Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108
A Public Service Agency
Phone: (805) 969-4200
www.montsan.org

BOARD LIST OF PAYABLES

CHECK DATE	SUMMARY & TYPE	BATCH TOTAL
08/12/2022	ACCOUNTS PAYABLE	132,727.62
08/26/2022	ACCOUNTS PAYABLE	87,017.40
	Subtotal	**$ 219,745.02**
08/12/2022	CAPITAL IMPROVEMENT PROJECTS	1,932.50
08/12/2022	RECYCLED WATER	93.15
08/26/2022	CAPITAL IMPROVEMENT PROJECTS	56,216.28
	Subtotal	**$ 58,241.93**
08/11/2022	PAYROLL	89,949.27
08/25/2022	PAYROLL	85,650.36
	Subtotal	**$175,599.63**
	TOTAL	**$ 453,586.58**

All Invoices were reviewed and approved by Department Managers
All Invoices and Payments were reviewed and approved and checks signed by the General Manager
Board Treasurer, Don Eversoll approved all payables by email prior to check mailing

Check History Report
Sorted By Check Number
Activity From: 8/1/2022 to 8/31/2022
MONTECITO SANITARY DISTRICT (MSD)

Bank Code: B OPERATING CASH (MBT)

Check Number	Check Date	Name	Check Amount	Description
0000027715	8/12/2022	710 PICACHO LANE, LLC	2,812.00	Deposit Refund - 710 Picacho Lane
0000027716	8/12/2022	ACWA/JPIA	26,142.56	Medical/Dental/Life Insurance Premium-August
0000027717	8/12/2022	ALLIANT INSURANCE SERVICES INC	9,408.00	Annual Physical Damage Insurance Renewal
0000027718	8/12/2022	AMAZON CAPITAL SERVICES	175.31	Wall Clips & Hooks, Pens, Trash Liners, Webcam
0000027719	8/12/2022	AQUA-FLO SUPPLY	97.73	Parts for DAFT
0000027720	8/12/2022	AUTOZONE, INC	29.85	Oil for RAS Pump
0000027721	8/12/2022	BARTLETT, PRINGLE & WOLF, LLP	1,178.50	Annual Audit Prep Meeting
0000027722	8/12/2022	BIG GREEN CLEANING COMPANY	2,667.69	Janitorial Services/Supplies-August
0000027723	8/12/2022	BLUE WATER TRUST	2,300.00	Deposit Refund - 1655 Fernald Point Lane
0000027724	8/12/2022	CANON FINANCIAL SERVICES INC	272.61	Canon Copier Lease Payment-August
0000027725	8/12/2022	CINTAS CORPORATION #684	707.51	Uniforms, Towels, Floor Mats-Cleaning/Rental-July
0000027726	8/12/2022	CINTAS	257.15	Replenish First Aid Supplies
0000027727	8/12/2022	COMPUVISION COMMUNICATIONS	1,006.25	IT Services-July
0000027728	8/12/2022	CROMER INC.	1,235.00	Forklift Training & Certification
0000027729	8/12/2022	CUES	2,150.00	Annual Granite Software License Renewal
0000027730	8/12/2022	EASY CDL	3,200.00	State Required Truck Driver Training
0000027731	8/12/2022	ENGEL & GRAY, INC	6,824.32	Biosolids Hauling - July
0000027732	8/12/2022	FISHER SCIENTIFIC	526.62	Lab Testing Supplies
0000027733	8/12/2022	GLS COMPANIES	750.00	Landscape Services - July
0000027734	8/12/2022	GRAINGER	546.43	Battery Pack, Fuses, Cordless Sander, Socket
0000027735	8/12/2022	HACH COMPANY	2,551.56	LDO Probes for Operations
0000027736	8/12/2022	HAYWARD SANTA BARBARA	139.09	Safety/Rain Gear for New Employee
0000027737	8/12/2022	IBS OF SIERRA MADRE	150.93	Auxiliary Battery for Small Jetter
0000027738	8/12/2022	MARBORG INDUSTRIES	3,413.75	Refuse Disposal/Recycling/Restroom Trailer Rental-July
0000027739	8/12/2022	MCCORMIX CORP	822.86	Vehicle Fuel 07/15-07/31/22
0000027740	8/12/2022	MONTECITO JOURNAL	330.00	Publication of Sewer Service Charge Hearing
0000027741	8/12/2022	MOUNTAIN SPRING WATER	139.25	Bottled Drinking Water/Cooler Rental-July
0000027742	8/12/2022	MONTECITO WATER DISTRICT	849.34	Water Service-July
0000027743	8/12/2022	O'CONNOR PEST CONTROL	6,783.00	Annual Pest / Rodent / Gopher Control for Office, WWTP & Lift Stations
0000027744	8/12/2022	OILFIELD ENVIRONMENTAL & COMPLIANCE	518.55	Annual Effluent / Biosolids NPDES Required Sampling
0000027745	8/12/2022	PAYCHEX OF NEW YORK, LLC	310.65	Payroll Services-July
0000027746	8/12/2022	PLUMBERS DEPOT, INC	111.91	Return Shipping of CCTV Camera
0000027747	8/12/2022	PURETEC INDUSTRIAL WATER	329.80	Quarterly Water Softener Tank Rental
0000027748	8/12/2022	QUINN COMPANY	635.07	PM Level 1 Generator Servicing
0000027749	8/12/2022	RED WING BUSINESS ADVANTAGE	675.00	Boot Allowance for 3 Staff Members
0000027750	8/12/2022	SANSUM CLINIC	467.50	Pre-Employment Physical-Joshua Perez
0000027751	8/12/2022	SBCO LAFCO, AUDITOR-CONTROLLER	8,498.00	MSD Annual Proportionate Share of LAFCO Budget
0000027752	8/12/2022	S B HOME IMPROVEMENT CENTER	46.21	Warehouse Stretch Film
0000027753	8/12/2022	SANTA BARBARA NEWS-PRESS	186.25	Notice to Contractors - HWY 101 Sewer Relocation
0000027754	8/12/2022	SOUTHERN CALIFORNIA EDISON CO	22,151.84	Electric Service 06/24-07/25/22
0000027755	8/12/2022	SHERWIN-WILLIAMS CO.	60.55	Paint Supplies for AB Swingfusers
0000027756	8/12/2022	STREAMLINE	310.00	Website Hosting Services-August
0000027759	8/12/2022	UNIVAR SOLUTIONS	13,775.85	Plant Chemicals
0000027760	8/12/2022	UNDERGROUND SERVICE ALERT	707.11	Annual State Regulatory Fee
0000027757	8/12/2022	ENGEL & GRAY, INC	6,476.02	Biosolids Hauling -June
0000027762	8/26/2022	525 HOT SPRINGS ROAD, LLC	47,815.25	Sewer Main Relocation Deposit Refund-525 Hot Springs
0000027763	8/26/2022	AT&T MOBILITY	136.13	Lift Station 4 Data Port, Standby Cellphone-August
0000027764	8/26/2022	AT&T MOBILITY	23.24	Office Data Port-August
0000027765	8/26/2022	BARTLETT, PRINGLE & WOLF, LLP	1,074.00	Internal Controls Year End Planning
0000027766	8/26/2022	COMPUVISION COMMUNICATIONS	1,740.00	Datto Cloud Backup, NetAlert Managed Services-
0000027767	8/26/2022	CORT	44.00	Deed Report-July
0000027768	8/26/2022	COX BUSINESS	160.39	Wireless Internet Services-August
0000027769	8/26/2022	JOHN (or) ROBIN CUDAHY	2,300.00	Deposit Refund - 1450 Monte Vista Road

0000027770	8/26/2022	DOCU PRODUCTS	119.32	Copier Maintenance Agreement - September
0000027771	8/26/2022	DOCUSIGN INC.	3,105.00	Annual E-Signature Business Pro Renewal
0000027772	8/26/2022	ENVIRONMENTAL RESOURCE ASSOC.	799.57	Lab Testing Supplies
0000027773	8/26/2022	FASTENAL COMPANY	569.09	Gloves, Bolts, Vehicle Parts, Supplies
0000027774	8/26/2022	FRONTIER	509.44	Phone Service for Lift Stations 1, 2 & 4-July
0000027775	8/26/2022	HACH COMPANY	122.78	Lab Testing Supplies
0000027776	8/26/2022	HARRINGTON INDUSTRIAL PLASTICS	102.41	1" Swing Check Valves
0000027777	8/26/2022	KATHERINE MALKIN	1,150.00	Deposit Refund - 2910 Sycamore Canyon Road
0000027778	8/26/2022	MARBORG INDUSTRIES	2,659.47	Restroom Trailer Lease Payment-August
0000027779	8/26/2022	MCCORMIX CORP	1,081.38	Vehicle Fuel 08/01-08/15/22
0000027780	8/26/2022	MOZILO, ERIC (or) TERRI	2,300.00	Deposit Refund - 329 San Ysidro Road
0000027781	8/26/2022	OILFIELD ENVIRONMENTAL & COMPLIANCE	2,228.24	Annual NPDES Required Effluent Sampling
0000027782	8/26/2022	PRICE POSTEL & PARMA	576.00	Employment Law Services-July
0000027783	8/26/2022	PITNEY BOWES BANK INC	129.50	Postage Meter Ink Cartridges
0000027784	8/26/2022	PURETEC INDUSTRIAL WATER	72.03	Water Softener Sodium Tank Exchange-July
0000027785	8/26/2022	RINGCENTRAL, INC.	659.36	Phone Service for Admin/Treatment-July
0000027786	8/26/2022	SOCAL GAS	224.05	Gas Service-July
0000027787	8/26/2022	STANDARD INSURANCE COMPANY	1,645.13	Short/Long Term Disability Insurance-September
0000027788	8/26/2022	T-MOBILE	20.00	Data Port for UF/RO-July
0000027789	8/26/2022	UNIVAR SOLUTIONS	15,651.62	Plant Chemicals
		Bank B Total:	219,745.02	
		Report Total:	219,745.02	

CIP Check History Report
Sorted By Check Number
Activity From: 8/1/2022 to 8/31/2022
MONTECITO SANITARY DISTRICT (MSD)

Bank Code: G CIP CASH (MBT)

Check Number	Check Date	Name	Check Amount	Description
0000001345	8/12/2022	EARTH SYSTEMS	1,932.50	CIP No. 9 / Agreement No. 2022-001-PSA; Geotechnical Engineering Services for the HWY 101 Sewer Relocation Project-June
0000001348	8/26/2022	DXP ENTERPRISES, INC	3,482.66	CIP No. 1 / PO No. 4713; Waste Activated Sludge Pump Replacement
0000001349	8/26/2022	EARTH SYSTEMS	672.50	CIP No. 9 / Agreement No. 2022-001-PSA;Geotechnical Engineering Services for HWY 101 Sewer Main Relocation Project-July
0000001350	8/26/2022	FILIPPIN ENGINEERING	7,180.00	CIP No. 9 / Agreement No. 2020-008-OC / Task Order No. 5; Lilac/Oak Grove Sewer Main Extension Inspection Services-July
0000001351	8/26/2022	MNS ENGINEERS INC.	22,976.25	CIP No. 9 / Agreement No. 2021-006-PSA; Engineering Services for the HWY 101 Sewer Main Relocation Project-July
0000001352	8/26/2022	RINCON CONSULTANTS, INC	8,979.70	CIP No. 9 / Agreement No. 2022-004-PSA; Consulting Services to obtain permits for the HWY 101 Sewer Main Relocation Project-June/July
0000001353	8/26/2022	STANTEC CONSULTING SERVICES INC.	3,955.17	CIP No. 9 / Agreement No. 2021-002-OC / Task Order No. 3; Engineering Services for Lilac/Oak Grove Design-Record Drawings-June/July
0000001354	8/26/2022	TIERRA CONTRACTING INC	8,970.00	CIP No. 2 / PO No. 4701; Manhole Adjustments at Various Locations-July
		Bank G Total:	58,148.78	
		Report Total:	58,148.78	

Check #1346 - Check Reversal
Check #1347 - Replacement Check to Hamner Jewell for check #1338

Check History Report
Sorted By Check Number
Activity From: 8/1/2022 to 8/31/2022
MONTECITO SANITARY DISTRICT (MSD)

Bank Code: W RECYCLED WATER (MBT)

Check Number	Check Date	Name	Check Amount	Description
0000001041	8/12/2022	HACH COMPANY	93.15	CIP T011-Recycled Water; Lab Testing Supplies
		Bank W Total:	93.15	
		Report Total:	93.15	

MSD Legal Expenses Summary

Invoices Paid July 1 through September 15

Vendor	Service Period	Amount
Liebert, Cassidy & Whitmore	May 2022	$ 2,210.00
	June 2022	$ 1,487.50
	July 2022	2,040.00
		$ 5,737.50
Price, Postel & Parma	July 2022	$ 576.00
	August 2022	684.00
		$ 1,260.00
Colantuano, Highsmith & Whatley	June 2022	$ 5,267.40
	July 2022	3,545.50
	August 2022	6,679.68
		$ 15,492.58
	Total Legal Expenses 7/1/2022 - 9/15/2022	**$ 22,490.08**

Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108
A Public Service Agency
Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT

STAFF REPORT

DATE: Thursday, September 22, 2022

TO: Board of Directors

FROM: Bradley Rahrer, General Manager

PREPARED BY: Stephen Williams, District Administrator

SUBJECT: 2022 Sewer Service Rate Study Request for Proposals

RECOMMENDATION: That the Finance Committee members consider the following:

1. Discussing the Finance Committee's recommendation regarding the outcome of the RFP for the Sewer Rate and Connection Fee Study;

DISCUSSION:

Background - The District developed and advertised a Request for Proposals (RFP) through PlanetBids on July 22nd, 2022. The RFP was available for all consultants to view and to determine if they wanted to submit a proposal to the District. The General Manager and the District Administrator also reached out to several other well known consultants to ensure they were aware of the RFP.

The proposal period closed on August 15th, 2022 and three consultants submitted proposals to provide the services detailed in the District's RFP. Those three firms were as follows:

1. HDR Engineering, Inc.
2. Robert D. Niehaus, Inc.
3. Raftelis Financial Consultants, Inc.

Based on the information provided in the proposals, the General Manager and District Administrator conducted interviews with all three firms on August 24th, 2022. Staff evaluated and ranked the proposals from the three firms based on the selection criteria that was detailed in the Districts' RFP. Those criteria were as follows:

1. Qualifications - The Project Manager's, Consultant and Sub-Consultant teams' qualifications, relevant experience and ability to perform the scope of work as outlined

above, based on information provided by the Consultant and client references.

2. Approach - The Consultant's understanding of the Project as demonstrated by the approach included in the proposal, the proposal's responsiveness to the RFP and Project needs, and their demonstrated ability to meet the District's desired timeframe.
3. References - The consultant's client references and the consultant's performance on similar studies.
4. Presentation - The District values clear and concise communication, as demonstrated in the written proposal and/or interview.

From the written proposal and interviews, HDR Engineering Inc (HDR). received the highest ranking out of the three firms. HDR was selected because of their team qualifications, strong presentation skills, and diverse project team established to help the District address the political, operational, engineering, and land development challenges that will need to be factored the financial plan and any rate adjustments, . This led to a very balanced approach to how they would tackle the various tasks outlined in the District's RFP. HDR's approach to delivering the services requested in the RFP include the following 11 main tasks:

Task 1 – Project Management/Quality Control
Task 2 –Written Data Request
Task 3 – Initial Project Meeting
Task 4 – Review of the District's Financial/Rate Policies and Other Relevant Documents
Task 5 – Performance Benchmarking
Task 6 – Revenue Requirement Analysis
Task 7 – Cost of Service Analysis
Task 8 – Rate Design Analysis
Task 9 – Review and Update of the Sewer Connection Fees
Task 10 – Written Report
Task 11 – Public Meetings

Pursuant to the RFP, the separate Labor Rates and Fee Schedule for the top ranked firm was opened after the selection and the negotiation process began with the Consultant.

At the September 8, 2022 Board Meeting, the Board of Directors requested to see all proposals responsive to the RFP. A copy of each proposal with the scope of work, approach, schedule and level of effort is attached. As stated during the meeting, cost was not included as a selection criteria for ranking the proposals and therefore copies of the fee schedule and consultant rate schedules cannot be not made public until after negotiations are finalized.

Fiscal Impact – Staff included $50,000 in the annual budget for FY2021-2022 under Contracted Services. While the proposed cost for HDR services is above the budgeted amount, the base scope of services was negotiated down to $60,000 by reducing the amount of travel and time for in person meetings.

Analysis – Justifications: – A fair, competitive selection process was utilized to select the above consultant for the 2022 Sewer Rate Study. All materials are, and will continue to be available, through PlanetBids.com.

OTHER DEPARTMENTS INVOLVED: None

ATTACHMENTS:

1. Proposal from HDR Engineering, Inc
2. Proposal from Robert D. Niehaus, Inc.
3. Proposal from Raftelis Financial Consultants, Inc.

Proposal to Conduct a Sewer Rate Study

Montecito Sanitary District

August 15, 2022

August 15, 2022

Bradley Rahrer, P.E.
General Manager
1042 Monte Cristo Lane
Santa Barbara, California 93108

Subject: Proposal to Conduct a Sewer Rate Study

Dear Mr. Rahrer:

HDR Engineering, Inc. (HDR) is pleased to respond to the Montecito Sanitary District (District) request for proposal to conduct a sewer rate study (Study). HDR is highly experienced in conducting sewer rate and connection fee studies. Locally, we have conducted similar rate and fee studies for the cities of Santa Barbara, San Luis Obispo, Solvang, and Santa Maria. HDR has also worked with numerous special purpose districts such as the Tahoe City PUD, North Tahoe PUD, South Tahoe PUD, and Dublin San Ramon Services District. Similar to those studies, HDR has brought to the District our best and nationally recognized experts in the area of rate and fee studies to lead and develop this Study.

A key objective for the District's Study is to independently review, evaluate, and propose sewer rates and connection fees that are consistent with industry standards, best management practices, and applicable laws and provide effective presentations of the Study results. This includes evaluating the District's customer classes of service, rate structure, and connection fees for the next six-year period. **The intent of this Study is to develop a sewer rate analysis and provide a financial plan which meets the short- and long-term objectives of the District**. Establishing cost-based rates is critical in that the study must be developed and documented such that it meets the requirements of California Constitution Article XIII D, Section 6 (i.e., Prop. 218). **To meet the intent of Proposition 218, the Study will develop rates that are cost-based, proportional, and based on the District's specific costs and customer characteristics**. To meet the legal requirements, the Study must provide clear documentation of the cost-basis for the District's proposed sewer rates, which not only includes both the amount of revenue collected from the rates, but also the cost-basis for any fixed or variable charges. To meet this requirement, HDR has proposed a cost of service analysis to proportionally distribute the District's revenue requirement to each customer class of service and calculate the average unit costs (e.g., $/month or $/CCF). This analysis will provide the needed cost-basis to analytically support the proposed sewer rates.

With these key issues in mind, HDR has proposed a comprehensive approach to the District's sewer rate study and provided a detailed scope of services within this proposal. HDR is nationally recognized for its expertise in financial planning and rate studies. We have successfully developed financial plans and performed rate and fee studies for hundreds of utilities around the U.S. **We are highly experienced working with utilities in California and understand the complexities of meeting the requirements of Proposition 218 for sewer rates and California Government Code sections 66013, 66016, and 66022 within the 'Mitigation Fee Act for connection fees.**

HDR's Project Manager will be Shawn Koorn, an Associate Vice President with HDR. Shawn is nationally recognized as an expert in financial planning and utility rates who is most notably known as a co-instructor for the American Water Works Association (AWWA) 3-day seminar, *Rate Setting Essentials*, and a contributing author to the AWWA M-54 Manual (Developing Rates for Small Systems). Locally, Shawn was the project manager for the rate and fee studies conducted for the cities of Santa Barbara, San Luis Obispo, Solvang, and Santa Maria. **He is highly effective in communicating and working with District Boards, stakeholders, and the development community on complex financial planning, rate, and fee issues**. Shawn will be assisted by **Josiah Close as the Assistant PM** who will lead the technical analyses and participate in the Study presentations. Josiah led the technical analyses for the recent studies for the cities of Santa Barbara, San Luis Obispo, Solvang, and Santa Maria as well as the study for Tahoe City PUD. HDR views communication and public presentations as one of the most critical components to the overall success of the Study.

Provided below is the contact information for this proposal. If you have any questions regarding our proposal, please contact the following:

Signatory Proposal Contact:

Anna Lantin, P.E.
Vice President
3230 El Camino Real
Suite 200
Irvine, CA 92602
Anna.Lantin@hdrinc.com
Phone: (714) 368-5691

Proposed Technical Project Manager:

Shawn Koorn
Associate Vice President
929 108th Avenue NE
Suite 1300
Bellevue, WA 98004
Shawn.Koorn@hdrinc.com
Phone: (425) 450-6366

We appreciate this opportunity to submit our proposal to the District. We look forward to discussing our proposal with you.

Sincerely,
HDR Engineering, Inc.

