond proceeds. This report will be submitted for review by ECWA staff and other members of the Financing Team. We anticipate preparation of two drafts for review before preparing a final draft version, which will be provided for incorporation into the bond's Preliminary Official Statement (POS).

Raftelis will meet with ECWA representatives to develop strategies for presenting the bond feasibility results to rating agencies and bond insurers. These strategies will draw upon Raftelis' experience in helping other utilities gain favorable approval of proposed bond issuances. If so desired, Raftelis will assist the ECWA in meeting with ratings agencies who have questions about the feasibility evaluation report. Based upon a final review by staff and the Financing Team, the financial feasibility evaluation report will be finalized for incorporation into the OS. Over

the course of this assistance, Raftelis will assemble working papers that document all assumptions, explanatory statements, and background information included in the report.

As needed, Raftelis will prepare bring-down opinion letters, which are used in the debt rating industry to bring investors up-to-date on formerly issued legal opinions regarding specific debt issuances. Bring-down opinion letters are a widely used alternative to full-length, updated opinion letters, and are intended to provide investors with a level of comfort as to any changes that may have taken place since the original opinion letter was issued.

As part of these as-needed tasks, Raftelis will research changes in ECWA financial condition, legal agreements, and relevant laws and regulations that may affect the originally issued opinion. This research will involve consultation with ECWA staff, legal experts, and Raftelis professional contacts within the debt rating industry. Research will include an analysis of interim financial statements and a review of any new or changed legal agreements that have the potential to affect existing bondholders. To the extent that we determine the possible need for a caveat or qualified opinion, we will consult closely with ECWA in order to determine the best approach for dealing with the new information. We understand that bond rating agencies only consider bring-down letters to be adequate if they are able to bring investors fully up to date on any changes in opinion, and that a fully updated long-form opinion letter can be necessary to address material changes in circumstances. Raftelis will rely on the findings of its research and analysis, combined with input from ECWA, in writing each bring-down letter. A draft of the letter will be reviewed by ECWA staff and whatever other parties may be appropriate before submitting the letter. We will prepare adequate documentation to support all statements made in the bring-down letter.

Based on our understanding of requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, any consultant developing a financial forecasts and capital financing plan that includes recommendations on the structure, timing, or terms of future bond issues must be a Registered Municipal Advisor with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) by July 1, 2014. Raftelis has registered as a Municipal Advisor and, as such, is fully capable of completing this scope element.

Example Task 3: Customer Assistance Program Review and Evaluation

This task would involve assisting the Authority in the evaluation and implementation of customer assistance programs to help address customer affordability issues, including but not limited to plumbing assistance programs, water line and replacement loans and payment plan programs, and discounts for low income customers. In doing so, Raftelis will determine the scope of affordability issues within the Authority's service areas by performing location-based analyses of billing data and corresponding census income and demographic data.

We will then work with Authority to identify and review viable options for customer assistance programs which will provide the maximum amount of assistance to the Authority's customers. The results of the affordability scope analyses will help inform this decision. Ultimately, Raftelis will help determine eligibility criteria and processes, the estimated costs to the Authority, both financially and administratively, in order to implement program, and document these results in a summary memo.

Estimated Work Plan and Billing Rates

This document provides for example scopes of work and prices for the three example tasks outlined above, but again does not limit the scope of work Raftelis could be asked to undertake for the Authority. Should a task be required that is outside of the two tasks described above, Raftelis will prepare a written scope of work and price for approval by the Authority prior to starting work.

The work plan in Attachment A outlines the estimated hours and associated not-to-exceed fees for completing Tasks 1, 2, & 3 as outlined above. Raftelis will bill on a monthly basis for only our time and expenses incurred, with all unbilled time passed on as savings to the Authority. The work plan also presents Raftelis' 2020 billing rates for our proposed staff, which will be used in the event of the Authority requesting our services for anything outside of Tasks 1, 2, & 3. These billing rates are included in the example work plan on the following page. If the terms of this engagement letter are agreeable, please execute and provide one copy to me for my records.

I'd like to thank you for this opportunity to continue working with the Erie County Water Authority. Should you have any questions regarding this scope of work or the services we can provide, please do not hesitate to contact me at (774) 243-0619 or dfox@raftelis.com.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.



Dave Fox, Manager

We accept the terms of this engagement letter:

