

EXHIBIT B
AUTHORIZATION OF CHANGE IN SERVICE

CONTRACT NUMBER / CONTRACT NAME:	219-119 Utility Rate Study	
CITY REPRESENTATIVE:	Melissa Neel, Assistant Finance Director	
CONTRACTOR:	GDS Associates, Inc.	
CONTRACT EFFECTIVE DATE:	June 12, 2019 thru June 11, 2021 with 6 (1) year renewal options	
THIS AUTHORIZATION DATE:	October 20, 2020	AUTHORIZATION NO.: 1

DESCRIPTION OF WORK TO BE ADDED TO OR DELETED FROM SCOPE OF SERVICES:

The Agreement is hereby amended to include additional services as directed by the City to include but not limited to filing breakdown costs for project Big Hat and added deliverables for the utility rate study pursuant to Attachment A.

Original Contract Amount:	\$80,000	
Previous Increases/Decreases in Contact Amount:	0.00	
This Increase/Decrease in Contract Amount:	\$62,000	
Revised Contract Amount:	\$142,000	

CONTRACTOR: GDS Associates Inc.

Signature

Date

Chuck Loy, CPA, GDA Associates Inc. Principal
Print Full Name / Title (if not in individual capacity)

CITY: CITY OF SAN MARCOS, TX

Signature

Date

Bert Lumbreras, City Manager
Print Name / Title

City Department Use Only Below This Line (PM, etc.).

Account Number(s):	Amount	Date
#	\$	

Below we describe a proposed scope of work and our estimate of costs for the change in service. We have reduced the estimated cost of the electric COSS since the last time it was sent over after further deliberation and review of the data we have on hand.

Electric COSS \$20k

- Review and allocate FY21 budget costs to existing electric classes using customer, usage and demand information used in recent rate model update
- Recommend treatment of purchased power expense recovery.
- Minor redesign of rates to eliminate unwarranted subsidies, balance fixed/volumetric recovery, and mitigate any impacts caused by changes to PCRf. This estimate does not anticipate the formation of new rate classes or changes to basic rate design.
- Provide report to CUAB/City Council on methodology and recommendations.

Provide new model \$12k

Below are the items that we would include in a standard model, with a few modifications to meet your needs as I understand them. This is intended to ensure that everyone is on the same page and any additional requirements of the City that would affect the cost. As we are very familiar with your system of accounts and specific issues and have this information, we can get this turned around quickly:

INPUTS

- Budgeted expense (budget year) at the **department level with the exception of:**
 - purchased power expenses (entered as total per year for forecast period)
 - other revenues
 - Reclaimed water annual revenues (entered as total each year in forecast period)
 - Wholesale water annual revenues (entered as total each year in forecast period)
 - Ferguson revenues (entered as total each year for forecast period)
 - Transfers (budget year, escalated using escalation factor)
 - Misc. revenues (budget year, escalated using escalation factor)
 - PCRf revenues (entered as total each year for forecast period *or* calculated)
 - Transfer to capital reserves at utility level (entered as a total each year for forecast period)
 - purchased water/water treatment expense (entered as a total each year for forecast period)
 - Shared costs split between water/wastewater (budget year, entered as total for each utility)
 - Franchise fee revenues (calculated off of revenues, but net zero against franchise expense)
- Projected debt service at the utility level (entered as total each year for forecast period) – alternatively can be calculated.
- Projected capital expense borne by utility funds at the utility level (entered as total per year for forecast period)
- Ability to adjust total utility expenses or debt service on an annual basis for forecast period. (e.g. add \$500k to overall electric expense in year 2 or add \$1 million of debt service expense to water). Any other adjustment will be made to inputs discussed above.
- Starting fund balances at utility level (budget year)
- Total number of annual bills for each class (most recent year)
- Total usage by tier for each class (most recent year)
- Total billed demand for classes with demand-based charges (most recent year)
- Current rates in effect
- Escalation rate for overall expense increase (applied to all expenses not individually listed above)
- Escalation rate for customer growth (applied to total number of customers to determine bills/usage)
- Rate increase instituted by year by utility (input in model)

OUTPUTS

- Total revenue shortfall/excess for each forecast year at the utility level shown calculated as:

Revenues = Calculated base rate revenues + Other revenues (Misc., Ferguson, PCRF, etc.)

/less Expenses = Budgeted expenses (excl. debt) + purchased power/water + debt service + capital outlay + other expenses

Each item above shown on separate row

- Debt service coverage ratio at the utility level for each forecast year
- Period beginning/ending overall fund balance at the utility level for each forecast year
- Future base rates and average bill by rate class for each forecast year. Electric average bills shown both with and without the cost of power.

OTHER REQUIREMENTS/COMMENTS

- Given the level of information we are given, we will not be able to tie to your CAFR. A huge amount of time (both by SM staff and GDS) was spent trying to determine why results differed from what was the CAFR and no satisfactory conclusion was ever reached. If we are expected to match CAFR results for the historical years used to test the model, we will need a reconciliation of the documents we are provided to the CAFR amounts so we know where the discrepancy lies. If no reconciliation to the CAFR amounts for FY19 or FY20 is provided, GDS will be responsible for tie out of model outputs to inputs provided by the city whether testing historical information or looking at future periods.
- City estimate of future usage (used for power cost calculation) can be used instead of escalation of current customers and usage if preferred, which would reduce model complexity.
- Model will have ability to output the product of the actual customer bill, usage and demand information input into the model multiplied by base rates ensure they match the actual revenues recovered over that 12-month period.
- No functionalization or assignment of expenses to customer classes in model.
- An alternative to having debt expense related to future issuances being entered as a lump sum would be to enter (1) debt-funded projects by year (lump sum) *or* (2) incorporate SM project planning document as has been done in the past. This will require a separate worksheet.

We are happy to discuss any additions or modifications to the above. If the City desires additional flexibility in the model (for example, ability to make changes on an account line by line level), we will need to adjust the estimated cost and complexity will be added to the model.

FY22/FY23 Rate Model Update \$16k total, assumes that this is an update to model as described above.

Work in addition to that specified above (like Big Hat or potential unknown model changes) for an estimated amount of \$14,000.