Anna Lantin, PE
Vice President
Authorized Signatory

Shawn Koorn
Associate Vice President and
Project Manager

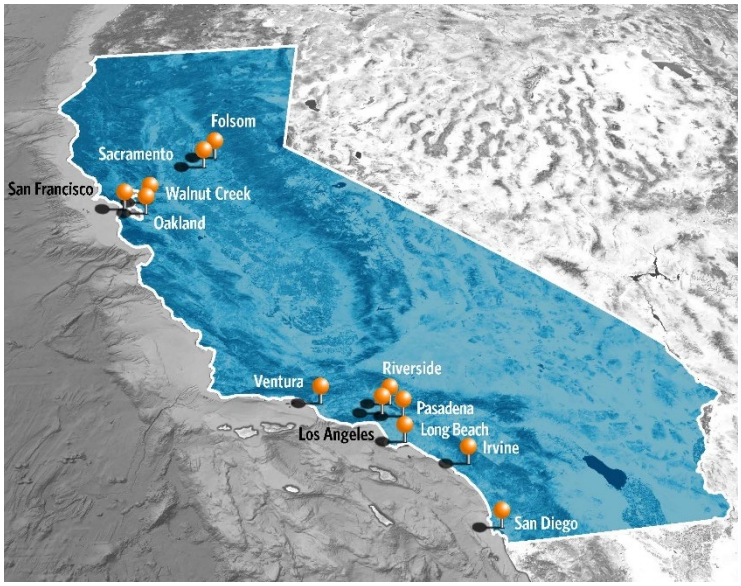
Table of Contents

1. Experience and Qualifications

1.1 Introduction

HDR Engineering, Inc. (HDR) is a well-established and highly respected firm with technical and professional expertise in a variety of areas, including rate setting and economics. Formed in 1917, HDR is a national firm with approximately 10,000 employees in 225 offices worldwide providing architectural, engineering, and consulting services. HDR's is subdivided into three regions, of which our San Diego office is in the Western region. The local areas are managed by an Area Manager with the authority to enter into agreements with our clients. In total, HDR has 14 offices in California, which include:

- Folsom
- Irvine
- Long Beach
- Los Angeles
- Oakland
- Pasadena
- Riverside
- Sacramento
- San Diego
- San Francisco
- Walnut Creek
- Ventura



For the District's Study, HDR's Ventura office would be the closest office to the District's offices.

HDR has a Utility Rates and Finance Group, consisting of financial analyst, accountants, and economists who have attained a national reputation in the areas of financial planning, utility rates, and connection fees. Each rate study is led by a project manager who has extensive experience in utility financial planning and rates. To provide a successful study, our project teams are staffed with dedicated utility financial and rate analysts. Finally, we leverage our local office personnel to provide engineering and planning expertise to our study, given that financial/rate studies are a blend of financial/rate expertise and engineering/planning expertise. HDR combines innovation with practical, cost-effective solutions which are tailored to the needs of each client.

> **"To provide a successful study, our project teams are staffed with dedicated utility financial/rate analysts."**

1.2 HDR's Qualifications and Relevant Experience

As noted above, HDR has an established Utility Rates and Finance Group to specifically address the issues of comprehensive planning, asset management and financial/rate issues. HDR provides these services to water, wastewater, recycled water, stormwater, solid waste, and electric utilities. Lead by nationally recognized experts, it is not surprising that HDR has

attained a national reputation in the area of financial planning, rates and fee studies and a more detailed discussion will demonstrate why we can make this claim.

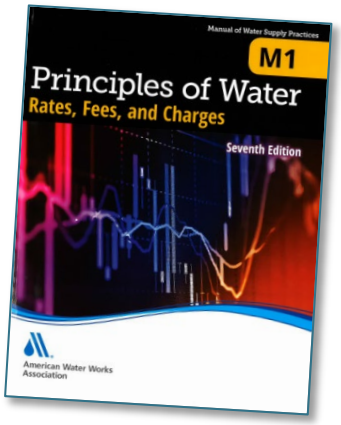
The District desires to retain a qualified professional rate consultant experienced in municipal utility financial planning, rate setting, and connection fees. HDR's qualifications and experience are well-matched to the District's needs. These are:

- **California and Local Rate Setting Experience**
  Rate setting in California poses unique legal requirements and challenges. **For over 20 years, HDR has worked extensively in California on rate and fee issues and, as a result of our expertise in this area, we have successfully navigated the legal rate and fee setting environment.** Each utility is unique and as a result, they must be independently analyzed.

- **California Municipal Rate and Fee Clients**
  HDR has worked extensively and successfully with a number of California water and wastewater utilities. **Among our more prominent California rate and fee clients are the cities of San Luis Obispo, Santa Barbara, Folsom, Stockton, Woodland, Santa Maria, and Solvang.** We have also worked with special districts such as the Dublin San Ramon Services District, Otay Water District, Tahoe City PUD, North Tahoe PUD, South Tahoe PUD, and the Sacramento Suburban Water District.

- **Track Record of Quality Project Delivery, On-Time and Within Budget**
  HDR has a very strong record for quality work products, which are on-time and within budget. **Our client references provide the best proof of our ability to deliver a quality study to the District.**

- **Excellent Communication Skills**
  Ultimately, the success of all rate and fee studies hinges on the ability to convey complex and detailed information to the governing body in order to gain support for the study's recommendations. **A study with a strong technical analysis may fail due to the inability of the consultant to explain the study's findings, conclusions, and recommendations in a clear and understandable manner.** HDR believes communication is the key attribute which sets us apart. As nationally recognized experts, HDR project team members teach a number of courses and workshops on the subjects of financial planning, revenue requirements, cost of service, rates, and connection fees. In particular, **HDR's proposed Project Manager, Shawn Koorn, is a co-instructor for the AWWA 3-day Seminar, *Rate Setting Essentials*,** which is dedicated to the issues of the theory and methodologies associated with utility financial planning, cost of service, rates, and connection fees. The ability to communicate and explain complex ideas, principles, and ideas in easy to understand terms is what makes these seminars and our public presentations so successful. In addition, HDR staff have been active in developing publications and manuals in this area of expertise, such as the AWWA M-1 manual.



In addition to the above attributes, HDR also brings to the District the following additional attributes:

- **Practical Work Experience within Utilities**
  HDR personnel have been involved in each facet of actual utility operations. Prior to consulting, many of our staff have spent considerable time working for a utility or regulatory agency. This understanding of the day-to-day workings of a utility is invaluable in attempting to work with clients and manage projects in an efficient and cost-effective manner. We understand the challenges of limited time and budgets and, therefore, work with our clients to provide the most efficient and cost-effective solutions. Having said that, HDR does not cut corners or scrimp to conduct our studies. **HDR understands that all our studies must be comprehensive in nature and legally defendable.**

- **Breadth of Consulting Services Provided by the Project Team**
  HDR, by virtue of being a multi-disciplinary engineering and consulting firm has a number of individuals with highly specialized expertise, such as financial planning and rates. While one of the areas that HDR does specialize in is financial planning, cost of service and rates/fees, HDR does not lose sight of the overall need for good utility management and engineering practices. When necessary, HDR can draw on the other areas of expertise that are contained in the firm. **HDR has experts available in every area of utility operations and management, including master planning and asset management.**

- **Depth of Experience in Rate and Fee Related Issues/Projects**
  HDR personnel have performed hundreds of utility rate and fee studies throughout California and the U.S. By virtue of working with a wide variety of utilities (large and small) and in a variety of locations, we have an intimate understanding of the trends and practices occurring in the industry. **Our experience and knowledge of the industry and current practices brings great creditability to our analyses and resulting recommendations.** This diversity simply adds breadth of knowledge and expertise to all our projects.

As can be seen, our combination of knowledge and experience make us highly qualified to assist the District in the development of proposed sewer rates and connection fees. HDR believes that the best way to understand the quality of services provided by HDR is to talk to our clients. Furthermore, and more importantly, we help guide our clients to make reasonable and responsible policy choices and understand the importance customer feedback and rate transition.

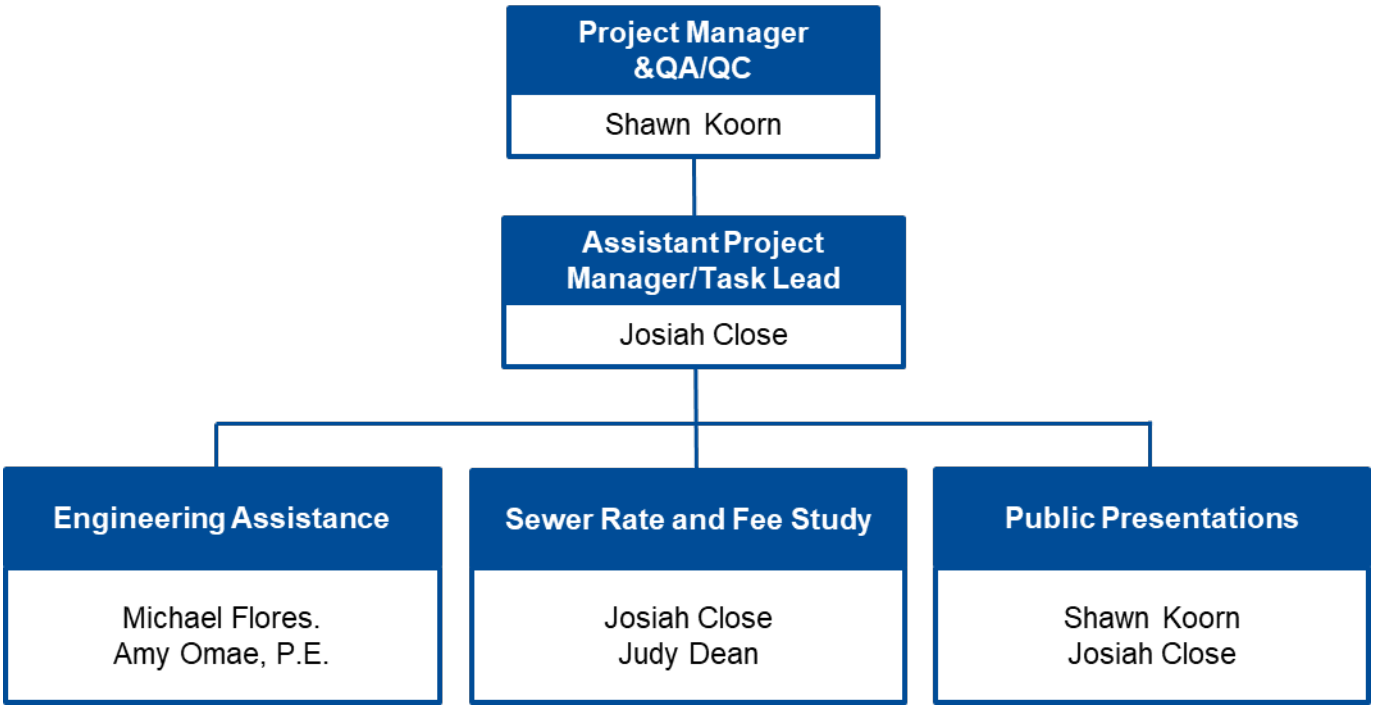
1.3 Consultant Project Team

HDR's highly experienced Utility Rates and Finance Group has the technical expertise needed to conduct the District's sewer rate and connection fee study. The key project team members to be assigned to this study are nationally recognized experts in rates and connection fee studies, along with local engineering expertise. For this Study, Shawn Koorn will be the project manager and provide QA/QC and Josiah Close will be the assistant project manager and lead the development of the technical analysis.

"The key project team members to be assigned to this study are nationally recognized experts in rates and connection fee studies, along with local engineering expertise."

1.3.1 Project Team Organization

The proposed organizational chart for the District's Study is provided below. No subconsultants have been assumed necessary or included for the District's Study.



1.3.2 Key Project Team Members

Provided below is a brief discussion of our key project team members' expertise, their roles in the project, and their experience related specifically to this project. More detailed resumes for HDR's key project team members are included as an appendix to our proposal.

Shawn Koorn – *Project Manager* and QA/QC

- Nationally recognized financial/rate expert with over 20 years of experience in utility rate and connection fee setting.
- Project Manager for the cities of Santa Barbara, Solvang, Santa Maria and San Luis Obispo rate and fee studies.
- Project manager for the Tahoe City PUD, Otay Water District, Dublin San Ramon Services District, South Tahoe PUD, and North Tahoe PUD rate and fee studies.
- Highly experienced in Proposition 218 and §66013 issues.
- Co-instructor for the AWWA *Rate Setting Essentials* Seminar.
- Contributing author to the AWWA M-54 manual, *Developing Rates for Small Systems.*
- Provides effective presentations to Boards, City councils, the public, and industry conferences (e.g., AWWA, WEF).

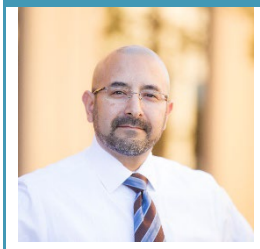
Josiah Close – Assistant PM/*Task Lead*

- Over nine years of experience in developing rate and connection fee studies for water, recycled water, sewer, and stormwater systems.
- Led the technical analysis for the recently completed rate and fee studies for the cities of Santa Barbara, Santa Maria, Solvang, and San Luis Obispo and Tahoe City PUD.
- Extensive California experience. Recently, conducted rate and fee analyses and modeling for the City of Stockton, City of Woodland, Las Gallinas Valley Sanitary District, and Tahoe City PUD.
- Bachelor of Science in Finance.

Judy Dean – *Senior Financial/Rate Analyst*

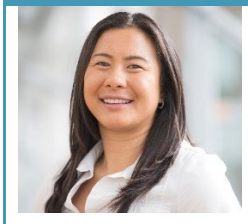
- More than 30 years of experience in utility financial planning, rate setting and connection fee studies.
- Conducted rate and connection fee modeling and analysis for numerous California utilities including Otay Water District, Sacramento Suburban Water District, City of Folsom, City of Santa Barbara and the City of Woodland.
- Washington State Certified Public Accountant – Inactive
- Prior to joining HDR, worked for a municipal utility as a Finance Department Accountant

Michael Flores – *Engineering Assistance*



- One of HDR's national Asset Management Leads with extensive experience supporting various municipal clients in maintaining the longevity of their wastewater systems.
- Trusted advisor of several agencies in development of capital planning programs for their wastewater systems.
- Education: M.S. Mechanical Engineering, Harvey Mudd College, B.S. Engineering, Harvey Mudd College.
- Expertise in capital program planning, infrastructure management, operations & maintenance for wastewater systems.

Amy Omae, P.E. – *Engineering Assistance*



- Professional Engineer and LEED Accredited Professional with more than 17 years of experience
- Education: B.S. Chemistry, Masters Environmental Engineering
- Professional License: P.E. Civil Engineering (CA)
- Expertise in the design of treatment plant processes, pipelines, mechanical pumping systems, pilot testing and research

Should other individuals be required for the District's Study, HDR has numerous qualified individuals available to meet other specific technical needs associated with this Study. If additional staff or technical expertise is needed, HDR will notify the District to obtain prior approval. The staff described above will be dedicated to the District's Study until its successful completion.

1.3.3 Resumes of Key Project Team Members

Provided below are more detailed resumes of HDR's key individuals identified above.

Shawn Koorn | Project Manager and QA/QC

Education

B.S. Business Administration, Central Washington University

B.S. Managerial Economics, Central Washington University

Professional Association

AWWA, Member

American Public Power Association/Northwest, Member

Expertise

Utility Rates/Cost of Service

Connection Fees

Financial Planning

Capital Planning

Cost-Benefit Analyses

HDR Tenure

22 Years

Shawn Koorn has over 22 years' experience in utility rate setting and is an Associate Vice President with HDR. He provides financial planning, cost-benefit analyses, and economic reviews for the development of rate and cost-of-service studies for water, wastewater, stormwater, electric, natural gas, and solid waste utilities. This information is communicated using technical abilities and presentation skills in a clear and concise manner.

Shawn's experience involves the analytical aspects of the utility financial planning and rate setting process. These include the development of revenue requirements, cost of service, and rate design studies for clients. He is highly capable and understands the finer technical issues involved with each project, as well as the broader economic issues that today's public utilities are facing.

Shawn has been involved in several unique and challenging projects. Shawn has completed wastewater strength studies reviews for utilities across the U.S. As part of these studies, he has reviewed commercial customer strength factors for determining the equitable allocation of costs for rate setting purposes. He has also assisted the utilities in the development of winter water use and flow assumption, and commercial wastewater rate structure to determine if there are other viable options that may be more equitable to the commercial customers. These recent studies were completed for the City of Sioux City, City of Santa Barbara, Anchorage Water and Wastewater Utilities, City of San Luis Obispo, and City of Woodland.

Shawn has extensive experience with regulatory filings before public service commissions. He recently developed testimony to support water and sewer rate studies before two different public service commissions. His experience and knowledge of "generally accepted" rate setting techniques allows him to develop excellent testimony to support his client's position. Shawn is a member of the AWWA Rates and Charges Subcommittee, contributing author to the AWWA M54 Manual *Developing Rates for Small Systems*, a peer reviewer for the Water Research Foundation water reuse pricing study, is a co-instructor for the AWWA Rate Setting Essentials Seminar. This three-day seminar discusses the theories and methodologies used to establish cost-based rates. Shawn has also presented numerous papers on financial planning and rate setting topics for utilities.

Josiah Close | Assistant PM/Task Lead

Education
B.S. Finance,
Oregon State University

Professional Associations
AWWA, Member

Washington Finance Officers Association

Expertise
Financial/Rate Modeling

Capital Planning and Funding

Revenue Requirements and Financial Plans

Cost of Service

Rate Design

SDC's / Capacity Charges

HDR Tenure
9 Years

Josiah Close specializes in utility financial planning, cost of service, rate setting and system development charges. Josiah has over 10 years of experience in developing complex financial/rate models and in analyzing customer billing data and cost information as they relate to utility rate studies. He is very proficient in financial modeling and has developed several technically sophisticated models for our clients.

Prior to joining HDR, Josiah worked as a fiscal analyst for the State of Washington in the Department of Social and Health Services. His experience with the State further developed his financial modeling skills and placed a high level of importance on attention to detail and accuracy.

During his last nine years with HDR, Josiah has been responsible for developing and updating a variety of spreadsheet analyses to support revenue requirement, cost of service, and rate design studies. Among the complex studies that he is working on, it includes a comprehensive water rate study which contains a recycled water and wholesale water rate components. Many studies that Josiah has developed include the development of revenue requirements, cost of service, and rate design.

Josiah has extensive experience working with California utilities and understands the legal and technical cost requirements of Proposition 218. He has developed numerous rate analyses to technically comply with the *Capistrano* decision and develop cost-based rates for components of the rate (fixed and variable). At the present time Josiah is working with a California utility on the evaluation of volumetric sewer rates. In performing this evaluation, he is working with different databases of information. Among the California utilities Josiah has developed technical analyses that include Tahoe City PUD, City of Stockton, City of Solvang, City of Santa Maria, City of Santa Barbara, and the City of Folsom.

Since joining HDR Josiah has gained experience in working with water, wastewater, and solid waste utilities. He has also worked with and reviewed budget and asset record documents to support the technical analyses he has been conducting

Judy Dean | Senior Financial Analyst

Education

B.S. Accounting, Central Washington University

Professional Registration

Certified Public Accountant - Inactive Washington State No. 22607

AWWA, Member

Washington Finance Officers Association

Government Finance Officers Association

Expertise

Utility Financial Planning

Cost of Service

System Development Charges/Impact Fees

HDR Tenure

25 Years

Judy has over 30 years of experience in utility finance and she is a Senior Financial Analyst with HDR. She brings a strong background in accounting and finance and is highly experienced in utility rate setting and capacity fees. Judy has developed numerous revenue requirement, cost of service and rate design studies for a wide variety of water, sewer, electric, solid waste, and stormwater utilities. Her experience and skills allow her to develop rate analyses in an efficient manner. Judy is very highly experienced in the development of capacity fee studies and recently completed a capacity charge study for the District.

Judy was a Washington State Certified Public Accountant, currently inactive. Prior to joining HDR, she was a municipal utility accountant at a medium-sized municipality. Her duties included working with the municipal water and sewer utility on budgeting, financial planning, accounting, and rate issues. Judy's experience in this role provides her with a greater appreciation of the challenges of a municipal utility, particularly time and available resources.

Judy has been involved in numerous rate and capacity fee studies and takes a leadership role in the analytical portions of the study. These studies have ranged from single-entity utilities to much more complex multi-system utilities and have included developing revenue requirements and cost of service studies. She has extensive experience in the development of miscellaneous fees, including utility connection charges or system development charges. Judy has developed system development charges or capacity fees for a number of water, sewer, and stormwater utilities across the U.S. Among the California clients, she has worked with the cities of Belmont, Santa Barbara, Santa Maria, San Luis Obispo, The Otay Water District, and Padre Dam Municipal Water District.

Judy has a strong command of a number of database, spreadsheet, and presentation programs. Her strengths in developing computer models include efficiency and ability to develop sophisticated models that were elegantly simple in design and easy to use. Judy's attention to detail, along with her ability to maintain the big picture, result in easy-to-use, high-quality rate models provided to our clients.

Judy has provided clear, easy-to-understand presentations on highly technical financial information to a variety of audiences, ranging from presentations to client management, and staff project teams to project presentations. Her confidence in her technical abilities and understanding of the underlying concepts makes her easy-to-listen to and easy-to-grasp key points.

Education

Master of Science, Mechanical Engineering, Harvey Mudd College 1993

Bachelor of Science, Engineering, Harvey Mudd College 1992

Certification

Institute of Asset Management, Certificate in Asset Management, IAM Registration No. 1026612

Professional Associations

Water Environment Federation

California Water Environment Association (CWEA)

Expertise

Infrastructure Management

Operations & Maintenance

Capital Program Planning

Years with HDR

18 Years

Michael Flores, IAM | Wastewater Engineering Support

Michael has more than 29 years of experience in the water and wastewater field with a primary focus on infrastructure management, operations, maintenance, and capital program planning. He has managed or served as a senior technical resource on several large and complex projects, focused on planning and implementing business process changes and information management solutions for wastewater collection system operations, maintenance, and capital planning programs.

Michael approaches each project with the client's concerns and needs in mind, providing them with a project manager they can count on to deliver effective programs on time and on budget. He helps clients to understand the needs of their systems before they become critical risks to operation. Michael's extensive experience includes his work with large municipalities to develop actionable infrastructure management plans to protect critical assets and extend their operating life.