Signature	Date
Title	Name of authorized agent

Tasks	Hours					Total Fees & Expenses
	JM	DF	LE	Admin	Total	
Task 1: Financial Plan and Rate Updates						
1.1: Project Initiation and Management	2	12	8	2	24	\$6,140
1.2: Update Revenue Requirements and Customer Information	2	24	40	0	66	\$14,560
1.3: Update Rate Forecast	8	40	32	0	80	\$19,700
1.4: Prepare Annual Rate Report	8	16	32	0	56	\$12,880
1.5: Presentation to Board of Commissioners	4	16	8	2	30	\$7,860
Task 2: Financial Feasibility and Debt Insurance Support						
2.1: Project Initiation and Management	8	8	4	1	21	\$6,170
2.2: Data Collection	2	4	8	0	14	\$3,220
2.3: Evaluate Financial Plan	4	16	8	0	28	\$6,920
2.4: Create Financial Forecast Schedules	2	2	4	0	8	\$1,930
2.5: Prepare Draft Bond Feasibility Report	16	32	16	0	64	\$16,400
2.6: Working Group Meetings and Presentations	8	16	4	0	28	\$7,420
2.7: Finalize Bond Feasibility Report	4	24	8	1	37	\$9,050
2.8: Additional "Bring-Down" Letter	16	32	40	1	89	\$21,870
Task 3: Customer Assistance Program Review and Evaluation						
3.1: Project Initiation and Management	2	8	4	1	15	\$3,550
3.2: Perform Analyses and Document Results	4	16	40	1	61	\$13,950
Total Estimated Meetings / Hours	90	266	256	9	621	
Hourly Billing Rate	\$310	\$245	\$185	\$80		
Total Professional Fees	\$27,900	\$65,170	\$47,360	\$720	\$141,150	
					Total Fees	\$141,150
					Total Expenses	\$10,470
					Total Fees & Expenses	\$151,620

JM - John Mastracchio, Project Director
 DF - Dave Fox, Project Manager
 LE - Luke Eastman, Staff Consultant
 Admin - Administrative Staff

Attachment B

The following minimum insurance requirements shall apply to vendors providing services to the Erie County Water Authority (ECWA). If a service or project, in the opinion of ECWA, represents an unusual or exceptional risk, ECWA may establish additional insurance requirements for that service or project. All insurance required herein shall be obtained at the sole cost and expense of the contractor, including deductibles and self-insured retentions, and shall be in full force and effect on the contract commencement date and for the duration of the contract. These requirements include but are not limited to the minimum insurance requirements.

Insurance Requirements:

a. Workers Compensation:

Part 1: Workers Compensation: Statutory

Part 2: Employers Liability: \$1,000,000.

Note: If New York State domiciled employees are used, coverage to be New York Statutory for both Parts 1 and 2

b. New York Disability Benefits Liability: Statutory coverage if New York State domiciled employees are used.

c. Commercial General Liability:

- \$2,000,000. General Aggregate
- \$2,000,000. Products/Completed Operations Aggregate
- \$1,000,000. Each Occurrence
- \$1,000,000. Personal Injury/Advertising Liability
- Erie County Water Authority to be scheduled as an Additional Insured for both on-going and completed operations (attach Additional Insured endorsement to Certificate of Insurance)
- Insurance to be primary and non-contributory

d. Automobile Liability:

- \$1,000,000. Each Accident
- Erie County Water Authority to be scheduled as an Additional Insured.

e. Professional Liability:

- \$5,000,000 Per Claim
- \$5,000,000 Aggregate

f. Cyber Liability:

- \$1,000,000 Per Claim
- \$1,000,000 Aggregate

Certificates of Insurance to be provided to **ECWA** prior to start of work as follows:

ACORD 25 including copy of Additional Insured Endorsement Note: If coverage provided for NYS domiciled employees require Forms C 105.2 and DB 120.1 for Workers Compensation and NYS DBL.

Certificates of Insurance, on forms approved by the New York State Department of Insurance, must be submitted to ECWA prior to the award of contract. Renewals of Certificates of Insurance, on forms approved by the New York State Department of Insurance, must be received by ECWA 30 days prior to the expiration of the insurance policy period.

Certificates of Insurance and renewals, on forms approved by the New York State Department of Insurance, must be submitted to ECWA prior to the award of contract. Each insurance carrier issuing a Certificate of Insurance shall be rated by A. M. Best no lower than “A-” with a Financial Strength Code (FSC) of at least VII. The professional service provider shall name ECWA, its officers, agents and employees as additional insured on a Primary and Non-Contributory Basis, including a Waiver of Subrogation endorsement (form CG 20 26 11 85 or equivalent), on all applicable liability policies. Any liability coverage on a “claims made” basis should be designated as such on the Certificate of Insurance. Such insurance shall continue through the term of this Agreement and vendor shall purchase at his sole expense either 1) an Extended Reporting Endorsement (also, known as Tail Coverage); or 2) Prior Acts Coverage from new insurer with a retroactive date back to the date of, or prior to, the inception of this Agreement; or 3) demonstrate through Certificates of Insurance that vendor has Maintained continuous coverage with the same or original insurer. Coverage provided under items; 1), 2), or 3) will continue as long as the law allows.

To avoid confusion with similar insurance company names and to properly identify the insurance company, please make sure that the insurer’s National Association of Insurance Commissioners (N.A.I.C.) identifying number or A. M. Best identifying number appears on the Certificate of Insurance. Also, at the top of the Certificate of Insurance, please list the project number.

Acceptance of a Certificate of Insurance and/or approval by ECWA shall not be construed to relieve the outside vendor of any obligations, responsibilities or liabilities.

Certificates of Insurance should be e-mailed to mmusarra@ecwa.org or mailed to Ms. Molly Jo Musarra, ECWA Claim Representative/Risk Manager Erie County Water Authority, 295 Main Street – Room 350, Buffalo, New York 14203-2494, or If you have any questions you can contact Ms. Musarra by e-mail or phone (716) 849-8465.