

EXHIBIT A

Scope of Engineering

Services and Related Matters

RFP #45-2017

Scope of Services for Formal Review and Audit of the Capacity Assurance Program and Collected Fees

Overview

The Division of Water Quality, Lexington-Fayette Urban County Government (LFUCG), is seeking the services of a qualified firm for a formal review and audit of the Capacity Assurance Program and collected fees (application fee, tap fee and reservation fee). The LFUCG desires the consultant express an opinion on the conformity of the Capacity Assurance Program with the Ordinance adopted by LFUCG. The consultant completing the program audit is not required to audit combined and individual fund and account group, but should provide an opinion on the fee collection procedures and financial record keeping. It is expected the audit should take no more than 60 days to complete once the consultant has been selected and/or authorized to proceed.

This contract will have one (1) renewal for another Capacity Assurance Program Formal Review for the calendar year of 2019 upon satisfactory performance as determined by the Director of Water Quality.

Background

The U.S. Environmental Protection Agency (EPA) and the Commonwealth of Kentucky filed a lawsuit against Lexington for violations of the Clean Water Act. The Consent Decree agreement, which was finalized in 2011, requires LFUCG to make operational and managerial changes to prevent future problems. One such requirement included LFUCG develop and implement a sanitary sewer System Capacity Assurance Program (CAP) to ensure that no connections are allowed to the sanitary sewer system unless adequate capacity exists in the system to convey the "One Hour Peak Flow." (One Hour Peak Flow: the greatest flow in a sewer averaged over a sixty [60] minute period at a specific location expected to occur as a result of a representative 2-year 24-hour storm event.)

In April 2012, a Task Force, including LFUCG Councilmembers and officials was created to assist the Division of Water Quality in developing the CAP. The Task Force held numerous public meetings on the issues related to the CAP which allowed substantial participation by both non-LFUCG stakeholders, including developers, major sanitary sewer users, interested non-development related parties, and LFUCG stakeholders as the Task Force formulated its recommendations for the CAP. Resolution #722-2012 accepted the Task Force report and recommendations contained therein outlining the development of a System Capacity Assurance Program.

Article XIII of Chapter 16 of the Code of Ordinances contains the System CAP requirements. Based on Ordinance, the Division of Water Quality along with its consultant Stantec, developed the proposed LFUCG System Capacity Assurance Program for submittal to EPA and the Commonwealth of Kentucky. LFUCG received approval of its System Capacity Assurance Program by the EPA and the Commonwealth of Kentucky on July 3, 2014.

Included in Article XIII of Chapter 16 of the Code of Ordinances, along with the other program requirements as defined by the Council and its Task Force, was the requirement that a formal review and audit of the CAP and collected fees shall be performed every two (2) years.

Generally, this Scope of Services is to retain a consultant to provide an audit of LFUCG's System Capacity Assurance Program to ensure the CAP is being implemented consistent with the Ordinance along with a review of fee collections related to CAP. More specifically, the general control objectives for the audit are to provide with reasonable assurance that:

1. LFUCG's System CAP process is being implemented so that accurate capacity and capacity allocation information can be tracked, and documented to ensure compliance with program requirements.
2. Assess risk of underperformance or non-performance of LFUCG CAP Ordinance requirements. This risk assessment excludes compliance assessment with LFUCG's Consent Decree or EPA approved "System Capacity Assurance Program."
3. Perform a review to gain reasonable assurance of sufficient financial management.

The consultant selected is required to randomly select a sample of 29 CAP applications (10% of the total received) between July 1, 2015 and June 30, 2017, year 3 and 4 of the program.

Summary of Requirements for System Capacity Assurance Program

The LFUCG Web Page, <https://www.lexingtonky.gov/capacity-assurance-program-0> has a copy of the System CAP Program; and a copy of Chapter 16, Article XIII of the LFUCG Code of Ordinances is included with this scope.

System Capacity Assurance Program Operations Audit Requirements

Properties in Fayette County that want to develop require access to the sanitary sewer. The System Capacity Assurance Program is implemented by the Tap Desk, which has a Tap Desk Manager and staff that report to the CAP Manager. Their duties include receiving sanitary sewer capacity applications from various types of development (single family, multi-family, commercial and industrial), working with CAP consultants to certify that there is sanitary sewer capacity/credits available; notifying applicants of their capacity allocation outcome; accepting payments for the tap permit if capacity is certified; collecting and tracking the reservation fee if available capacity is to be reserved and a tap permit acquired at a later date; or placing applicant on a wait list if capacity/credits are not available.

Process for Capacity Award, Deducting Capacity from Bank, and Notifying Applicant

- Does the Tap Desk have an adequate and properly functioning process for active properties to request a permanent allocation of sewer capacity/credits per CAP? Review should include:
 - Criteria
 - Process
 - Record keeping
- Per LFUCG Ordinance, what is the technical review process to calculate flow increase for Adequate Capacity, and is the intent of the Ordinance being met? Does the review process include verification of:
 - Adequate Treatment Capacity
 - Adequate Transmission Capacity
 - Adequate Collection Capacity
- Does the CAP have an adequately functioning model or software to calculate collection transmission and treatment capacity?

- Is the model or software integrated with LFUCG's approval of all tap permits, applications, and reservations or when a property is placed on the wait list?
- What is the procedure for applying model software?
- Can applications, tap permits or reservations be tracked and updated appropriately?
- Are banked credits tracked?
- Is there a process for managing wait list?
- Is the CAP credit process for generating Capacity Credits functioning as intended, and are capacity enhancing projects tracked and information retained?
 - Is there a process for reducing one hour peak flow through removal of inflow and infiltration?
 - What is the process to track permanent removal of connections?
 - Is there a process/effort to stay ahead of balance requests?
 - Is the process for tracking repairs, banked credits or status of credit banking adequate and well documented for reporting?
- Are capacity conditions for application adequately memorialized and available to the public?
- Review the application process for the CAP to ensure consistency.

Process for Collecting and Managing CAP Related Fees

The review of the System CAP areas for audit of the related fee collection activities should include:

- Are all fees related to System CAP being calculated and collected correctly by the Tap Desk where applicable? The review should include:
 - Application fee
 - Tap fee
 - Reservation fee
- Are payments made at the Tap Desk being deposited per LFUCG financial requirements and proper financial records kept?
- Does the Tap Desk have adequate record retention for capacity reservations, reservation renewals or possible refunds?
- Are System CAP collected fees being applied consistently with program's approved intent?