Michael has led the development and implementation of asset management programs and processes for San Francisco Public Utilities Commission, Clark County Water Reclamation District, and San Antonio Water System. Through his work with agencies such as these, Michael has distinguished himself as a trusted advisor for maintaining critical water and wastewater infrastructure.

Most recently, Michael was the Project Manager for the Orange County Sanitation District's Asset Management Plan Update which provided a roadmap for prioritizing the collection of condition assessment data, analyzing the likelihood and consequences of failure, and documenting the process to developing and updating the District's ongoing capital improvements.

Amy Omae, P.E. | Engineering Assistance

Education

Bachelor of Science, Chemistry, University of Miami

Master of Science, Environmental Engineering, University of Miami

Professional Licenses

Professional Engineer – Civil, CA, No 76824

Professional Associations

Water Environment Federation

Orange County Water Association

Expertise

Wastewater Treatment Processes

LEED Accredited

Years with HDR

14 Years

Amy is a proven project manager with extensive experience in wastewater and master planning, design, and engineering services during construction projects throughout Southern California. Her expertise is in the design of treatment plant processes, pipeline profiles, layouts, mechanical pumping systems, pilot testing and research, alternative technology evaluations, mass balance and financial model development, quality assurance, and field engineering services during construction. Amy has worked closely with Irvine Ranch Water District throughout her tenure with HDR and is currently leading the District's Recycled Water Salt Management Plan. Her dedication to delivering quality projects has made her one IRWD's most trusted project managers.

Amy has worked with your technical team on many OC San projects, allowing her to develop a keen understanding of how your facilities operate. For example, her work on the Emergency Overflow Weirs allowed her to get a firsthand look of the condition of the overflow pipes and concrete structures and develop cost effective solutions to extend the life of the infrastructure. Similarly, Amy has been working on the design for furnishing two new 125-hp air compressors to provide additional high-pressure plant air to Plant No. 1. Another project includes a comprehensive evaluation of the OC San's Plant No. 1 laboratory's operational needs regarding renovation or replacement of the facility. This work with your facilities positions Amy to make solid engineering recommendations to the rate study team to best evaluate options for future budgets.

Amy recently worked on developing future costs for Irvine Ranch Water District for continuing to discharge solids to OC San for treatment. She developed the market and alternatives analysis that fed into a financial model to estimate costs using the current method for charging as well as the proposed methods. The information is being used to determine if changes to the solid treatment process should be changed.

Amy is knowledgeable in wastewater treatment planning, design, commissioning and operation. Her experience includes headworks design and improvements through advanced treatment for reuse. She frequently works with regulatory and permitting agencies, vendors, and subconsultants to develop alternatives, including piloting options, for the utility owners to consider before implementing.

1.4 Project Examples and Client References

Provided below are descriptions of similar projects recently completed by HDR, along with client references for each study.

City of San Luis Obispo – Water and Wastewater Rates and Impact Fee Studies

Since 2004, HDR has been assisting the City of San Luis Obispo with the development of water and wastewater rates and impact (connection) fees. Initially, HDR worked with the City on reviewing their water rate structures to encourage conservation and efficient use. In 2005/06, HDR worked with the City on evaluating automated meter reading systems to provide enhanced utility billing. In 2013, HDR assisted the City in a review of their water and wastewater impact (capacity) fees. HDR provided the City with a summary letter addressing the City's approach and considerations for future fee studies. In late 2016, HDR worked with the City to develop a full update of the water and wastewater rates and impact fees. This impact fee study included an updated methodology and development of key infrastructure information and system capital improvements. HDR worked effectively with City staff and developed a draft of the studies. The analysis was presented to City management for review and discussion with other City impact fees. The fees were presented to the development community and City Council for review and discussion. The final recommended impact fees were successfully implemented in 2017. In 2020, HDR worked with the City and the City Council to again review the water rate structures. The City's concern had shifted from conservation and efficient use to revenue stability. HDR developed a number of alternative rate structures for the City to review.

Key Team Members: Shawn Koorn [PM], Judy Dean, Josiah Close, Tom Gould [QC]

Project Dates and Contract Amounts: 2004, 2005/06, 2013 W/WW Rate Study ($50,000), 2016-2017 W/WW Impact Fee ($49,000), 2019-20 W/WW Rate Update ($25,000)

Contact Information: Mr. Aaron Floyd, Utilities Director, (805) 781-7237, afloyd@slocity.org

CITY OF SANTA MARIA – WATER AND SEWER RATE STUDY

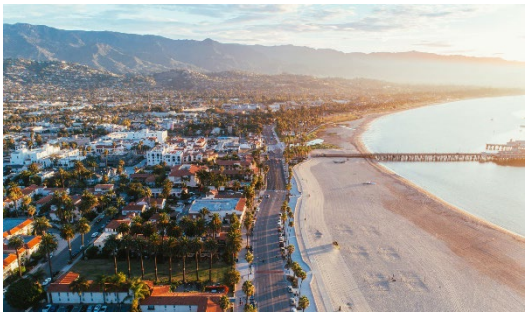
In 2016, HDR conducted a comprehensive water and sewer rate study. The goal for the study was to develop cost-based rates that adequately balanced the short and long-term financial and environmental sustainability goals of the City. This included the development of financial policies and a detailed review of the funding of capital improvements. HDR developed a 5-year financial plan and implemented rates for a 5-year period. A major component of the study was a cost of service analysis for each utility which provided the necessarily technical support for establishing cost-based rate designs. The City's water rate structures were reviewed and updated to comply with cost-based requirements. Since the completion of the initial study, HDR has assisted the City in updating the revenue requirement and reviewing impacts and comparison to rate study projections.

Key Team Members: Shawn Koorn [PM], Judy Dean, Dean Gipson, Josiah Close, Tom Gould

Project Dates and Contract Amounts: 2016 W/WW Rate Study ($80,000)

Contact Information: Mr. Shad Springer, sspringer@cityofsantamaria.org, (805) 925-0951 ext. 7211

CITY OF SANTA BARBARA – WATER AND WASTEWATER RATE STUDIES



In 2018, HDR was retained by the City to conduct a comprehensive wastewater rate study. The City's study included the development of a revenue requirement, cost of service, and rate designs. The study resulted in a three-year rate plan for proposed wastewater rates and a 10-year plan to review future rate adjustment needs. In addition, the cost of service reviewed and developed high-strength surcharges for those wastewater customers with wastewater characteristics greater than domestic strength. These charges are applied to those customers through a monitoring program and those with higher than domestic level strength. Finally, HDR worked with City staff and presented the results to the Water Commission and City Council for approval and adoption. In 2019, HDR completed a water rate study for the City. This study reviewed the customer classes of service and rate structure alternatives to proportionally collect the costs of providing water service. In 2022 HDR completed a wastewater rate study update for the City. This included reviewing and updating the proposed rates for the next three year period as well as evaluating rate structures and customer wastewater characteristics. This study also updated the City's water and wastewater capacity charges.

Key Team Members: Shawn Koorn [PM], Judy Dean, Dean Gipson, Josiah Close, Tom Gould

Project Dates and Contract Amounts: 2018 Wastewater ($90,000), 2019 Water ($129,000), 2022 Wastewater ($105,000)

Contact Information: Mr. Joshua Haggmark, Water Resources Manager, City of Santa Barbara, (805) 564-5393, jhaggmark@santabarbaraca.gov

Dublin San Ramon Service District – Water and Sewer Rates and Fee Studies

Since 2004, HDR has worked with the District on their rates and capacity fees. HDR was originally retained to review the District's local and regional water and sewer rates. The study developed a long-term financial plan for each utility and established cost-based rates. In 2016, HDR updated the District's water reserve capacity fee. This study update included a review of the projection of future equivalent dwelling units (EDU) to define the basis for the fee. In addition, the future (i.e., expansion-related) capital improvement projects were reviewed to determine the incremental/growth-related portion of the fee. In 2020, HDR was again asked by the District to assist in an update the reserve capacity fee methodology to reflect the District's current overall goals and objectives. Key to this update is the review of EDUs through buildout, as well as updated infrastructure costs based on the District's asset management program. HDR is currently working with the District to update the local and regional wastewater rates.

Key Team Members: Shawn Koorn, Judy Dean, Tom Gould, Josiah Close

Project Dates: 2015-2016 Water Capacity Fee ($40,000), 2019-2020 Water Capacity Fee Study ($40,000),

Contact Information: Mr. Herman Chen, Financial Services Supervisor, 925.875.2271, chen@dsrsd.com

1.5 Subconsultants

Given the range of experience and qualifications of internal HDR staff, no subconsultants are necessary or included for the District's Study.

1.6 Summary

Provided below are descriptions of similar projects recently completed by HDR, along with client references for each study.

2. Project Understanding

2.1 Introduction

The Montecito Sanitary District (District) has requested technical and professional assistance to independently assess and evaluate the District's sewer rates and connection fees. This will be accomplished by conducting a comprehensive sewer rate and connection fee study. A key objective for the District's Study is to independently review, evaluate, and propose sewer rates and fees that are consistent with industry standards, best management practices, and applicable laws and support the costs of providing sewer services. This includes evaluating the District's customer classes of service, rate structure, and connection fees for the next six-year period to support the long-term financial sustainability of the District.

Provided in this section of HDR's proposal is a discussion of our understanding of the District's goals and objectives, along the general approach that HDR will utilize to conduct the Study. We have also provided a brief assessment of the financial status of the District's utilities and the challenges that this study must address.

2.2 Goals and Objectives for the Study

The overarching goal of the study is to assess and evaluate the District's sewer rates and connection fees and establish cost-based and proportional rates and fees to support the District's financial obligations. These overarching goals and objectives may be summarized as follows:

1. Evaluate the District's current customer classes, rate structure, and connection fees.
2. Provide recommendations for rate structure revisions and rates that are consistent with industry standards, best management practices and applicable laws.
3. Develop a cost of service analysis and rate model for a minimum six-year period to project the annual operations and District planned capital improvements.
4. Review and demonstrate the impacts of higher wastewater treatment costs while maintaining prudent financial management criteria (e.g., debt service coverage, reserves).
5. Review and provide recommendations on appropriate financial management criteria (e.g., debt service coverage, reserves) based on industry standard measures.

While the above set of goals and objectives for the Study helps to guide the needed analysis, HDR has expanded upon these major objectives and provided the following additional goals and objectives for the District's sewer rate and connection fee study.

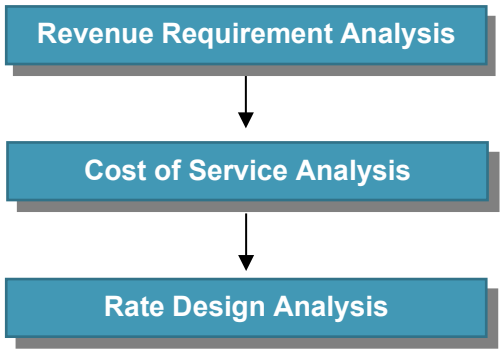
- Effectively present the results of the study to the District's committees and Boards to gain policy feedback and input on the development of the study to reflect the District's rate setting goals and objectives.
- Develop the Study using generally-accepted rate methodologies and industry best management practices (e.g., Water Environment Federation (WEF), Government Finance Officers Association (GFOA)) and the District's specific customer and system characteristics to meet the requirements of Proposition 218.

- Develop a revenue requirement analysis that reflects the District's historical and projected operating and capital costs over a minimum six-year period and meets the industry standard financial measures (e.g., target/minimum reserve balances, debt service coverage ratios, replacement capital funding). From this analysis, determine the overall adequacy or deficiency of the District's sewer rates over the six-year time period.
- Within the six-year financial plan, utilize the District's current Capital Improvement Program and develop a capital funding plan that provides the capital improvement needs and funding sources, along with the impacts to sewer rates. Provide adequate and consistent annual funding for sewer renewal and replacement capital projects (i.e., existing/aging infrastructure).
- As needed, develop a rate transition plan for sewer rates that minimizes rate impacts, avoids rate spikes, and protects financial metrics, while maintaining appropriate service levels.
- Develop a sewer cost of service analysis to proportionally distribute the costs between the identified customer classes of service (e.g., single-family residential, multi-family residential, commercial). Consider and incorporate the need to allocate costs in a manner such that they support the level of the proposed rate components (e.g., fixed and variable charges). From the cost of service analysis, develop average unit costs to determine the cost-basis for the proposed sewer rates.
- Review and assess the District's current sewer rate structures. Review the current customer classes of service for appropriateness and provide specific recommendations. Provide feasible rate structure alternatives for the District's review. Provide recommended sewer rates for the six-year period.
- Review and confirm the District's sewer connection fee methodology reflects industry standard approaches and the requirements of AB 66000 and recommend adjustments to the approach and level of the fee to cost-based and proportional level.
- Provide a written report which provides clear justification for the District's final rate decisions (i.e., provide a clear record of decision).
- Work closely with the District's project team to maximize the value of this Study.
- Provide a copy of the Microsoft Excel models to the District for their future use and update.

The above detailed goals and objectives will be discussed as a part of the initial project meeting and these goals and objectives can be updated and revised accordingly.

2.3 Overview of the General Methodology

The methodology HDR typically uses for its comprehensive rate studies relies upon generally accepted methodologies within the financial and rate-setting industry. These generally accepted methodologies are best defined by the WEF Manual of Practice No. 27, Financing and Charges for Wastewater Systems. A comprehensive rate study is generally comprised of three interrelated analyses. These interrelated analyses are shown below.



Compares the sources of funds to the operating and capital expenses of the utility to determine the overall adjustment to rates.

Proportionally and equitably distributes the total revenue requirement to the various customer classes of service.

Design rates to meet the overall rate design goals and objectives and yield the revenue requirements.

A comprehensive rate study includes each of these technical analyses. The scope of services presented below includes and discusses each of these analyses and the technical steps involved in each to meet the scope of services outlined by the District in the RFP.

An important aspect of this Study is incorporating and "tailoring" those analytical elements to the District's specific customer characteristics and systems. Throughout this Study, HDR will also work closely with the District's project manager and staff to provide a quality Study. During the Study, HDR will routinely meet with the District to review the technical analysis and gain feedback and input. **Our clients appreciate this approach since it enhances their overall understanding of the methodologies used, the technical analyses developed, and the technical basis for the final rate and policy recommendations of the study.**

2.4 Scope of Services

Given the identified goals and objectives for the Study, and a general approach, HDR has developed a detailed project approach (i.e., scope of services), by major task, for the District's Study. **For each task, HDR has provided a summary of the task. For the more technical details of a specific proposed task, a more detailed discussion of the general approach and key issues is provided.**

In reviewing our scope of services, it is important to note that at the time of the development of this proposal, certain COVID restrictions and mandates are in place. How long these restrictions and mandates may be required, or how they may impact the delivery of this Study, is unknown. Given that, it is presumed that HDR and the District may need to be flexible in terms of meetings (in-person versus virtual/video conference). Ideally, HDR believes face-to-face meetings are the most effective, but recognizes we all must safely navigate through the current pandemic.

Provided below are the proposed tasks for the sewer rate and connection fee study. HDR has developed this scope of services based upon our understanding of the District's current needs and HDR is certainly willing to modify and adjust our project approach (scope of services) to meet the specific goals and objectives of the District.

Task 1 – Project Management / Quality Control

Task Objective: Provide effective project management and administration of the Study. Provide a quality control review and evaluation of the Study and all technical analyses.

Task Approach:

- HDR Project Manager is responsible for project administration and technical analysis.
- HDR QA/QC procedures and documentation to be used for quality control. HDR Project Manager is responsible for meeting and fulfilling all QC requirements.

Expected District Staff Support for Task 1:

- District's PM work closely with HDR's PM to internally coordinate the Study and address any issues.

Deliverables as a Result of Task 1:

- Project administration – HDR PM provides routine updates to the District's PM on the status of the Study through monthly invoices and progress reports.
- Prepare agendas, lead study meetings, and provide summary meeting notes
- QA/QC review process provided for the study and technical analyses.

Key Issues Associated With Task 1: HDR's Project Manager is responsible for the overall quality of the study and meeting the expectations of our clients. Our successful projects are accomplished through our PM's close coordination and communication with the District's PM. Monthly invoices will be provided to the District along with a progress report outlining the work completed during the prior period and any Study issues, concerns, or updates on the project schedule and fee.

The project team will develop agendas and lead project meetings during the development of the sewer rate and connection fee study. At the completion of an internal project meeting, HDR will provide summary meeting notes to the District which outline the next steps and action items.

HDR has a specific and detailed QA/QC process for all of our projects. This Study will be reviewed using HDR's company-wide Quality Assurance/Quality Control (QA/QC) Program. All QA/QC processes and reviews are internally documented. HDR's QA/QC process focuses on prevention rather than detection and being proactive rather than reactive. For the District's Study, Shawn Koorn, will provide the overall quality control. Shawn is a nationally recognized expert utility rate and fee setting with over 20-years of experience.

Task 2 – Written Data Request

Task Objective: Provide a written data request detailing the data and information required for the Study.

Task Approach:

- Provide a detailed written data request to the District.
- Identify any data constraints and quickly resolve.

Expected District Staff Support for Task 2:

- Gather the data requested in the written data request provided by HDR.

Deliverables as a Result of Task 2:

- An initial written data request to the District and identification of any data constraints.

Key Issues Associated With Task 2: HDR will provide a written data request to the District prior to the initial project meeting (Task 3) so that it can be discussed at the meeting and any problem areas quickly resolved. The data and information requested for this Study should be, for the most part, readily available information (e.g., financial, statistical, customer). HDR will review the data and information and contact the District with questions or clarifications.

Task 3 – Initial Project Meeting

Task Objective: Bring the HDR project team, District management and staff together, at the start of the project, to allow both parties to have a mutual understanding of the goals, objectives, issues and concerns related to the study. Review the scope of work, project time schedule and initial data request.

Task Approach:

- Schedule an initial project meeting at the District's offices (note: depending upon COVID restrictions, may be necessary via video/virtual meeting).

Expected District Staff Support for Task 3:

- Have their key management/project team members attend a 2-hour kick-off meeting.
- Confirmation of the District's goals and objectives for the Study.

Deliverables as a Result of Task 3:

- Identification of objectives, issues and concerns by both parties.
- Face-to-face meeting to get the Study off to a positive start.

Key Issues Associated with Task 3: The initial project meeting is important to the overall success of the Study since it provides a key foundation for the rate study process (project team coordination). This meeting allows both parties to discuss in detail the overall goals and objectives for the sewer rate and connection fee study, while at the same time discussing any issues and concerns that either party may have. It is proposed that the initial project meeting be approximately 2 hours in length. If possible, the initial project meeting will be held at the District's office. Alternatively, if necessary, the initial project meeting may be held via virtual/video conference.

Task 4 – Review of the District's Financial/Rate Policies and Other Relevant Documents

Task Objective: Review the District's existing financial/rate setting policies to determine the financial planning criteria to be used in developing the District's Study. In addition, review the relevant information and documents (e.g., facility/master plans, capital improvement plans, intergovernmental agreements with other municipalities, contracts with large/industrial/institutional customers, etc.)

Task Approach:

- Review the District's existing written financial/rate setting policies.
- As appropriate discuss and recommend additional policies based on best industry practices.
- Review other planning documents and intergovernmental agreements/contracts relevant to this Study.

Expected District Staff Support for Task 4:

- Provide a copy of the District's existing written financial policies, planning/CIP documents, and intergovenmental agreements, etc.
- As needed, respond to questions concerning the data and information provided.

Deliverables as a Result of Task 4:

- A review of the District's existing written financial/rate setting policies and relevent documents.
- If needed, a one-hour virtual project meeting to review and discuss the relevent information.

Key Issues Associated With Task 4: The key advantage of established written financial policies is they provide management and staff with clear policy direction on the financial planning criteria to be used in the development of the financial plans and rates. Financial policies can be expanded and refined to includes items such as the overall methodology to be used, minimum financial targets (e.g., DSC, reserve levels, capital improvement funding from rates, use of long-term borrowing, debt/equity, etc.). It is important to understand that this task is not intended to develop a specific set of written financial or rate setting policies for the District. Rather, this task is intended to gain an understanding of the level of written policy direction already provided within the financial planning and rate setting process. For those areas where no specific financial planning target or criteria is provided, as a part of Task 6, HDR will recommend appropriate financial targets (e.g., target debt service coverage, minimum annual funding for replacement capital).

"The key advantage of established written financial policies is they provide management and staff with clear policy direction on the financial planning criteria to be used in the development of the financial plans and rates."

The review of the planning documents (master plans, capital plans, etc.) provides the initial basic understanding of the capital needs for the District. This also provides a linkage and basis for the establishment of the proposed rates, and specifically the planning criteria which will be used in the development of the connection fee review (Task 9). This will include the upcoming septage to sewer strategic plan as well as the recent condition assessment and replacement plans and treatment "mini-master plan" completed by the District. While there is not a specific master plan, HDR will rely on available documented planning information in the development of the rate and fee study.

As a part of this task, HDR will also review any Intergovernmental Agreements or contracts with large/industrial/institutional customers. These agreements/contracts may contain specific legal requirements regarding the establishment of rates. HDR needs to be aware of any limitations or requirements contained in these documents.

Task 5 – Performance Benchmarking

Task Objective: Work with the District to identify key performance benchmarks for comparison to industry averages.

Task Approach:

- Identify specific performance benchmarks to review.
- Utilize industry information (e.g., AWWA) to develop the comparison.

Expected District Staff Support for Task 5:

- Collaborate with HDR to select relevant performance indicators to be used for the Study.
- Provide the needed data to populate the District's performance indicators

Deliverables as a Result of Task 5:

- Define performance indicators in collaboration with District staff.
- Graphical summary of the performance indicators and provide the findings and results.
- Electronic copy of the TM summarizing the performance benchmarking task.

Key Issues Associated With Task 5: An important part of a rate study is demonstrating that the utility is using ratepayer dollars wisely and efficiently. If efficiency can be shown through a benchmarking task, then the basis for any proposed rate adjustments is not hindered by arguments that the utility is "inefficient" or "wasteful" with the ratepayer funds they already have. HDR will approach this task with the objective of providing meaningful benchmark performance comparisons that focus on demonstrating the District's efficiency as it relates to overall performance and work levels.

The American Water Works Association (AWWA) segregates performance indicators (benchmarks) between the categories of organizational development, business operations, customer relations, water operations, and wastewater operations. The use of the AWWA benchmarks provides a common definition of the performance indicators and readily available data for comparison purposes. Under this approach, key performance indicators (e.g., debt ratio, return on assets, cash reserves) can be reviewed and compared to industry norms. Some of the indicators can also be compared to industry financial information (e.g., Fitch medians) to compare to.

Task 6 – Revenue Requirement Analysis

Task Objective: Using a "generally accepted" rate-setting methodology, develop a revenue requirement analysis for a minimum six-year period. The revenue requirement analyses will establish the cost-based 'level' of revenue to be collected from rates (O&M and capital). Using the District's Capital Improvement Program, a capital funding plan will be developed to maximize funds available for capital projects while minimizing overall rate impacts. If necessary, a plan to transition rates to cost-based levels will be developed. The analysis will also examine key financial performance indicators such as debt service coverage and reserve levels. The development of the revenue requirement analysis will be designed to be compliant with Proposition 218.

Task Approach:

- Utilize the current budget and a "cash basis" methodology to accumulate costs.
- Project revenues and expenditures (operating and capital costs) for up to a six-year period.
- Develop a capital funding plan for the District's sewer CIP and evaluate the financial/rate impacts of different CIP funding sources. Incorporate into the capital funding plan a consistent annual funding source for renewal and replacement capital projects.
- Utilize the District's financial policies and financial planning criteria (e.g., reserves, DSC, etc.) identified in Task 4.
- Review key assumptions related to customer growth/demands, revenues, expenses, standards/regulations, etc.
- If needed, develop a rate transition plan to smoothly adjust the overall levels of rate revenues.

Expected District Staff Support for Task 6:

- Provide as needed assistance to clarify the District's data and information
- Provide as needed data refinements or additional data
- Attend a 2 to 3 hour project meeting, or if necessary a virtual meeting, to review the draft revenue requirement analysis in tandem with the Task 7 review meeting.

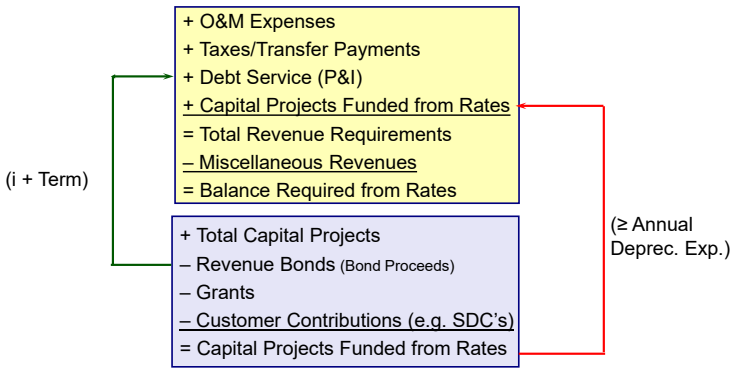
Deliverables as a Result of Task 6:

- A sewer revenue requirement analysis for up to a six-year period that considers the necessary operating and capital needs.
- A capital financing plan within the revenue requirement analysis, utilizing the District's Capital Improvement Plan, which attempts to maximize capital expenditures while minimizing the rate impacts to customers over time.
- If needed, a rate transition plan to "phase in" any needed rate adjustments.
- Industry standard key financial indicators (debt service coverage, capital funding/replacement through rates, reserve levels, etc.).
- One 2 to 3 hour project meeting to review draft results of the revenue requirements.

Key Issues Associated With Task 6: The revenue requirement analysis is the first major analytical portion of the comprehensive rate study process. This task considers the prudent and proper funding for O&M and capital expenditures and evaluates the need for rate adjustments over the projected time period. The various analytical steps are described below.

TIME PERIOD – The District has requested that the revenue requirement analysis cover up to a six-year projected time period.

REVENUE REQUIREMENT METHODOLOGY – A "cash basis" methodology will be used for each utility. As shown in the diagram, and in the upper yellow box, a "cash basis" revenue requirement methodology sums operation and maintenance expenses, taxes/transfer payments, debt service (P+I), and capital projects funded from rates. This produces the total revenue requirement. The total revenue requirement, less any miscellaneous revenues, produces the balance of funds required from rates. Stated another way, the balance of funds from rates represents an adequate level of rate revenues to meet the operating and capital needs of the utility.



"Cash Basis" Revenue Requirement and Capital Planning Methodology

ACCUMULATION OF REVENUES AND EXPENSES –
Revenue requirements are composed of two major types of expenses or costs: operating costs and capital costs. Operational costs are generally projected from historical or budgeted costs, using escalation factors for future costs, and adjusted for any known changes in operations (e.g., changes in levels of service/personnel, operating costs, growth/expansion, etc.). HDR will begin with the District's current adopted, or projected, budget and project costs into the future using escalation factors for the various types of costs that the District incurs (e.g., labor, benefits, electricity, chemicals). Operating costs will also be analyzed and adjusted for any changes in service levels, customer growth, etc.

The starting point for projecting capital expenditures (i.e., the bottom "blue box" in the graphic above) will be the District's Sewer Capital Improvement Plan. In the financial planning process, consideration must be given to maximizing the capital improvement expenditures, while minimizing rates to the utility's customers. A more detailed view of the basic framework used to analyze capital improvement funding is shown below in Figure 1.

Figure 1
Overview of the Methodology for Developing a Sewer Capital Funding Plan

+ **Total Capital Projects (From Sewer Capital Improvement Plan) –**
  - ✓ Renewal and Replacement Capital Projects
  - ✓ Legally Mandated/Regulatory Capital Projects
  - ✓ System Growth and Expansion Capital Projects
– **Outside Funding Sources –**
  - ✓ Capital Reserves
  - ✓ Grants
  - ✓ Low-Interest Loans (State and/or Federal)
  - ✓ Connection Fees /Contributed Capital
  - ✓ Borrowed Funds/Long Term Debt (e.g., Low-Interest Loans, Revenue Bonds)
= **Capital Projects Financed with Rate Revenues (≥ Depreciation Expense)**

The capital (improvement) funding plan is developed on a year-by-year basis for the projected time period. The capital projects are listed by year with the estimated (planned) outside funding sources for each project. The balance of projects not funded by the available sources of funds

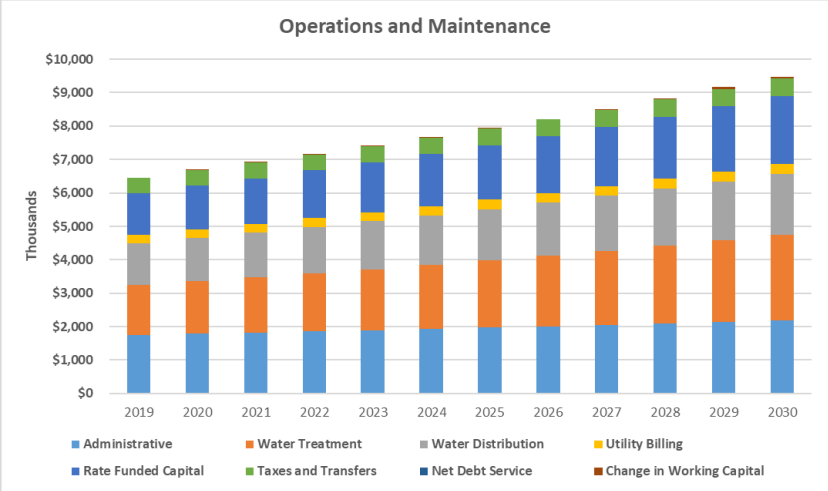
must be financed from a combination of long-term debt and rates (or deferred). It is the balancing of the use of long-term debt to the impact upon rates, which is critical to the analysis. The above framework provides the proper approach to evaluate the financial/rate implications of the planned capital improvements

> **"The City also understands and acknowledges that they should be transitioning to additional rate funding for replacement of existing capital infrastructure."**

The District has developed condition assessment and replacement plans which should outline the timing and need for future replacement of infrastructure. As infrastructure comes to the end of its life, the District must have sufficient funding available to replace it. From a financial planning perspective, HDR encourages utilities to fund from rates, at a minimum, an amount equal to or greater than a utility's annual depreciation expense (i.e., pay-as-you-go funding). Absent a more formal asset management plan, annual depreciation expense reflects the portion of plant that is becoming obsolete or worn out. However, it is important to note that annual depreciation expense is not the same as replacement cost and this difference must be funded from either borrowing or rate funding. HDR will work closely with the District to evaluate the current levels of funding for replacement capital and develop a long-term plan to increase funding to more adequate levels.

FINANCIAL PLANNING CRITERIA – HDR will develop the revenue requirement analyses to be consistent with the District's financial policies (See Task 4), current rate (bond) covenants, and best industry practices. HDR will use financial targets based upon either the District's current written policies, or absent clear policy direction, industry best practices.

SUMMARIZE THE RESULTS AND DEVELOP RATE TRANSITION PLAN – The revenue requirement analysis is designed to provide an understanding of the total costs to operate from year to year. While the analysis is very detailed, an important step is to summarize those results and findings into an easy to understand format. HDR will develop summary tables for the revenue requirement analysis that should provide easy to understand findings and results.



HDR rate models clearly display the costs and rate impacts of various operating and capital components.

Another important element of the Study is the potential need for a rate transition plan. If needed, HDR will develop a rate transition plan to smoothly transition the rates over time, given the various funding requirements and constraints of the analysis. The District, within their RFP, suggested establishing sewer rates for up to a six-year period.

INTERNAL REVIEW MEETING(S) – As the study progresses, HDR will meet the District's project team to review the draft results of the revenue requirement analyses. The objective of the

internal review meeting is to provide the District with an understanding of the overall methodology, while reviewing the various key inputs and key assumptions of the analysis. In this way, District staff will clearly understand the approach and methodology used by HDR to develop the analysis, while HDR gains confirmation of the key inputs and assumptions used in the analysis. Based on input and feedback from the District's project team, the revenue requirements will be finalized.

Task 7 – Cost of Service Analysis

Task Objective: Using generally accepted methodologies, and the District's specific and unique system and customer characteristics, proportionally distribute the sewer revenue requirement to the identified customer classes of service (e.g., residential, commercial) and develop cost-based average unit costs for the purpose of designing proposed rates. The cost of service analysis should provide both fixed and variable (consumption) average unit costs, which are the starting point for designing final proposed sewer rate designs.

Task Approach:

- Utilize generally accepted cost of service methodologies to equitably allocate and proportionally distribute the District's revenue requirement to the identified customer classes of service.
- Summarize the results of the analysis and develop average unit costs.

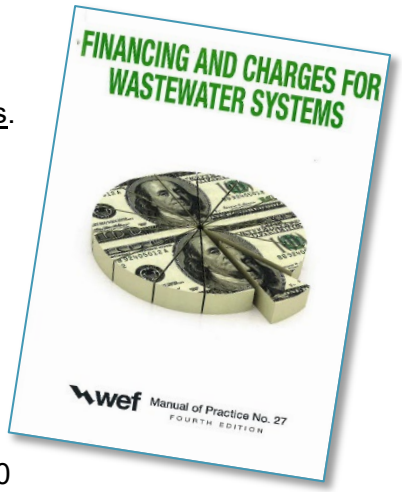
Expected District Staff Support for Task 7:

- Discuss the District's system, facilities, and customer characteristics.
- Attend a 2-3 hour project meeting, or virtual meeting if necessary, to review the draft results of the cost of service analysis in tandem with the Task 6 project meeting.
- Review the key assumptions and results of the sewer cost of service analysis.

Deliverables as a Result of Task 7:

- Review of the customer classes of service to reflect industry practices and approaches.
- A proportional allocation of the District's sewer revenue requirement to the customer classes of service.
- Average unit costs (e.g., $/customer/month, $/100 cubic feet, $/lb TSS and BOD).
- Project meeting to review the draft final cost of service summary and recommendations.

Key Issues Associated With Task 7: In simplified terms, a cost of service analysis allocates and then proportionally distributes the revenue requirement to the customer classes of service. The basis for establishing rates that are proportional, cost-based, and defendable has traditionally been cost of service principles and methodologies. Generally accepted cost of service methodologies are discussed in detail within the Water Environment Federation's Manual of Practice No. 27, Financing and Charges for Wastewater Systems.



Within a cost of service analysis, the revenue requirement is *functionalized*, *allocated,* and proportionally *distributed* to the identified customer classes of service (e.g., residential, commercial, etc.). The objective of a cost of service analysis is to determine what cost-differences, if any, exist between serving different types of customers. In other words, does it cost the same, on a per unit basis, to serve a single-family residential customer that contributes four hundred cubic feet (HCF) a month versus an industrial customer that contributes 800

hundred cubic feet of wastewater? The cost of service answers that basic question and quantifies those cost differences on per unit cost basis. The basic steps of a sewer cost of service analysis are described in more detail below.

- **Functionalization**. The preliminary arrangement of costs according to functions performed by the sewer system. For the sewer utility, the major functions are usually defined as collection, pumping and treatment. A utility's chart of accounts (i.e., accounting/budgeting system) typically provides functionalized data.
- **Allocation.** The process of allocating the functionalized costs to the various types of cost components. For a sewer utility, these generally include volume (flow), strength (total suspended solids and biochemical oxygen demand, etc.), and customer-related cost components. In the allocation process, each functionalized cost is assigned to a cost component based upon the reason why the cost was incurred (e.g., to meet a volume and/or strength requirement, etc.).
- **Distribution.** Given the allocation of costs to the various cost components, each allocated cost is proportionally distributed to the identified customer classes of service using prescribed distribution techniques. For example, sewer volume costs are proportionally distributed on the basis of the total annual sewer flows for each class of service.

The cost of service analysis has taken on a higher level of importance over the last several years. The State of California has certain well-established legal constraints regarding utility ratemaking, of which Proposition 218 (California Constitution Article XIII D) is at the forefront. At its very core, Proposition 218 requires a utility to establish cost-based rates for the services provided. However, Proposition 218 provided certain direction, but lacked clarity and definition in certain areas. Hence, there have been a number of lawsuits in recent years related to utility rates and Proposition 218. Given this, the cost of service analysis is critical in supporting the cost basis and proportionality of the District's proposed sewer rates.

Provided below is a discussion of the major steps associated within the cost of service analysis.

Step 1 – Selection of Test Period – A cost of service analysis typically reviews a one-year period to establish cost-based rates. For cost of service purposes, allocating the sewer revenue requirement for the first year of the proposed rates is typically done.

Step 2 – Selection of the Method to Accumulate Costs –The "cash basis" revenue requirement developed in Task 6 will be proportionally distributed within the cost of service analysis. HDR will need to confirm this approach/methodology during the initial project meeting.

Step 3 – Functionalization and Allocation of Expenses – Functionalization refers to the arrangement of the sewer cost data into its basic cost categories (e.g., collection, pumping treatment, etc.). Given *functionalized* costs, the costs are then *allocated* to the various cost components based upon the reason why the cost was incurred. For the District's Study, the revenue requirement (costs) would be allocated to the cost components of volume (flow), strength (BOD, TSS), or a customer-related need. The allocation of the District's costs will be based upon "generally accepted" cost of service techniques and the specific system characteristics of the District.

"The basis for establishing rates that are fair, equitable, and defendable has traditionally been cost of service principles and methodologies."

Step 4 – Determination of Classes of Service –The District, in their RFP, wants to review the existing customer classes of service and have HDR provide suggestions for changes to clarify/simplify the classes of service. As a part of this task/step, HDR will review with the District the classes of service and determine whether modifications or changes are suggested or required.

Step 5 – Review of Customer Consumptive/Volumetric Use – An important objective of the cost of service is to proportionally distribute the costs to each class of service. In other words, consumption and flow-related costs should be proportionally distributed between the various classes of service based upon the total annual flow contributions of each class of service. HDR will work with the District to review historical billing data, planning assumptions, and system characteristics to develop proportional distribution factors.

Step 6 – Distribution of Expenses – The next step is to distribute each of the allocated costs to the identified customer classes of service using distribution factors. HDR will develop distribution factors that are "equitable and proportional" to all customers, and which rely upon District-specific data whenever possible. In particular, the volume and strength-related distribution factors will be developed based on District specific data and customer characteristics. Based upon the prior step, HDR will have reviewed the customer data in order to establish reasonable flow/volume estimates.

Step 7 – Summary of the Cost of Service – From the above process, a summary page of the cost of service analysis is developed. The summary page compares the difference between the current level of rate revenues received from each class of service, and the proportionally distributed cost of service for each class. This provides an understanding of the relationship between the costs each customer class of service places on the system and the revenues received from the customers. From this summary, a determination can be made as to the revenue/rate adjustments, by class of service, which are reflective of cost responsibility.

Step 8 – Development of Average Unit Costs – The cost of service provides the proportional distribution of costs to each class of service, but it also provides average unit costs, or cost-based rates (e.g., $/customer month, $/HCF, $/pound of BOD or TSS, etc.). These cost-based rates are used as the starting point for the development of the final proposed sewer rates. Average unit costs also provide the District with an understanding of the cost/rate relationship between fixed and variable costs.

INTERNAL REVIEW MEETING(S) **–** As the study progresses, HDR will meet the District's project team to review the draft results of the cost of service analyses. The objective of the internal review meeting is to provide the District with an understanding of the overall cost of service methodology, while reviewing the various key inputs and assumptions of the analysis. In this way, District staff will clearly understand the approach and methodology used by HDR to develop the cost of service analysis, while gaining confirmation of the key inputs and assumptions. Based on input and feedback from District project team, the cost of service will be finalized.

From the cost of service analysis above, the District will have a far better understanding of the cost-basis for the sewer rates to be developed in Task 8.

Task 8 –Rate Design Analysis

Task Objective: Utilize the cost information developed as a part of the previous tasks to develop, for a six-year period, proposed sewer rates for consideration by the District. As appropriate, develop rate structure alternatives to address the District's rate design goals and objectives, while providing rates which recovers the cost of providing service. Develop bill comparisons for each rate design to demonstrate the potential bill impacts from a change in a rate structure or the level of the rates. Compare and contrast the District's present and proposed rates to neighboring communities of comparable size and characteristics.

Task Approach:

- Utilize the results of the revenue requirement analysis and cost of service analysis to establish the overall level of revenue adjustments to the District's sewer rates.
- Review the District's rate design goals and objectives (e.g., revenue stability, ease of administration, ease of customer understanding, conservation/efficient use, encourage economic development, etc.).
- Review the District's existing sewer rate structures and discuss with the District potential alternatives.
- Develop sewer rate design alternatives which best meet the District's objectives and are cost-based and equitable.
- Develop customer bill comparisons to demonstrate the potential bill impacts over varying levels of usage.
- Compare and contrast the District's present and proposed sewer rates to neighboring communities of comparable size and characteristics.
- Discuss the potential impacts (e.g., ease of understanding, administrative, revenue stability, enhanced conservation signal, etc.) of any proposed changes in the level or structure of the District's sewer rates.

Expected District Staff Support for Task 8:

- Discuss the District's rate design goals and objectives with HDR and discuss potential rate structure alternatives.
- Review rate designs for appropriateness, provide direction for preferred alternatives.
- Provide a suggested list of comparable neighboring utilties for comparative purposes.

Deliverables as a Result of Task 8:

- Review of the District's current sewer rates.
- Development of proposed sewer rates for a six-year period (annual adjustments).
- Bill comparisons and graphs for up to two rate design alternatives developed.
- Rate survey of neighboring utilities.
- Review/discussion of the potential impacts (e.g., revenue stability, enhanced conservation, etc.) from any change in the District's sewer rates.
- A two hour virtual project meeting to review and discuss the rate design alternatives.

Key Issues Associated With Task 8: The development of proposed sewer rates is the final analytical task of the comprehensive rate study process. The initial starting point for this task is better understanding the District's rate design goals and objectives. As part of this task, HDR will work with the District to better understand their specific rate design goals and objectives for this task.

HDR will review the current rate structures and evaluate them against industry best practices and current trends. In summary form, HDR will work with the District to determine alternative sewer rate structures for consideration. Our proposed approach is to develop a set of rates using the current sewer rate structures and then explore up to two alternative rate structures per customer class of service. To be compliant with Proposition 218, HDR will develop the sewer rate design using the findings and conclusions from the revenue requirement and cost of service analysis. This includes the average unit costs (e.g., $/customer/month and $/HCF) from the cost of service analysis.

For each rate design alternative developed, HDR will provide bill comparisons to demonstrate the bill impacts to customers at various levels of consumptive use. In addition, HDR will provide a comparison and rate survey of comparable neighboring utilities to provide an understanding of the competitiveness of the District's present and proposed sewer rates. Finally, HDR will discuss the potential impacts from any changes in the District's sewer rates (e.g., administrative ease, customer understanding, revenue stability, conservation).

At the conclusion of this task, HDR will provide a recommendation on the sewer rate structures and recommended rates for adoption and hold a two hour virtual project meeting to review and discuss the rate alternatives. The proposed sewer rates will be developed for a six-year period.

Task 9 – Review and Update of the Sewer Connection Fees

Task Objective: Review and update the District's sewer connection fees. Review the connection fee methodology, appraoch, cost-basis, as well as their appropriateness and reasonableness.

Task Approach:

- Review the methodology and approach utilized by the District in establishing the current sewer connection fees.
- Review and update the District's sewer connection fees.
- Review the fees for appropriateness and reasonableness.

Expected District Staff Support for Task 9:

- Provide a copy of the District's last connection fee study.
- Provide necessary plant investment and planning documents; provide as-needed clarification.

Deliverables as a Result of Task 9:

- Review of the District's current sewer connection fee methodology.
- Review and update of the District's sewer connection fees to cost-based levels.
- A written report summarizing the findings, conclusions, and recommendations of the connection fee study in digital format (e.g., PDF and Word).
- A copy of the sewer connection fee model.
- Discuss, as relevant, current industry policies and trends related to connection fees.

Key Issues Associated With Task 9: Connection fees are capital recovery fees generally established as one-time charges assessed against developers or new customers as a way to recover all or a part of the cost of additional system capacity constructed for their use. A capacity connection fee is typically established based upon the value of the utility's capacity and the amount of capacity needed to serve the new customer. The objective of these charges is to maintain equity between existing and new customers. The development of cost-based connection fees is also important from the perspective of the overall financial stability of the utilities. Connection fee revenue is used to finance growth-related infrastructure. As a general philosophy, most utilities prefer to have "growth pay for growth." This statement implies the development and implementation of cost-based connection fees.

There are a number of different methodologies which may be used to establish connection fees.[1] The key issue from the perspective of this study is to have a solid foundational understanding of these different methodologies (which HDR does) and then appropriately apply the methodologies based upon the specific circumstances of the District's sewer utility (e.g., available excess capacity, no excess capacity/expansion needed, etc.). This task will review the District's current sewer connection fees, the methodology used in the past to establish them and then update them to reflect current costs and the appropriate methodology which best reflects the sewer utility's current condition and situation. Specifically, HDR will update the District's connection fees using District asset records, CIP, and financing data to determine a cost-based sewer connection fee.

"It is important to create a *"nexus"* or connection between new development and the new or expanded facilities required to accommodate such development. This establishes the rational basis of public policy."

In developing these fees, it is important to create a "nexus" or relationship between new development and the new or expanded facilities required to accommodate such development. This establishes the rational basis of public policy. Finally, at the same time, the development of the District's sewer connection fees must be legally compliant with Assembly Bill 1600 and Government Code Section 66000.

The draft connection fees will be reviewed with District staff at virtual project meetings and finalized based on the District's project team feedback and input. Given the nature of these fees, HDR would propose a separate and distinct report for connection fees. Once the Study is completed, the sewer connection fee models will be provided electronically to the District.

Task 10 – Written Report

Task Objective: Provide a well written report to summarize the findings, conclusions and recommendations of the sewer rate study.

Task Approach:

- Develop the draft sewer rate study report for review and comment by the District in digital format.
- Incorporate changes or received from the District or the District's legal counsel.
- Develop the final sewer rate study report and provide a digital format to the District (Word and PDF).

Expected District Staff Support for Task 10::

- Review and comment on the draft written report.

Deliverables as a Result of Task 10:

- A draft rate study report in digital format.
- A final rate study report in digital format (Word and PDF). .

[1] For example, there are at least four different methods to value the District's assets. There are also three different methods for calculating connection fees; the buy-in methodology, incremental methodology and the combined methodology.

Key Issues Associated With Task 10: Upon completion of the technical analyses, HDR will develop the draft rate study report for the District's review. Based on District staff and District legal counsel feedback, HDR will develop a final sewer report.

HDR's written reports are intended to be comprehensive in nature and document the analyses undertaken as a part of the project, along with our findings, conclusions, and recommendations. Attached to the report will be the exhibits developed as a part of the study (revenue requirements, cost of service, rate design). For purposes of Proposition 218, this provides complete documentation and an administrative record of the District's sewer rate study.

Task 11 – Public Meetings

Task Objective: Provide effective public presentations of the findings, conclusions and recommendations of the rate and fee study to the District Board and the public (ratepayers).

Task Approach:

- Develop presentation materials for five (5) meetings with the District's Finance Committee (3), Strategic Planning Committee (1), and the District Board (1).
- Shawn Koorn, the HDR Project Manager, will attend all public meetings/presentations[2].

Expected District Staff Support for Task 11:

- Review and comment on proposed handouts for public meetings.

Deliverables as a Result of Task 11:

- Five (5) public presentations to present the findings, conclusions and recommendations of the rate study.

Key Issues Associated With Task 11: The overall quality and value of a rate study is often measured by the quality of the public presentation process. **HDR excels at this aspect of the study and our ability to clearly communicate while highlighting the key study issues and policy-related issues has allowed HDR to successfully assist utilities through the rate setting process**.

The District provided within their RFP that up to five public meetings would be held with the District's Finance Committee, Strategic Planning Committee, and Board to discuss the findings, conclusions, and recommendations of the study. HDR will prepare all handouts and the HDR Project Manager, Shawn Koorn, will provide the presentations. HDR would also recommend participation in the Proposition 218 hearing which would occur after the March 2023 presentation and discussion with the District Board.

Should additional public meetings or presentations be required, they can be provided on a time and material basis.

[2] Depending upon COVID restrictions at the time of the public meetings, HDR's public presentations may need to be virtual or video conference.

Task 12 – Rate and Fee Models

Task Objective: Develop spreadsheet financial/rate models to conduct the rate and fee study. The models will be developed in Microsoft Excel and be non-proprietary. At the conclusion of the Study, all models developed as a part of this Study will be provided to the District for their use.

Task Approach:

- Develop the rate and fee models for the study using Microsoft Excel.
- Develop the model specifically for the District utilizing their chart of accounts and specific facility information.

Expected District Staff Support for Task 12:

- Review with HDR requested features of the model.

Deliverables as a Result of Task 12:

- A copy of the computer spreadsheet models used to develop the District's sewer rate and connection fee study.

Key Issues Associated With Task 12: HDR will develop financial/rate models for the District's sewer rate and connection fee study in Microsoft Excel. The model will be specifically developed for the District. Our financial/rate models are designed and intended to be technically sophisticated, yet easy to use and update. At the conclusion of the Study, HDR will provide the models to the District.

This concludes HDR's discussion of our project approach (scope of work) for the District's sewer rate and connection fee study. This scope of work has been developed based on our current understanding of the District's needs. Our proposed scope of services may be modified to meet the specific needs of the District.

2.5 Keys to a Successful Study

Both HDR and the District desire project success. To that end, HDR has identified the following areas as the keys to success for this Study.

Project Team Coordination – For a rate study **to be successful, HDR and the District must work together closely and collaboratively**. This will be achieved through close communication and a number of project meetings during the course of the Study to keep the District's project manager informed of the status of the Study and any project issues.

Long-Term Sustainable Funding – A well-managed utility is constantly looking ahead and develops a path (i.e., a financial plan) to adequate, long-term sustainable funding for O&M and capital infrastructure funding. **A capital improvement funding plan will be developed which focuses on minimizing rates over time, while providing adequate and consistent funding for on-going renewal and replacement projects** (i.e., pay-as-you-go rate funding).

Rate Transition – One of the challenges of rate setting is moving from "where you are" to "where you want to be". **A well-thought-out rate transition plan provides a clear path forward to the needed changes**, with the benefit of a smooth transition which minimizes impacts to customers.

District Board/Public Acceptance – Ultimately, the findings, conclusions and recommendations of the Study need to be accepted and adopted by the District Board and the public. A sound strategy for public presentations which focuses on the key policy issues and **communicating in a clear and easy to understand manner will provide significant value to the ratepayers and the District Board**.

On-Time Completion, Within Budget – Allocation of adequate resources, skilled project management and effective project management controls (tools) will provide the foundation for the successful completion of the Study; on-time and within budget.

2.6 Summary

This section of HDR's proposal has provided our project understanding. HDR's approach is unique in that our analyses are tailored to the specific and unique characteristics and facilities of the District. HDR is dedicated to providing all of our clients a quality rate study. We are making this same commitment to the District.

3. Project Schedule

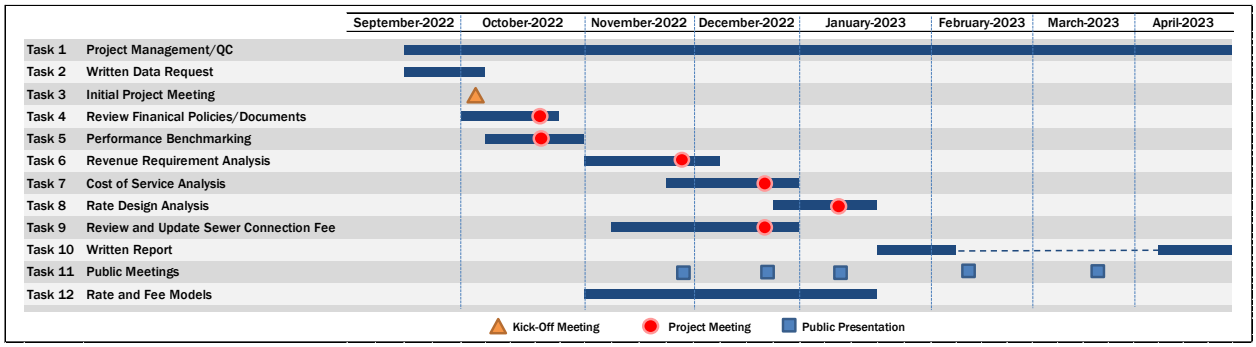
3.1 Introduction

The previous section of the proposal provided a detailed discussion of the proposed scope of services for the District's sewer rate and connection fee study. This section of the proposal will provide a proposed project time schedule, by project task.

3.2 Project Time Schedule

A comprehensive sewer rate study of this complexity generally requires four to six months to complete, depending upon a number of factors. These factors include the amount of time required by the District to collect the necessary data, the quality of the data provided, the complexity of the issues to be addressed, the ability to schedule meetings with District staff in a timely manner. More importantly, in addition to those factors, the project will require timely feedback and policy direction from District management and the District's committees and Board.

As a part of the District's RFP, a general project time schedule was delineated. The District has requested the complete draft report be submitted to the District within six (6) months after the award of contract. In addition, the District has noted that the proposed sewer rates must be completed no later than April 1, 2023 to meet the rate setting requirement. Given those basic parameters, HDR developed the following proposed project time schedule, delineated by task.



As the rate and fee study progresses, HDR has assumed a number of internal meetings to review the technical analyses and gain feedback from the District. In developing the above project time schedule, HDR is cognizant of the challenges and restrictions posed to both the District and HDR by the current COVID conditions. Having said that, even with these unique challenges, HDR will be committed to meeting this proposed project time schedule.

3.3 Summary

This section of the proposal has provided a proposed project time schedule based upon the scope of services discussed in Section 2. If needed, HDR is willing to work with the District to modify our proposed project time schedule to meet the needs of the District.

4. Labor Rates and Fee Schedule

4.1 Introduction

This section of the proposal discusses HDR's project fee estimate to conduct the District's sewer rate and connection fee study.

4.2 Estimated Staff Hours

The following labor hour estimate by team member and task is based on the scope of services, as described in Section 2.

Task	Shawn Koorn	Josiah Close	Judy Dean	Michael Flores	Amy Omae	Admin./ Acct.	Total
1	14	4	8	0	0	16	**42**
2	1	2	1	0	0	0	**4**
3	4	4	1	0	0	0	**9**
4	2	10	4	0	0	0	**16**
5	2	12	6	2	0	0	**22**
6	4	20	4	2	2	0	**32**
7	4	20	6	2	4	0	**36**
8	2	12	2	0	0	0	**16**
9	4	24	10	2	2	0	**42**
10	2	12	4	0	0	0	**18**
11	20	8	4	0	0	0	**32**
12	0	4	2	0	0	0	**6**
Total	**59**	**132**	**52**	**8**	**8**	**16**	**275**

4.3 Summary

This section of HDR's proposal has reviewed the estimated staff hours for the scope of services as developed in Section 2 of this proposal. As requested by the District a separate fee proposal has been developed and submitted as a separate file.

5. Contract Requirements

5.1 Introduction

The District attached a copy of the proposed Professional Services Agreement (PSA). HDR has reviewed the agreement and has a limited number of comments. Provided below is a summary of the identified changes related to the District's PSA.

5.2 Exceptions to the District's PSA

We have reviewed the PSA included in the RFP and propose the following exceptions, edits, and changes. Requested additions are shown in **highlighted bold text**, and requested deletions are shown in ~~red strike-through text~~. **We do not anticipate being unable to reach a mutually acceptable agreement to conduct this study for the District.**

§	Requested Clarification/Modification
Page 1, initial paragraph	The Consultant would be HDR Engineering, Inc. our legal name, and HDR is a Nebraska corporation.
6 Correction of ~~Errors~~ **Services**	HDR would request the following edits. "Consultant agrees to correct, at its expense, all ~~errors~~ which may be …" replace errors with: "**services which fail to satisfy the standard of care set forth in Section 3 hereof and**"
9. District's Responsibility	HDR would request the following addition at the end of the existing paragraph: "**District shall provide Consultant all information and documents necessary for Consultant to perform its services. Consultant shall be entitled to rely upon the accuracy and completeness of all information and documents furnished by District, provided that Consultant shall provide District prompt notice of any known defects in such information and documents.**"
10. Term of Agreement	HDR would request the addition of c. which would state: "**Notwithstanding the foregoing, neither party will terminate this Agreement for cause without providing the other party written notice of the breach and a period of 10 calendar days to cure.**"
12. Compensation	HDR would request the following addition at the end of the existing paragraph: District agrees to pay consultant for services provided under this Agreement in the amount set forth in Exhibit A attached hereto and incorporated by this reference in full herein. **District will pay all undisputed amounts within 30 days following receipt of Consultant's invoice.**"
16. Indemnity	HDR would request the following edits. "…, costs ~~and financial loss~~, including all costs and expenses and fee of litigation or arbitration, ~~that arise directly or indirectly from~~ **to the extent caused by** any **negligent** acts or omissions related to this Agreement performed by Consultant or it agents, employees, subconsultants, subcontractors and other persons acting on Consultant's behalf. ~~This agreement to indemnify, hold harmless and defend shall apply whether~~

	~~such acts or omissions are the product of active negligence, passive negligence, or acts for which the Consultant or its agents, employees, subconsultants, subcontractors and other persons acting on Consultant's behalf would be held strictly liable.~~"
23. Force Majeure	HDR would request the following additions to this section. "Such acts shall include, but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, **pandemics, quarantine restrictions,** governmental regulations improves after this Agreement was executed, …"
36. Waiver	HDR would request the following section be added to the Agreement: "**Notwithstanding anything to the contrary in this Agreement and to the fullest extent permitted by law, neither party to this Agreement shall be liable to the other party for any special, incidental, indirect, or consequential damages (including but not limited to loss of use or opportunity; loss of good will; cost of substitute facilities, goods, or services; cost of capital; and/or fines or penalties), loss of profits or revenue arising out of, resulting from, or in any way related to Consultant's services or this Agreement from any cause or causes, including but not limited to any such damages caused by negligence, errors or omissions, strict liability or breach of contract.**"
37. Allocation of Risk	HDR would request the following section be added to the Agreement: "**The parties have evaluated the risks and rewards associated with this Agreement, including Consultant's fee relative to the risks assumed, and agree to allocate certain of the risks so, to the fullest extent permitted by law and notwithstanding anything to the contrary in this Agreement, the total aggregate liability of Consultant (and its related corporations, subconsultants and employees) to District and anyone claiming by, through or under District shall be limited to Consultant's fee amount under this Agreement, for any and all injuries, damages, claims, losses or expenses (including attorney and expert fees) arising out of Consultant's services or this Agreement, regardless of the cause or theory of liability, including negligence, indemnity or other recovery.**"

5.3 Exceptions to the Exhibit B Insurance

As part of our review we have also reviewed the Insurance requirements requested by the District. Similar to above requested additions are shown in **highlighted bold text**, and requested deletions are shown in ~~red strike-through text~~.

§	Requested Clarification/Modification
1. c.	HDR would request the following edit. Professional liability/errors and omissions insurance appropriate to Consultant's profession with a minimum coverage of $2,000,000 per occurrence or claim, $2,000,000 aggregate. ~~The professional liability/errors and omissions insurance must be project specific with at least a one year extended reporting period, or longer upon request.~~

§	Requested Clarification/Modification
2.	HDR would request the following edits. "… District reserves the right to require ~~complete certified~~ **redacted** copies of all required insurance policies at any time. …"
3.	HDR would request the following edits. "Consultant agrees that all insurance coverages shall be provided by a California admitted insurance carrier with an A.M. Best rating of A:VII or better and shall be endorsed to state that coverage may not be ~~suspended, voided,~~ canceled, or ~~reduced in coverage or limits~~ **materially changed** without 30 days' prior written notice to the General Manager. The General Manager …"
6.	HDR would request the following edits. "The insurer shall declare any deductibles or self-insured retentions to and be approved by the General Manager. ~~At the option of the General Manager, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects District, its directors, officers, employees, agents and volunteers, or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.~~"

5.4 Summary

Other than the above requested edits to the District's professional services agreement and insurance, HDR does not request consideration of any other changes or make any other exceptions. As noted, HDR does not anticipate any issues with coming to mutually agreeable terms for this Study.

Montecito Sanitary District

Proposal for Sewer Rate Study

Robert D. Niehaus, Inc. |August 15, 2022
Jack Lyon 805-618-1356 | Jack@rdniehaus.com
140 East Carrillo Street, Santa Barbara, CA 93101

This Page Intentionally Left Blank

August 15, 2022

Bradley Rahrer, P.E.
General Manager
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

Anthony Elowsky, Project Manager
Robert D. Niehaus, Inc.
140 E Carrillo Street
Santa Barbara, CA 93101
Phone: (805) 962-0611
Email: Anthony@RDNiehaus.com

Subject: Proposal for Montecito Sanitary District Sewer Rate Study

Dear Mr. Rahrer,

Robert D. Niehaus, Inc. (RDN) is pleased to submit our proposal to conduct the Sewer Rate Study (Study) for the Montecito Sanitary District (District). We are an economic and financial consulting firm that provides rate- and fee-setting consulting services to California water and wastewater utilities. RDN staff have completed over 700 projects with economic, financial, and market analysis experience across California and worldwide since the firm's founding in 1983. The proposed project team for the District's study has over 100 years of combined public-sector consulting experience. We are committed to providing the highest quality analysis for our clients, evidenced by the fact that our proposed rates have never been successfully protested or subject to successful litigation.

The District is seeking a qualified consultant to perform a comprehensive review of wastewater rates to ensure sufficient revenues are collected over the next six years. As a local consultant, RDN is eager to support the District to make the financial adjustments necessary to continue to provide safe and reliable service. The following proposal details our proposed approach for this project, the qualifications and experience of our project team, and references who can speak to the quality of care and service we provide.

We are proud of the team and resources we can offer the District on this important project. Please coordinate with Jack Lyon, Director of Business Development, (805) 618-1356, Jack@RDNiehaus.com, if you would like to discuss our proposal, which is valid for a 120-day period. We affirm that we have carefully reviewed the RFP in its entirety, including the District standard professional services agreement, and take no exceptions. We look forward to a successful, collaborative, and productive partnership.

Respectfully submitted,

Robert D Niehaus

Robert D. Niehaus, Ph.D.
Managing Director, Principal Economist

Anthony Elowsky

Anthony Elowsky, M.A.
Project Manager, Financial Analyst

This Page Intentionally Left Blank

TABLE OF CONTENTS

This Page Intentionally Left Blank

COMPANY QUALIFICATIONS

FIRM OVERVIEW

RDN is a professional economic and financial consulting firm, located in the City of Santa Barbara, delivering solutions to California utilities, State/Local entities, and Federal agencies. RDN has provided consulting services for sewer, water, stormwater, housing, and energy projects throughout California and worldwide since the firm's founding in 1983. Our staff has completed over 700 projects with economic, financial, and market analysis experience. Our proposed Project Team has decades of experience in sewer and water rate analyses, development impact fees, data management, public relations support, and econometric modeling and forecasting of demand.

RDN BY THE NUMBERS

- $4M Annual Revenue/24 Employees
- 700+ Projects Accomplished Worldwide
- 100+ Years of Project Team Experience
- 48 States Served
- 38 Years Consulting for Utility Systems

We specialize in providing rate- and fee-setting solutions for smaller municipalities serving populations of 20,000 or fewer. Our clients appreciate that we take the lead in data collection and analysis, relieving the burden from District staff. We will also leverage our understanding of local water and sewer rate politics to help inform our recommendations, which will help increase buy-in from Montecito stakeholders. Table 1 presents a selection of our proposed project team's recent experience with utilities of similar size, demographics, and project scope to the District.

Table 1. RDN Relevant Recent Projects

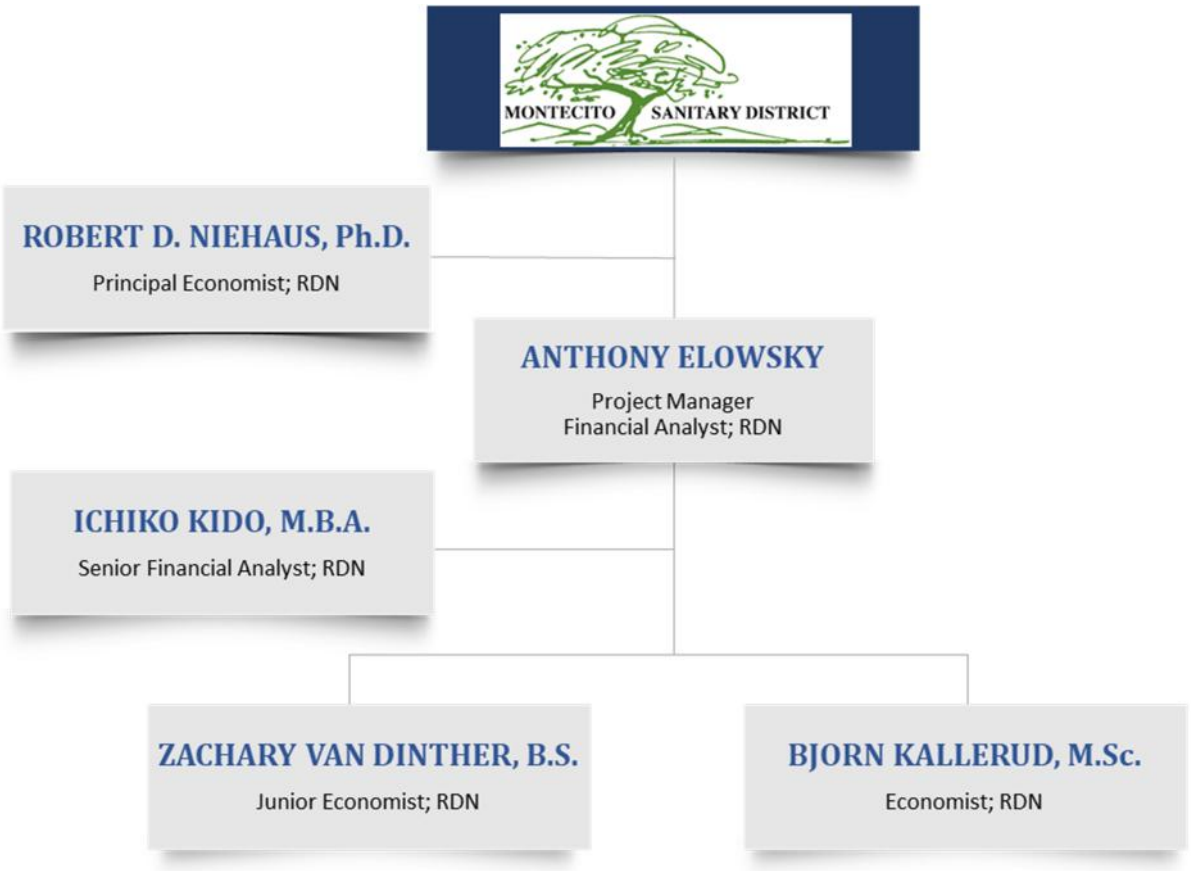
Agency	Project
City of Greenfield	Water and Wastewater Rate Study (ongoing)
California City	Water, Wastewater, Recycled Water Rate Study (ongoing)
Hilton Creek CSD	Wastewater Rate and Fee Study (ongoing)
San Simeon CSD	Wastewater Rate Study (ongoing)
California City	Water and Wastewater Capacity Fees (ongoing)
Costa Mesa Sanitary District	Wastewater Rate Study (2022)
Lake Arrowhead CSD	Water and Wastewater Rate Study (2022)
Moulton Niguel Water District	Water, Wastewater, Recycled Water Cost of Service Peer Review (2022)
Napa County (LBRID/NBRID)	Water and Wastewater Rate Studies (2020); Post-Fire Review (2021)
Mid-Peninsula Water District	Capacity Fee Study (2021)
Lost Hills Utility District	Wastewater Rate Study (2021)
West Valley Water District	Development Impact Fee Study (2021)
Rosamond CSD	Water and Wastewater Rate Study (2021)
City of Loyalton	Wastewater Rate Study (2021)

CSD - Community Services District

TEAM QUALIFICATIONS

RDN's proposed project team is led by our principal economist, Dr. Robert Niehaus, and project manager, Anthony Elowsky. Mr. Elowsky will serve as the District's main point of contact and lead the conduct of data collection, analysis, rate-setting, and report drafting. Brief bios and responsibilities for all team members are provided on the following pages and full resumes for key staff are appended to this proposal. We affirm that our proposed project team has adequate availability to meet project objectives as outlined in the proposed schedule and that our proposed project team will not change without prior approval from the District.

Figure 1. Team RDN Project Organization, Key Personnel



KEY PERSONNEL

Robert D. Niehaus, Ph.D.
PROJECT DIRECTOR, PRINCIPAL ECONOMIST

Project Role and Responsibilities:
- Oversee all aspects of study process
- Assure timely, high-quality, on-budget performance and complete City satisfaction with Project
- Review all deliverables for accuracy and economic rigor
- Lead major internal project meetings

Experience and Qualifications:
- 48 years of experience (38 with the firm)
- Conducted hundreds of comparable utility rate projects including California Rural Water Association, Rosamond Community Services District. and Palmdale Water District
- Received his Ph.D. in Economics from the University of Maryland

Anthony Elowsky, M.A.
PROJECT MANAGER, FINANCIAL ANALYST

Project Role and Responsibilities:
- Lead day-to-day aspects of the rate- and fee-setting process
- Serve as primary point of contact between RDN and the District
- Develop and maintain the rate and fee models for financial planning, rate and fee design, capital funding, and reserve policies

Experience and Qualifications:
- 20 years of experience (five with the firm)
- Financial/rate consulting experience with the Lake Arrowhead Community Services District, City of Loyalton, City of Alhambra, Quartz Hill Water District, and California City
- Received MA from California State University, Fullerton

Ichiko Kido, M.B.A.
SENIOR FINANCIAL ANALYST

Project Role and Responsibilities:
- Review City finances and advise on overall rate and fee design strategy
- Guide Wastewater rate design
- Provide insight into leading Wastewater rate trends including regulatory and legal developments

Experience and Qualifications:
- 30 years of experience (15 with the firm)
- Financial, rate and fee consulting experience with Moulton Niguel Water District; Santa Clarita Valley Water Agency; Napa County
- Received MBA from California State University, Channel Islands

Bjorn Kallerud, M.Sc.
ECONOMIST

Project Role and Responsibilities:
- Employ econometric modelling on possible use scenarios and develop revenue and expense projections

Experience and Qualifications:
- Six years of experience (four with the firm)
- Specializes in data science & econometric modelling using statistical programming languages R and Python
- Financial/rate consulting experience with Quartz Hill Water District; Santa Clarita Valley Water Agency; California Rural Water Association

Zachary Van Dinther, B.S.
JUNIOR ECONOMIST

Project Role and Responsibilities:
- Work at the direction of Mr. Elowsky to organize and analyze all District data
- Support report writing and model development
- Incorporate District expense projections into financial model

Experience and Qualifications:
- Four years of experience (three with the firm)
- Financial/rate consulting experience with the Costa Mesa Sanitary District, Lake Arrowhead Community Services District, Mid-Peninsula Water District, and City of California City

REFERENCES

With over 90 percent of our work resulting from repeat business, RDN prides itself on continuing relationships that we have developed over three decades of consulting. We invite you to contact our references to verify our quality of service on similar engagements. A sample of our past and current projects are highlighted below.

Costa Mesa Sanitation District

Sewer Rate Study (September 2021 – February 2022)

RDN staff: Niehaus, Elowsky, Kido, Kallerud, VanDinther

Scott Carroll
General Manager
949-645-8400 ext. 223
scarroll@cmsdca.gov
290 Paularino Avenue
Costa Mesa, CA 92626

The Costa Mesa Sanitation District retained RDN to perform a Sewer Rate Study. The District operates a wastewater collection system, sending wastewater to the neighboring Orange County Sanitary District for treatment. RDN prepared a cost of service analysis that emphasized flow components. RDN also evaluated the impact of accessory dwelling units (ADUs) on the District's sewer system. To recover the additional costs that ADUs pose to the sewer system, RDN established a dedicated ADU wastewater rate, which complies with Proposition 218 and SB 13. RDN's rate recommendations were implemented by the District in February 2022.

City of Loyalton

Wastewater Rate Study (March 2021 – September 2021)

RDN staff: Niehaus, Elowsky, Kido, VanDinther

Kathy LeBlanc
City Clerk
530-993-6750
Ofclerk-cityofloyalton@psln.com
605 School St
Loyalton, CA 96118

The City of Loyalton retained RDN through the California Rural Water Associations (CRWA) to produce wastewater rates with the primary goal of increasing equitability between the City's customers and ensuring long-term financial stability. We evaluated the current rate structure and provided the City with updated system values and demand projections. RDN performed extensive analyses to ensure that the City's capital plan reflected a realistic valuation of future CIP needs. The updated rate design will allow the City to increase their reserve balances to account for any unforeseen emergencies. RDN designed and mailed Proposition 218 Notices and the Proposition 218 process was completed with zero protests. New rates were implemented in September 2021.

Rosamond Community Services District

Water & Sewer Rate Study (November 2020 – June 2021)

RDN staff: Niehaus, Elowsky, Kido, Kallerud, VanDinther

Brad Rockabrand
Finance Director
650-591-8941
brockabrand@rosamondcsd.com
3179 35th Street W
Rosamond, CA 93560

Rosamond CSD retained RDN to produce water and sewer rates with the primary goal to improve equity between customer classes. RDN designed rates for commercial customers that reflect their unique usage characteristics, which improved the equity for all District customers. Additionally, we recommended residential water rate tier adjustments based on efficient indoor and outdoor water use to comply with new California water efficiency regulations: AB 1668 and SB 606. For sewer customers, RDN completed a detailed analysis on each individual commercial customer's flow and effluent strength before rates were presented to the Board and ratepayers. The prosed rates were approved and were implemented in July 2021.

TECHNICAL APPROACH

PROJECT UNDERSTANDING

The Montecito Sanitary District is an independent special district formed in 1947 by the residents of Montecito. The District provides wastewater collection, treatment, and disposal services for approximately 9,000 people through 3,086 service connections. The District's treatment plant has the capacity to treat 1.5 million gallons per day using 77 miles of sewer pipelines and five pumping stations. The District's collection system is predominantly vitrified clay pipe (VCP) with polyvinyl chloride pipe (PVC) in the areas where sewer service was extended after 1981. Within the District boundaries, there are approximately 300 additional parcels that are not currently connected to the wastewater system. Available funding limits the goal of adding these parcels to the system. District staff are issuing a separate RFP to develop a Septic-to-Sewer Strategic Plan (Plan) to develop a road map to prioritize projects and conceptual designs to understand the cost and timeline to deliver any future sewer main extensions. The Plan may be available to be incorporated into this Study.

The last comprehensive rate study conducted by the District was finalized in 2016 with a separate study conducted solely on the District's Connection Fee in 2017. The Board of Directors most recently adopted a rate increase on October 9th, 2017 that became effective January 1st, 2018. The Wastewater Collection System currently lacks an overall master plan or capacity model. However, a collection system and lift station condition assessment and replacement plan will be conducted in parallel with this Study. The District has four types of revenues: sewer service charges, connection fees, other services, and property tax. There are approximately $5.2 million in operating expenses and an additional $5 million in capital expenses budgeted for the current fiscal year. According to the District's budget, the Capital Reserve Fund will decrease by around $4 million this year because of planned capital expenses.

The purpose of the Study is to analyze, assess, and recommend District revenue requirements in order to best address the annual Operations & Maintenance needs of the District as well as fund its long-term Capital Improvement Plan for the Collection System and Wastewater Treatment Plant. In our understanding, the major objectives of the Study include:

1. Evaluate the District's current customer classes, rate structure, and connection fees.
2. Recommend rate structure revisions that are consistent with industry standards, best management practices, and all applicable laws.
3. Develop a sewer cost of service and rate model for the District covering a six - year study period for both ongoing operations and planned capital improvements.
4. Project revenue requirements which include increasing wastewater treatment costs and maintaining debt service coverage and cash levels.
5. If available, incorporate the results of the Septic-to-Sewer Strategic Plan and collection system and lift station condition assessment and replacement plan.
6. Recommend appropriate reserve levels for operating and capital needs based on industry standards.

RDN follows industry best practices, standards, and principles of rate-setting. In coordination with District staff, our approach employs an interactive decision-making process to address the District's rate-setting goals. Our proposed scope of work is detailed on the following pages for District consideration.

EXECUTIVE SUMMARY

RDN has prepared this proposal by tailoring our rate- and fee-setting approach to meet the District's goals for this study. Major tasks are summarized below.

Task 1. Project Management/Meetings: RDN is committed to providing transparent project management that fosters collaboration and ensures study success. Our Project Management Plan will guide study administration, and our quality assurance processes will ensure an error-free Study. At the kick-off meeting, we will solidify the project timeline, priorities, and data received from our initial data request. Five public meetings will ensure community input is received, and bi-weekly staff meetings will be held to discuss project progress.

Task 2. Six Year Financial Plan: RDN will meticulously review District data to develop a 6-year financial plan based on revenue generated from current rates, fees, and other revenue sources, budgeted and projected expenses, long-term capital expenses, potential debt service payments, and reserve contributions. To project revenue and costs, we use an econometric, data-driven approach that provides the highest level of accuracy and reliability for the District's financial plan.

Task 3. Cost of Service Analysis: RDN will allocate costs among customer classes following methodologies established in the Water Environment Federation (WEF) *Manual of Practice No. 27: Financing and Charges for Wastewater Systems* (Manual 27). We will evaluate existing customer classes and recommend changes to cost allocations, as necessary. The cost of service analysis will ensure that costs are equitably distributed to ratepayers in compliance with Proposition 218 and that established rates adequately cover the costs to provide reliable service.

Task 4. Rate Design: RDN will review and assess the appropriateness of the District's current wastewater rate structure. We will evaluate potential rate structure alternatives and provide a recommended rate structure that promotes conservation, satisfies revenue requirements, and meets all regulatory requirements including Proposition 218. We will compare the District's current and proposed rates with the rates of other local agencies, as well as wastewater system costs with appropriate benchmarks. We will assess the connection fee methods used in the most recent fee study to confirm that the connection fee collects sufficient revenue to fund necessary system expansion and recommend improvements, if necessary.

Task 5. Report and Model: We will design an Excel-based, 6-year financial planning model built to the District's specific needs. The model will include a management dashboard with graphical displays of the key economic and financial metrics used for the study. RDN will train District staff on all aspects of the model. We will also prepare draft and final executive reports for the Sewer Rate Study. Our reports will describe the process of the rate studies in sufficient detail to meet all legal requirements including Proposition 218.

SCOPE OF SERVICES

Task 1. Project Management/Meetings

Objective: *RDN is committed to providing transparent project management that fosters collaboration and ensures study success. Our Project Management Plan will guide study administration, and our quality assurance processes will ensure an error-free Study. At the kick-off meeting, we will solidify the project timeline, priorities, and data received from our initial data request. Five public meetings will ensure the community is involved, and bi-weekly staff meetings will be held to discuss project progress.*

Task 1.1. Project Management

RDN incorporates best practices from the Project Management Institute's *Project Management Body of Knowledge* to establish processes that guide management procedures. For a project to be considered a success, all work must be completed on schedule, within budget, and error-free. Our project manager will prepare a Project Management Plan (PMP) to document all information necessary to execute a successful project. The PMP serves as a roadmap for the project team, defining project goals and objectives, scope of work, deliverables, budgets for each task, schedule, administrative procedures, and filing requirements.

Task 1.2. Data Collection and Validation

RDN will send the District a data request. The data request will include audits, budgets, general plans, capital improvement plans, customer billing records, debt service schedule, and reserve policies. For data validation and quality assurance, RDN may request additional data throughout the study to reconcile any inconsistencies.

Task 1.3. Kick-Off Meeting/Progress Meetings

An in-person kick-off meeting will serve as a forum where District staff and the RDN team will meet to discuss project objectives, approach, work plan, schedule, and priorities. Bi-weekly progress meetings with District staff can be held via teleconference or in person. At the end of each month, RDN will provide a summary report charting the current progress on each task, data needs, current issues that need to be resolved, project schedule update, and status of action items from the previous report.

Task 1.4. Public Meetings

Throughout the Study, RDN will facilitate five in-person public meetings. During the Rate Study Analysis Phase (Phase 1), we will build consensus for the study policy objectives and present the financial plan, demonstrating District transparency. During the Final Report and Recommendation Phase (Phase 2), we will present rate and fee recommendations, help the community understand the trade-offs that were made and why, and build consensus for proposed rates and fees. In sum, we will present at three finance committee meetings, one strategic planning committee meeting, and the Board of Directors meeting in March 2023.

Table 2. Task 1 – Project Management

Meetings	▪ One Kickoff, Three Finance Committee, One Strategic Planning, One Board of Directors, and bi-weekly Progress Meetings
RDN Deliverables	▪ Data request ▪ Meeting agendas and minutes ▪ Monthly progress reports and expenditures
District Deliverables	▪ Respond to data request ▪ Attend meetings and provide input

Task 2. Six-Year Financial Plan

Objective: *RDN will meticulously review District data to develop a six-year financial plan based on revenue generated from current rates, fees, and other revenue sources, budgeted and projected expenses, potential debt service payments, and reserve contributions. To project revenue and costs, we use an econometric, data-driven approach that provides the highest level of accuracy and reliability for the District's financial plan.*

Task 2.1. Growth/Revenue Analysis

RDN will conduct detailed growth projections to ensure the District's revenue forecast is accurate. Based on the growth projections, we will project revenue using the existing rates. We will also identify any changes to other revenues such as miscellaneous charges, property taxes, and investment income.

Task 2.2. Operation and Maintenance Expenses

Using the District's budgetary documents, we will project operating and maintenance (O&M) expenses and develop reasonable inflationary factors for relevant itemized expenses using recent trends in Consumer Price indices published by the Bureau of Labor Statistics and California Department of Finance, or the District's historical data. We will compare current wastewater system costs against appropriate industry benchmarks. We also incorporate any known changes to personnel, level of service, or projected growth.

Task 2.3. Capital Improvement Funding

RDN will review the District's capital projects plan and explore financing options based on the timing of proposed revenue adjustments and scheduled repairs and replacements. Additionally, we will evaluate the District's collection system and lift station condition information to assess potential upcoming capital replacement needs. We will explore funding options which include expanding service to the remaining parcels within District boundaries. Funding sources may include cash reserves, grant funding, debt proceeds, or PAYGO (pay as you go), each with different rate impacts. The District may also consider changes in capital expenditure timing to mitigate short-term rate impacts and smooth revenue requirements.

Task 2.4. Reserve Funding

RDN will recommend how to best build ideal reserve targets. We will review the District's reserve policies and develop an implementation plan that maintains recommended balances for each fund that are consistent with the District's financial goals, risk tolerance, and capital improvement projects.

Task 2.5. Revenue Requirements

Total revenue requirements determined through the cash flow analysis will be offset by other sources of revenue such as property taxes, investment earnings, rental income, and other water service charges. Proposed revenue adjustments to meet the revenue requirements will also meet the required debt service coverage ratio. The objective is to achieve a healthy cash flow mechanism for the next six years while keeping rates affordable.

Table 3. Task 2. 6-Year Financial Plan Deliverables

Meetings	▪ Progress meetings
RDN Deliverables	▪ Growth projection summary ▪ Draft financial planning model
District Deliverables	▪ Financial information and input

Task 3. Cost of Service Analysis

Objective: *RDN will perform a cost of service analysis and allocate costs to customers commensurate with their service requirements. We will evaluate existing customer classes and recommend necessary changes. The cost of service analysis will ensure that proposed rates are in compliance with Proposition 218 and that established rates adequately recover the costs to provide safe and reliable service to the District's customers. We will employ methodologies approved by the WEF Manual 27 to ensure the analysis meets industry standards.*

Task 3.1. Review Customer Classes

RDN will evaluate the District's customer classifications and recommend any necessary changes. Assigning costs accurately to classes of customers based on their service requirements is critical to designing Proposition 218-compliant rates. We will explore alternative cost allocations to find which best aligns with the District's goals.

Task 3.2. Cost Allocation to Cost Causative Components

RDN will use either the design-basis cost allocation or the functional cost allocation methodology codified in the WEF Manual 27. In these methods, functionalized costs are allocated to appropriate cost causative components for each customer class. The cost causative components include peaking components such as volume, and capacity, strength factors such as total suspended solids (TSS), bio-oxygen demand (BOD), and non-peaking components such as customer billing services.

Task 3.3. Unit Cost of Service

Based on the cost allocations determined in Task 3.2, RDN will calculate the total system units of service associated with each cost component. This allows us to estimate the total system unit costs of service for each function.

Task 3.4. Cost Allocation to Customer Classes

As a final step of the cost of service analysis, the costs of each component are allocated back to each customer class commensurate with their service requirements. This analysis permits the District to adhere to the general principle of cost proportionality (particularly relevant under Proposition 218), under which the rates paid by customer classes are directly proportional to the costs each class imposes on the District as a whole.

Table 4. Task 3. – Cost of Service Analysis Deliverables

Meetings	▪ Progress meetings via teleconference
RDN Deliverables	▪ Cost of service analysis in Excel
District Deliverables	▪ Cost of service analysis feedback

Task 4. Rate Design

Objective: *RDN will design wastewater rates that follow cost of service ratemaking principles as outlined in the WEF Manual 27. We will review the District's current rate structure and provide recommendations to ensure revenue adequacy while maintaining rate affordability. Recommended rates will have a clear connection between the costs and pricing to ensure compliance with all legal requirements.*

Task 4.1. Evaluate the Current Rate Structures & Identify Rate Alternatives

We will perform a comprehensive review of the District's current rate structures to assess the advantages and disadvantages of the existing rates. The District currently bills customers based on an Equivalent Residential Unit (ERU) basis. Under this system, each customer class's relative contribution to sewer flows and strengths are evaluated compared to a baseline single-family residential account. Commercial customers are billed a variable portion based on the previous year's water use. Multi-family or condominium units are billed at a rate of 0.47 of single-family residences. Based on the financial plan and cost of service analyses, we will evaluate rate adjustment alternatives designed to recover the revenue requirements identified in the financial plan. We will also assess the relative ERU differences between SFR, MFR and ADU type residential customers to ensure that the assumptions used in the previous rate study still apply.

Task 4.2. Develop Recommended Rates

Based on the evaluation of the different rate structure alternatives, RDN will recommend the rate structure that optimizes wastewater rates to meet the District's goals. Rate recommendations will be based upon the updated cost of service analysis, which may include adjustments to customer class designations. The recommended rates will be easy to understand and administer and provide revenue adequacy. RDN's final recommendation will fund planned capital improvement projects, be supported by statistical/econometric analyses, data, plans, and comparative examples, and be in full compliance with all legal requirements including Propositions 218. Any review, evaluation, or conclusion regarding the legality of the rate structures will be performed in cooperation with District staff, and if necessary, District legal counsel.

Task 4.3. Fees

As part of rate design process, RDN will also review the District's current fee structure. Fees should be cost based according to the provisions of Proposition 26. If any of the District's current fees are not compliant with this cost basis, we will provide recommendations to improve the overall cost allocation.

Task 4.4. Connection Fees

RDN will review the District's connection fees in an Excel-based model that may include a "buy-in" to existing assets as well as a fair share of "incremental" capital improvements needed to serve new development. If it is determined that the current fees are misaligned, we will ensure that the recommended connection fees comply with the Mitigation Fee Act (Government Code § 66000 – 66023, codified in AB 1600).

Task 4.5. Rate Comparison Survey

We will prepare a rate comparison survey of at least five comparable agencies to benchmark the District's current and proposed wastewater rates. We will request District input on agencies to include in the survey and summarize the results for public outreach, presentations, and the report.

Task 4.6. Evaluate Impacts

RDN developed a bill impact tool to analyze individual customer bill impacts for each customer class based on their most recent billing data. RDN uses this tool during the rate-design process to evaluate the impact of various rate alternatives on District customers. This is a value-added step of our rate design process, as it allows the District to optimize revenue stability while ensuring the proposed rates have the least impact on all customers.

Table 5. Task 4 – Rate Design Deliverables

Meetings	▪ Progress meetings via teleconference
RDN Deliverables	▪ Recommended rate adjustments ▪ Rate model in Excel ▪ Rate comparison survey
District Deliverables	▪ Policy goals and objectives for rates ▪ Rate feedback

Task 5. Report and Model

Objective: *RDN will provide final executive reports and Microsoft Excel models for the rate study to District staff upon project completion. District staff will be trained on the use of the model for future sensitivity analyses and adjustments. The report will describe the process of the rate studies in sufficient detail to meet Proposition 218 and all other relevant legal requirements.*

Task 5.1. Rate Models

Our easy-to-use, Excel-based models are designed to allow District staff to conduct sensitivity scenarios by testing various assumptions through an interactive dashboard. Factors that may be adjusted in the rate models include staff levels and salaries, operating expense levels, CIP spending, capital equipment funding, impacts of rate increases, and pass-through charges. The models will be introduced to District staff early in the study process. We will add worksheets gradually as we perform key analyses through the study and ask for the District's review. By the time the study is complete, District staff will be fully familiarized with the models and be able to use the models to make data-driven decisions. Any changes to the underlying models will appear instantly in a dashboard for quick executive evaluation. A sample dashboard is presented on the next page.

Task 5.2. Rate Study Reports

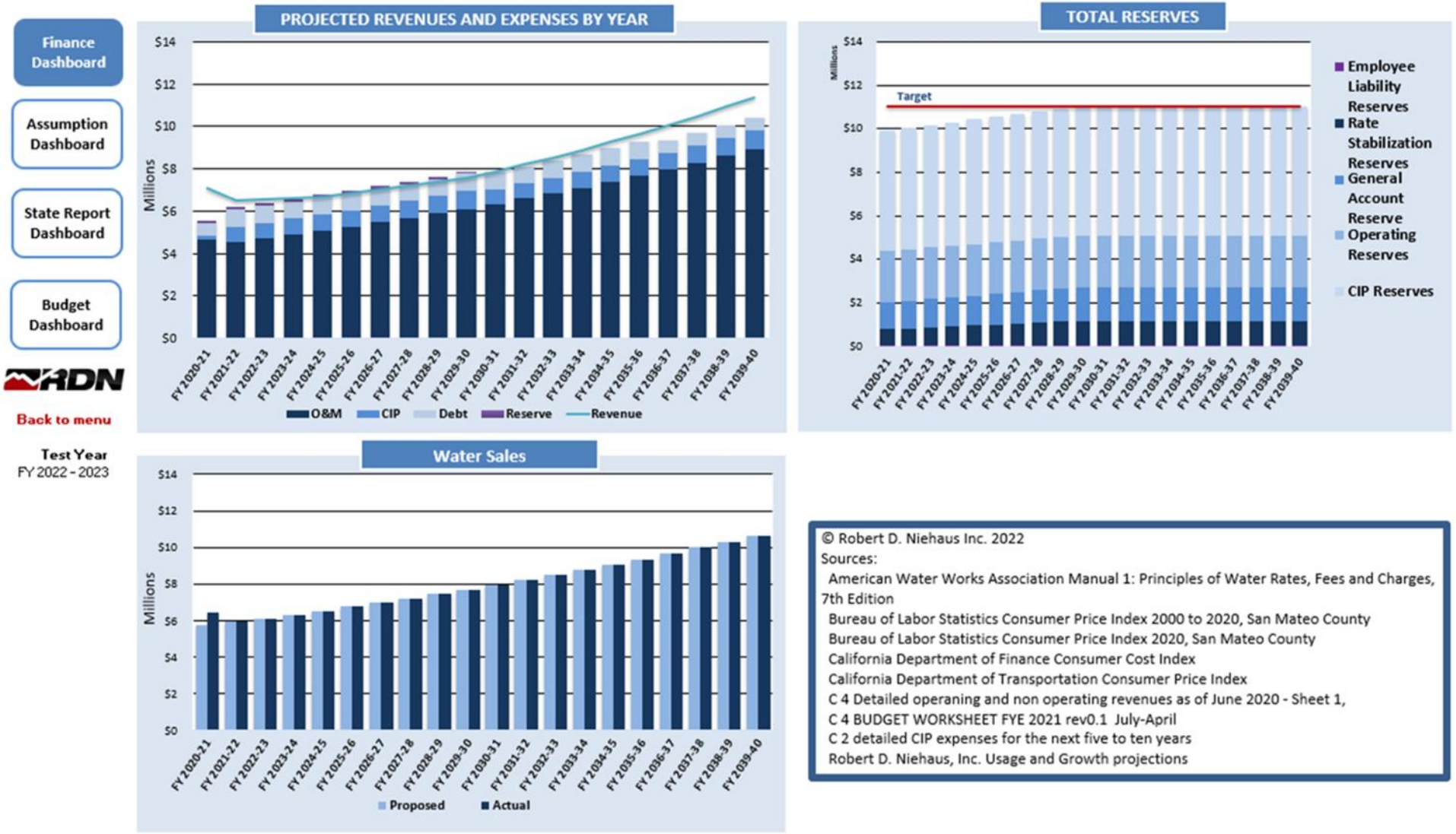
The draft and final rate study reports will contain an overview, study objectives, assumptions, regulatory requirements, and methodologies. The reports will discuss short- and long-term financial planning, capital planning, cost of services, rate-setting analysis, bill impacts, and comparison surveys. Key outputs of data, analysis, and rationale will be visualized in the reports. The visualizations provided in the reports will be an effective tool to communicate conclusions to the District Board, customers, and other stakeholders.

We will incorporate District feedback into the final report and clearly demonstrate the nexus between costs and recommended rates in simple terms to fulfill Proposition 218 reporting requirements.

Table 6. Task 5. – Report and Model Deliverables

Meetings	▪ Progress meetings via teleconference
RDN Deliverables	▪ Final Rate models in Excel ▪ Draft and final reports in Word and PDF formats
District Deliverables	▪ Comments, responses, and recommendations to draft report

Figure 2. Sample Management Dashboard



Sources:

American Water Works Association Manual 1: Principles of Water Rates, Fees and Charges, 7th Edition

Bureau of Labor Statistics Consumer Price Index 2000 to 2020, San Mateo County

Bureau of Labor Statistics Consumer Price Index 2020, San Mateo County

California Department of Finance Consumer Cost Index

California Department of Transportation Consumer Price Index

C 4 Detailed operaning and non operating revenues as of June 2020 - Sheet 1,

C 4 BUDGET WORKSHEET FYE 2021 rev0.1 July-April

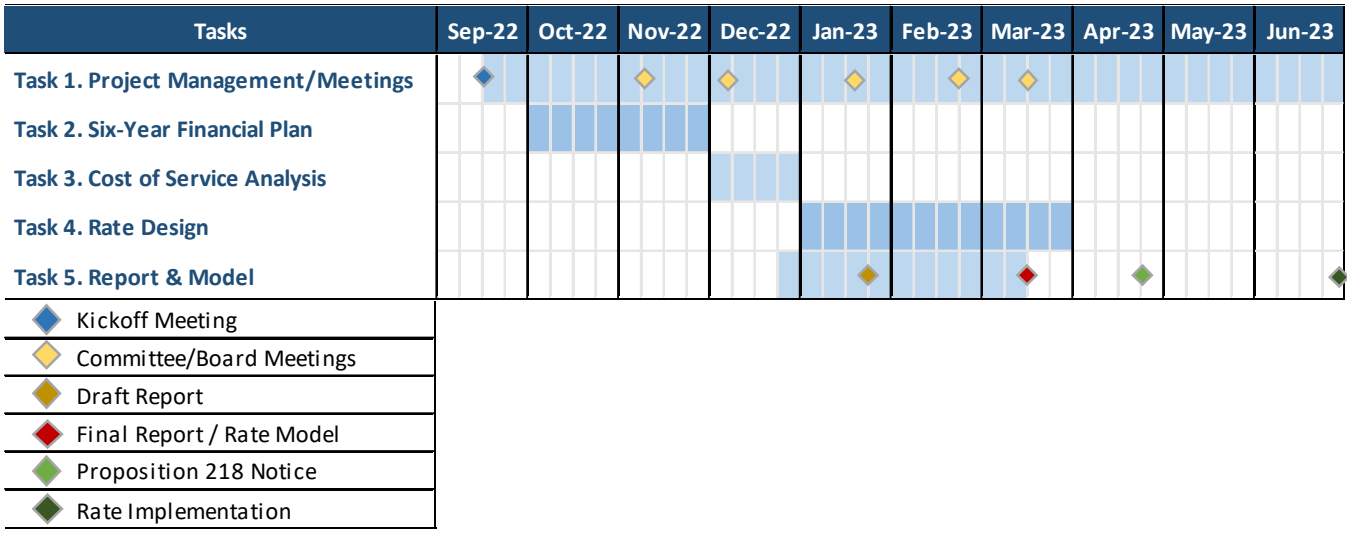
C 2 detailed CIP expenses for the next five to ten years

Robert D. Niehaus, Inc. Usage and Growth projections

PROJECT SCHEDULE

Figure 3 presents a preliminary schedule for completing the District's study, targeting July 1, 2023 for rate implementation. The schedule assumes timely kick-off, District data, feedback, and availability for meetings. The final schedule will be discussed and agreed upon at the Kick-off Meeting.

Figure 3. Preliminary Project Schedule



ALLOCATED STAFF HOURS

The table below presents RDN's estimated staff hours per task outlined in the scope of services. A fee proposal and standard labor rate schedule will be submitted in a separate document.

Table 7. RDN Proposed Staff Hours

Tasks	Robert D. Niehaus, Inc.				Total Hours
	Principal	Project Manager	Senior Analyst	Associate Analyst	
Task 1. Project Management/Meetings	2	24	8	12	**46**
Task 2. 10-Year Financial Plan	2	18	4	24	**48**
Task 3. Cost of Service Analysis	2	18	4	12	**36**
Task 4. Rate Design	2	24	4	20	**50**
Task 5. Reports and Models	2	24	4	30	**60**
Total Hours	**10**	**108**	**24**	**98**	**240**

This Page Intentionally Left Blank

CONTRACT REQUIREMENTS

NO CONFLICT OF INTEREST

RDN has no personal or organizational conflicts of interest.

INSURANCE REQUIREMENTS

RDN affirms our ability and intent to provide insurance per the District's insurance requirements as described in the District's professional services agreement.

PROFESSIONAL SERVICES AGREEMENT

RDN has reviewed the RFP in its entirety, including the District's standard professional services agreement, and takes no exceptions to the agreement.

APPENDIX

The appendix of this proposal includes full RDN resumes.

Robert D. Niehaus, Ph.D.

Managing Director & Principal Economist

TECHNICAL SPECIALTIES

- Project Management
- Regional and Resource Economics
- Rate and Fee Comparison
- Economic Impact Studies
- Public Sector Water Economic and Planning Analysis
- Technical Report Review
- Cost of Service Rate Studies
- Development Impact Fees
- Resource Planning
- Econometric Modeling
- Survey Design and Implementation

PROFESSIONAL HISTORY

Robert D. Niehaus, Inc.
Managing Director
(1983-Present)

EDUCATION

Doctor of Philosophy in Economics (1979)
University of Maryland

Bachelor of Arts in Government (1972) Oberlin College

PROFESSIONAL MEMBERSHIPS

- American Water Works Association
- American Economic Association
- National Association for Business Economics

OVERVIEW & BIOGRAPHY

Dr. Niehaus is widely recognized for his expertise in the economics of water resources and the environment. He has broad experience managing public and private sector water and land resource economic analyses and planning efforts, with expertise in water and wastewater fee and rate analysis, cost-benefit evaluations, water demand econometric modeling and forecasting, and regional economics. His expertise extends to river basin planning, groundwater management, economic impacts of water and other resource-use projects, military base realignment, housing, energy, and global climate change. He has provided expert support to senior civilian and military decision-makers for numerous projects. Dr. Niehaus has published a wide range of applied studies in these fields and has directed the successful completion of projects at more than 200 locations worldwide, with much of this experience in Southern California.

RELEVANT PROJECT HIGHLIGHTS

Lake Arrowhead Community Services District, *Water & Wastewater Rate Study 2022*

Lake Arrowhead Community Services District provides water and sewer service for over 8,000 accounts in San Bernardino County, California. Lake Arrowhead CSD retained RDN to complete a water and sewer rate study in 2021 for $34,300 which included a long-term financial plan and a 5-year rate proposal for four separate utilities. Dr. Niehaus, working for RDN, served as the managing director for the rate study, which was completed in 2022.

California City*, Water and & Sewer Impact Fee Study, Ongoing*

The City of California City provides water and sewer service for over 4,500 accounts in Kern County, California. California City retained RDN to complete a water and sewer rate and capacity fee study in 2021 for $85,080 which includes a long-term financial plan and a 5-year rate proposal. Dr. Niehaus, working for RDN, serves as a managing director and principal economist for all rate and concerns. This project is ongoing.

West Valley Water District, *Development Impact Fee Study 2021*

West Valley Water District provides water service for over 22,000 accounts in San Bernardino and Riverside Counties, California. West Valley WD retained RDN to complete a water capacity fee study in 2020 for $29,492 which included a detailed analysis of the District's capacity fee schedule and growth projections. Dr. Niehaus, working for RDN, served as the managing director for the fee study, which was completed in 2021.

City of Greenfield*, Water and Wastewater Rate Studies, Ongoing*

The City of Greenfield provides sewer and water service for over 3,500 customers in Monterey County, California. Through the CRWA, the City of Loyalton retained RDN to complete a water and sewer rate study for $13,058 which included a 5-year rate plan and long-term financial model. Dr. Niehaus,

working for RDN, served as the managing director for the rate study. The project is ongoing.

ADDITIONAL PROJECT EXPERIENCE

- City of Alhambra, *Water Rate Study*
- Costa Mesa Sanitary District, *Wastewater Rate Study*
- Rosamond Community Services District, *Water and Wastewater Rate Studies*
- Napa County, *Water and Wastewater Rate Studies*
- Mid-Peninsula Water District, *Capacity Fee Study*
- Quartz Hill Water District, *Water Rate Study*
- Palmdale Water District, *Water Rate Study*
- Santa Clarita Valley Water District, *Water Rate Study*
- California Rural Water Association*, Water & Sewer Rate Studies*
- Ventura River Water District, *Cost of Service and Rate Setting Study*
- Moulton Niguel Water District*, Cost of Service Peer Review*
- Carpinteria Valley Water, *District Cost of Service and Rate Setting Study*
- Manatt, Phelps, & Phillips, *LLC, Rate Comparison Study*
- National Resources Defense Council*, LADWP Data Collection & Water Rate Analysis*
- West Basin Municipal Water District, *Landscape Irrigation Efficiency Program*
- *Las Virgenes Water Budget Model*
- Fremont Valley Preservation Project*, Water Rate, and Revenue Analysis Study*
- Golden State Water Company, *Comparative Water Rate Analysis*
- Goleta Sanitary District/Goleta West Sanitary District*, Economic Analysis of Development Projections*
- Santa Barbara County, *Economics of Groundwater Management*
- City of Santa Barbara, *Desalination Plant Environmental Impact Report*
- United States Army Corps of Engineers, *Flood Protection and Recreation Study*
- City of Santa Barbara, *Long-Term Water Sales and Revenue Requirements Forecast Analysis*
- Santa Ynez River Basin*, Planning and Cachuma Project Water Allocation Analyses*

Anthony Elowsky, M.A.

Project Manager, Financial Analyst

TECHNICAL SPECIALTIES

- Financial Planning
- Cost of Service Analysis
- Rate Design
- Database Management
- Rate Comparison
- Data Analysis
- Technical Report Review

PROFESSIONAL HISTORY

Robert D. Niehaus, Inc.
Project Manager/Analyst (2018-Present)
Market Researcher (2017-2018)

Dudek Environmental, Inc.
Field Technician (2016-2017)

EDUCATION

Master of Arts in Anthropology (2020) CSU, Fullerton

Bachelor of Arts in Anthropology (2014) CSU, Los Angeles

PROFESSIONAL PRESENTATIONS

- *Wastewater Rate Changes and the Journey to Acceptance* California Rural Water Association Expo 2022, Stateline, NV. March.
- *Incorporating Customer Use Distributions when Calculating Drought Surcharges.* Paper presented at the ACWA Virtual Fall Conference, October 27-29, 2020.

OVERVIEW & BIOGRAPHY

Mr. Elowsky manages RDN's utility financial planning projects, including water and wastewater rate- and fee-setting studies. His expertise lies in water and wastewater financial planning, cost of service analysis, rate and fee design, and applied economic research. He manages water and wastewater rate studies, capacity fee studies, and builds customized financial models to help utilities meet their financial goals. He has also conducted comparative water rate analyses and compiled and analyzed data on water rates and financial information for more than 100 purveyors throughout California. He provides rate setting expertise to professional organizations for both water and wastewater concerns. Mr. Elowsky holds a bachelor's degree from California State University, Los Angeles as well as a master's degree from California State University, Fullerton.

RELEVANT PROJECT HIGHLIGHTS

Mendocino City Community Services District, *Wastewater and GWM Rate Study 2022*

Mendocino City Community Services District provides sewer and Groundwater Management service for nearly 855 residents and 2,500 daily visitors in Mendocino County, California. Through the CRWA, Mendocino City CSD retained RDN to complete a sewer and Groundwater Management rate study for $11,500 which included a 5-year rate plan and long-term financial model. Mr. Elowsky, working for RDN, served as the project manager and principal contact for the rate study. Work was completed and a report was presented to the District in 2022.

City of Loyalton, *Wastewater Rate Study 2021*

The City of Loyalton provides sewer and water service for over 500 customers in Sierra County, California. Through the CRWA, the City of Loyalton retained RDN to complete a sewer rate study and Proposition 218 support for $7,635 which included a 5-year rate plan and long-term financial model as well as mailing notices and attending a rate hearing. Mr. Elowsky, working for RDN, served as the project manager and principal contact for the rate study. Work was completed and rates were approved in 2021.

Hilton Creek Community Services District, *Wastewater Rate and Connection Fee Study 2022*

Hilton Creek Community Services District provides sewer service for over 500 connections in Mono County, California. Hilton Creek CSD retained RDN to complete a sewer rate and fee study for $29,840 which includes a 5-year rate plan, long-term financial model, and a capacity fee analysis. Mr. Elowsky, working for RDN, serves as the project manager and principal contact for the rate and fee study. This project is currently ongoing.

Lake County Sanitation District, *Wastewater Rate Study 2021*

Lake County Sanitation District provides sewer service for over 470 equivalent units in Lake County, California. Through the CRWA, Lake County retained RDN

to complete a sewer rate study for $9,605 which included a 5-year rate plan and long-term financial model. Mr. Elowsky, working for RDN, served as the project manager and principal contact for the rate study. Work was completed and a report was presented to the District in 2021. The Proposition 218 hearing will occur in 2022.

ADDITIONAL PROJECT EXPERIENCE

City of Alhambra, *Water Rate Study*
Rosamond Community Services District, *Water and Wastewater Rate Study*
Napa County – LBRID/NBRID, *Water and Wastewater Rate Studies*
West Valley Water District, *Development Impact Fee Study*
Mid-Peninsula Water District, *Capacity Fee Study*
California City, *Water and Wastewater Capacity Fee Studies*
Manatt, Phelps, and Phillips, LLC, *Water Rate Comparison Study*
Palmdale Water District, *Water Rate Study*
Santa Clarita Valley Water, *Water Rate Review*
Apple Valley Heights County Water District, *Water Rate Study*
Daggett Community Services District, *Water Rate Study*
Mariana Ranchos County, *Water Rate Study*
Apple Valley View Mutual Water Company, *Water Rate Study*
Sheep Creek Water Company, *Water Rate Study*
Thunderbird County Water District, *Water Rate Study*
Juniper Riviera Community Water District, *Water Rate Study*
West Valley County Water District, *Water Rate Study*
Orosi Public Utility District, *Water and Wastewater Rate Study*

Ichiko Kido, M.B.A.

Senior Technical Advisor

TECHNICAL SPECIALTIES

- Financial Planning
- Cost of Service Analysis
- Rate Design
- Rate Comparison Analysis
- Housing Market Analysis
- Data Analysis
- Technical Report Review
- Survey Interviewing
- Statistical Analysis

PROFESSIONAL HISTORY

Robert D. Niehaus, Inc.
Senior Technical Advisor
(2022 – Present)
Program Manager
(2005 – 2022)

EDUCATION

Master of Business Administration (2014) Martin V. Smith School of Business & Economic, California State University, Channel Islands

Bachelor of Arts in Law (1989)
Fukuoka University, Japan

PROFESSIONAL MEMBERSHIPS

- American Water Works Association
- Association of California Water Agencies
- California Rural Water Association
- Association of California Water Agencies

OVERVIEW & BIOGRAPHY

Ms. Kido has 30 years of experience in utility financial planning. Ms. Kido advises RDN as a leading expert in developing rates and fees that meet Proposition 218 requirements and other laws and regulations. She is widely recognized as a leading consultant for designing conservation-based water rates, including budget-based rate designs. She also managed capacity fee charges throughout the state, ensuring the fees are compliant despite the dynamic regulatory landscape. Her expertise is founded upon her experience working with more than 200 water utilities throughout California. Ms. Kido is a member of the American Water Works Association (AWWA) and promotes best practices in the AWWA's *Manual M1 Principles of Water Rates, Fees and Charges and the WEF Manual of Practice Number 27*.

RELEVANT PROJECT HIGHLIGHTS

Costa Mesa Sanitary District, *Wastewater Rate Study 2022*

Costa Mesa Sanitary District provides sewer service for nearly 27,000 connections in Orange County, California. Costa Mesa SD retained RDN to complete a sewer collection rate study for $29,500 which included a 5-year rate plan and long-term financial model. Ms. Kido, working for RDN, served as the project manager and principal contact for the rate study. Work was completed and the rates designed by RDN were approved in 2022.

Moulton Niguel Water District, *Cost of Service and Financial Plan Peer Review 2017 and 2022*

Moulton Niguel Water District provides water and sewer service for nearly 170,000 people in Orange County, California. Moulton Niguel WD retained RDN to complete a peer review for all of their internal rate and fee studies in 2021 for $57,890 which included a review of the District's proposed rates for the next 5 years. Ms. Kido, working for RDN, served as the project manager and principal contact for the rate review, which was completed in 2022. Ms. Kido currently serves as a senior consultant for the capacity fee review, currently ongoing.

Rosamond Community Services District, *Water and Wastewater Rate Study 2021*

Rosamond Community Services District provides water and sewer service for over 5,000 accounts in Kern County, California. Rosamond CSD retained RDN to complete a Water and sewer rate study in 2020 for $89,060 which included a long-term financial plan and a 5-year rate proposal. Ms. Kido, working for RDN, served as the project manager and principal contact for the rate study, which was completed in 2021.

California City, *Water, Recycled Water, and Sanitary Sewer Rate Studies, Ongoing*

The City of California City provides water and sewer service for over 4,500 accounts in Kern County, California. California City retained RDN to complete a

water and sewer rate and capacity fee study in 2021 for $85,080 which includes a long-term financial plan and a 5-year rate proposal. Ms. Kido, consulting for RDN, serves as a senior technical advisor for all rate and concerns. This project is ongoing.

ADDITIONAL PROJECT EXPERIENCE

- City of Alhambra, *Water Rate Study*
- Moulton Niguel Water District, *Capacity Fee Peer Review Study*
- Quartz Hill Water District, *Water Rate Study*
- California City, *Water and Wastewater Capacity Fees*
- Lake Arrowhead Community Services District, *Water and Wastewater Study*
- City of Loyalton, *Wastewater Rate Study*
- Hilton Creek Community Services District, *Wastewater Rate and Connection Fee Study*
- West Valley Water District, *Development Impact Fee Study*
- Santa Clarita Valley Water Agency, *Water Rate Calculator Online Tool*
- Mid-Peninsula Water District, *Capacity Fee Study*
- Santa Clarita Valley Water Agency, *Rate Payer Advocate*
- City of Greenfield, *Water and Wastewater Rate Studies*
- Lake County Sanitation District, *Wastewater Rate Study*
- San Simeon Community Services District, *Wastewater Rate Study*
- Manatt, Phelps, and Phillips, LLC, *Water Rate Comparison Study*
- Ventura River Water District, *Water Rate Study*
- Palmdale Water District, *Water Rate Study*
- California Rural Water Association, *Water Rate Studies*
- Moulton Niguel Water District, *Cost of Service Analysis*
- Carpinteria Valley Water District, *Cost of Service Analysis*
- Daggett Community Services District, *Water Rate Study*
- Mariana Ranchos County, *Water Rate Study*
- Rand Community Water District, *Water Rate Study*
- Sheep Creek Water Company, *Water Rate Study*
- Lost Hills Utility District, *Wastewater Rate Study*
- West Valley County Water District, *Water Rate Study*
- Thunderbird County Water District, *Water Rate Study*
- Orosi Public Utility District, *Water and Wastewater Rate Study*


RDN

RAFTELIS

Montecito Sanitary District

Sewer Rate Study

PROPOSAL / AUGUST 15, 2022

Diversity and inclusion are an integral part of Raftelis' core values.

We are committed to doing our part to fight prejudice, racism, and discrimination by becoming more informed, disengaging with business partners that do not share this commitment, and encouraging our employees to use their skills to work toward a more just society that has no barriers to opportunity.

REGISTERED MUNICIPAL ADVISOR

Raftelis is registered with the U.S. Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor.

Registration as a Municipal Advisor is a requirement under the Dodd-Frank Wall Street Reform and Consumer Protection Act. All firms that provide financial forecasts that include assumptions about the size, timing, and terms for possible future debt issues, as well as debt issuance support services for specific proposed bond issues, including bond feasibility studies and coverage forecasts, must be registered with the SEC and MSRB to legally provide financial opinions and advice. Raftelis' registration as a Municipal Advisor means our clients can be confident that Raftelis is fully qualified and capable of providing financial advice related to all aspects of financial planning in compliance with the applicable regulations of the SEC and the MSRB.

Table of Contents

Photo on cover courtesy of Damian Gadal (Flickr)

This page was intentionally left blank to facilitate two-sided printing

August 15, 2022

Mr. Bradley Rahrer, P.E.
General Manager
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

Subject: Proposal for Sewer Rate Study

Dear Mr. Rahrer:

Raftelis is excited to submit this proposal for a sewer rate study to the Montecito Sanitary District (District). Our firm was established in 1993 to provide financial consulting services of the highest quality to sewer and water utilities. We have grown to be the largest rate consulting practice in the country and have served clients across the United States. With offices in Los Angeles, Santa Barbara, and Riverside County we have completed rate studies for special districts and municipal utility agencies across the State of California.

Project Team: Our proposed project team includes:

- **Sudhir Pardiwala, PE, Project Director**. Sudhir is an Executive Vice President with Raftelis and a registered Professional Engineer in the State of California. He has 45 years of industry experience and has conducted sewer rates studies for sanitary districts through Southern California.

- **John Wright, CPA, Project Manager**. I am a Senior Manager with Raftelis who leads our Murrieta/Temecula office in Riverside County. I am a Certified Public Accountant in the State of Colorado and registered with the Securities and Exchange Commission as a Municipal Advisor Representative. I am currently serving as the Project Manager for sewer and water rate studies with the Long Beach Water Department and have recently completed rate studies for the San Bernardino Municipal Water District and the City of San Diego.

- **Kevin Kostiuk, Assistant Project Manager**. Kevin is a Manager with Raftelis who leads our Santa Barbara office. Kevin has a Master of Environmental Management from Duke University. He has served as a Project Manager or Lead Consultant on numerous California sewer and water rate studies.

- **Jim Armstrong, Special Advisor**. Jim is a Principal Consultant with Raftelis and based in Santa Barbara. He is currently leading the Special District Collaboration and Consolidation Study for the District and the Montecito Water District.

Why Raftelis? Raftelis can successfully serve the District for the following key reasons:

- **District Knowledge.** Our work on the Special District Collaboration and Consolidation Study has allowed us to gain an understanding of the District's service territory, organizational structure, and finances.

- **Proposition 218 Expertise**. Raftelis has successfully completed hundreds of rate studies for California sewer and water utilities. We understand the complexities of Proposition 218 compliance.

- **California-Based Staff.** Each member of our proposed project team is based in California on a full or part-time basis. Two of our proposed project team members are located in Santa Barbara.

- **Sewer Utility Cost-of-Service Expertise.** Both myself and our Project Director, Sudhir Pardiwala, are active members of the Water Environment Federation (WEF) and contributing authors to the WEF publication, *Financing and Charges for Wastewater Systems, 2nd Edition*.

I am the contact person for this proposal and am authorized to bind and negotiate for the firm in contracts up to $200,000. My contact information and our firm's information shown below. This proposal is valid for 120 days from the date of submittal. Should you have any questions please contact me.

Sincerely,

John Wright, CPA
Senior Manager (Authorized Representative)
24640 Jefferson Avenue, Suite 207
Murrieta, CA 92562
Office: 951-395-1674
Mobile: 303-909-5575
Email: jwright@raftelis.com

WHO IS Raftelis

HELPING LOCAL GOVERNMENTS AND UTILITIES THRIVE

Local government and utility leaders partner with Raftelis to transform their organizations by enhancing performance, planning for the future, identifying top talent, improving their financial condition, and telling their story. We've helped more than 600 organizations in the last year alone. We provide trusted advice, and our experts include former municipal and utility leaders with decades of hands-on experience running successful organizations. People who lead local governments and utilities are innovators—constantly seeking ways to provide better service to the communities that rely on them. Raftelis provides management consulting expertise and insights that help bring about the change that our clients seek.

Firm Information

Firm History: Raftelis is a subchapter S-Corporation incorporated in the state of North Carolina on April 23, 2004. The predecessor to Raftelis, Raftelis Environmental Consulting Group, Inc., was established on May 10, 1993 by George A. Raftelis to provide financial and management consulting services of the highest quality to public-sector clients. In 1999, the firm's name was changed to Raftelis Financial Consulting, PA. Following the sale of a portion of the firm to a group of employees on April 22, 2004, the firm's name changed to Raftelis Financial Consultants, Inc., which remains the firm's legal name. We currently do business as Raftelis.

Firm Name: Raftelis Financial Consultants, Inc. (DBA Raftelis)

Year Firm Was Established Under Current Name: Founded in 1993, name change in 2004

Closest Office Location: 1 North Calle Cesar Chavez, Suite 102, Santa Barbara, CA 93103

Previous Firm Names During the Last Five Years: Raftelis was founded in 1993; however, the firm's name was changed to its current name in 2004.

+ VISIT **RAFTELIS.COM** TO LEARN MORE

We believe that Raftelis is the *right fit* for this project. We provide several key factors that will benefit the District and help to make this project a success.

RESOURCES & EXPERTISE - Specialized and highly experienced utility rate consultants that all stakeholders can have confidence in. With more than 130 consultants, Raftelis has the largest water-industry financial and management consulting practice in the nation. Our depth of resources will allow us to provide the District with the technical expertise necessary to meet your objectives. In addition to having many of the industry's leading rate consultants, we also have experts in key related areas, like stakeholder engagement and data analytics, to provide additional insights as needed.

DEFENSIBLE RECOMMENDATIONS - Industry knowledge to ensure methodologies reflect best practices. Our senior staff is involved in shaping industry standards by chairing various committees within the American Water Works Association (AWWA) and the Water Environment Federation (WEF). Raftelis' staff members have also co-authored many industry-standard books regarding utility finance and rate setting. Being so actively involved in the industry will allow us to keep the District informed of emerging trends and issues and to be confident that our recommendations are insightful and founded on sound industry principles. In addition, with Raftelis' registration as a Municipal Advisor, you can be confident that we are fully qualified and capable of providing financial advice related to all aspects of utility financial planning in compliance with federal regulations.

HISTORY OF SIMILAR SUCCESSES - A long history of project experience to ensure successful execution. Raftelis staff has assisted 1,000+ utilities throughout the U.S. with financial and rate consulting services with wide-ranging needs and objectives. Our extensive experience will allow us to provide innovative and insightful recommendations to the District and will provide validation for our proposed methodology ensuring that industry best practices are incorporated.

USER-FRIENDLY MODELING - Powerful and easy-to-use tools for ongoing financial management success. Raftelis has developed some of the most sophisticated yet user-friendly financial/rate models available in the industry. Our models are tools that allow us to examine different policy options and cost allocations and their financial/customer impacts in real time. Our models are non-proprietary and are developed with the expectation that they will be used by the client as a financial planning tool long after the project is complete.

EXPERTS ON CALIFORNIA REGULATORY REQUIREMENTS - This expertise will allow the District to be confident that our recommendations take into account all of these regulatory requirements. The regulatory environment in California has become more stringent due to Proposition 218. Besides developing well-thought-out financial plans, Raftelis staff members are very knowledgeable about these regulations and have made presentations on this subject at various industry conferences. In addition, we are frequently called on to be expert witnesses regarding these regulatory matters.

How we stack up

29 years serving the public sector

OUR TEAM INCLUDES

130+ consultants focused on finance/management/communication/technology for the public sector

5 chairs **&** **20** members of **AWWA and WEF utility finance and management committees and subcommittees**

& **a Past President of AWWA**

RAFTELIS HAS PROVIDED ASSISTANCE FOR

1,200+ public agencies and utilities

that serve more than **25%** of the **U.S. population**

including the agencies serving **38** of the nation's **50 largest cities**

in the past year alone, we worked on **1,000+** projects for **600+** agencies in **46** states

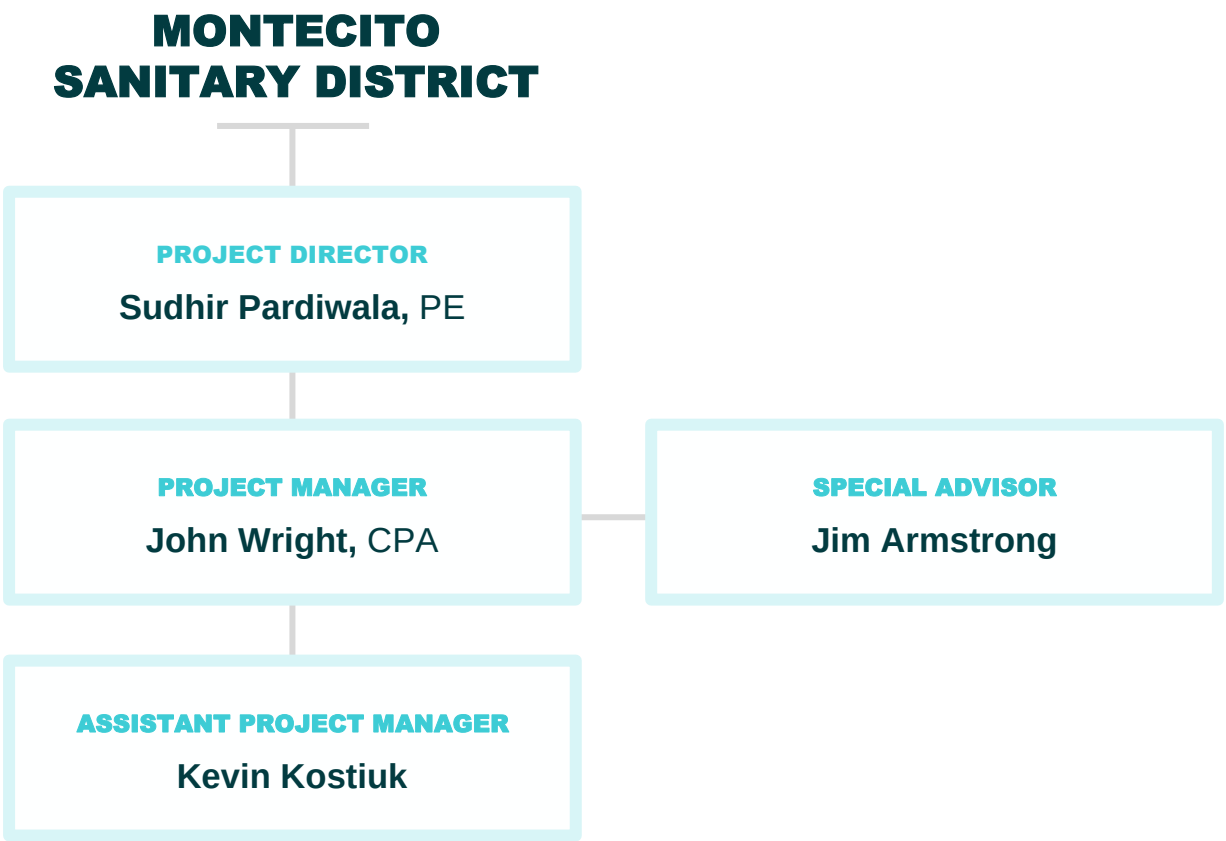
Project Team

WE HAVE DEVELOPED A TEAM OF CONSULTANTS WHO SPECIALIZE IN THE SPECIFIC ELEMENTS THAT WILL BE CRITICAL TO THE SUCCESS OF THE DISTRICT'S PROJECT.

Our team includes senior-level professionals to provide experienced project leadership with support from talented consultant staff. This close-knit group has frequently collaborated on similar successful projects, providing the District with confidence in our capabilities.

Here, we have included an organizational chart showing the structure of our project team. On the following pages, we have included resumes for each of our team members as well as a description of their role on the project.

Staff Consultants from our Los Angeles office will assist the project team shown below. Our Staff Consultants are highly experienced at the development of financial planning, cost-of-service, and rate design models and analyses.



Sudhir Pardiwala PE

PROJECT DIRECTOR
Executive Vice President

Years of Experience
- 45 Years

Number of Years at Raftelis
- 9 Years

Specialties
- Cost-of-service rate studies
- Conservation & drought management studies
- Economic analyses
- Water & wastewater utility cost accounting
- Valuation
- Financial & revenue planning
- Assessment engineering
- Reviewing/obtaining capital improvement funding
- Computer modeling

Professional History
- Raftelis: Executive Vice President (2013-present); Vice President (2004-2013)
- Black & Veatch: Principal Consultant
- (1997-2004)
- MWH: Principal Engineer (1985-1997)
- CF Braun: Senior Engineer (1979-1985)
- PFR Engineering Systems: Research Engineer (1977-1979)

Education
- Master of Business Administration - University of California, Los Angeles (1982)
- Master of Science in Chemical Engineering - Arizona State University (1976)
- Bachelor of Science in Chemical Engineering - Indian Institute of Technology, Bombay (1974)

Certifications
- Series 50 Municipal Advisor Representative

Professional Registrations
- Registered Professional Engineer, California: Civil (1988); Chemical (1981)

Professional Memberships
- AWWA
- WEF
- California Municipal Finance Officers Association

ROLE

Sudhir will be responsible for overall project accountability and will be available to provide quality assurance and control, industry perspective, and insights into the project.

PROFILE

Sudhir has 45 years of experience in financial studies and engineering. He has extensive expertise in water and wastewater utility financial and revenue planning, valuation, and assessment engineering. He has conducted numerous water, wastewater, stormwater, and reclaimed water rate studies involving conservation, drought management, risk analysis, as well as system development fee studies, and has developed computerized models for these financial evaluations. Sudhir has assisted public agencies in reviewing and obtaining alternate sources of funding for capital improvements, including low-interest state and federal loans and grants. He has assisted several utilities with State Revolving Fund and Water Reclamation Bond loans. Sudhir authored the chapter on reclaimed water rates in the *Manual of Practice No. 27, Financing and Charges for Wastewater Systems*, published by the Water Environment Federation (WEF). He also authored a chapter entitled, "Recycled Water Rates," for the Fourth Edition of the industry guidebook, *Water and Wastewater Finance and Pricing: The Changing Landscape*. Sudhir was vice-chairman of the California-Nevada AWWA Business Management Division and Chairman of the Financial Management Committee.

KEY PROJECT EXPERIENCE

Vallejo Flood and Wastewater District (CA)

Reference: Chas Fadrigo, Finance Supervisor
P: 707.651.7127 / E: cfadrigo@vallejowastewaer.org / F:707.644.8975
Size: 118,000 population
Cost: $34,010
Year Work Was Completed: 2018
Individual's Role in the Project: Project Director
Individual's Employer for Project: Raftelis

Raftelis assisted the Vallejo Flood and Wastewater District (District) with a comprehensive wastewater rate and connection fee study (Study). The District an independent special district that collects, treats, and disposes of wastewater for 38,000 accounts in the City of Vallejo with a service area that covers 36 square miles and includes one wastewater treatment plant and 36 wastewater pump stations. The existing sewer rate structure comprised of flat rates for all residential customers, including single and multi-family residences. For commercial customers, rates were based on

both flow and sewage strength. The District was moving over to a service charge to be levied on the property tax roll. Raftelis was called in to assist with this study after another consultant's study was found to be unacceptable to the District. As part of the study, Raftelis thoroughly examined the District's revenue streams, cost structure, analyzed customer data, and developed an equitable rate structure that met both Proposition 218 requirements and the District's goals and objectives. An important part of the study was the evaluation of the commercial customer classifications to ensure that customers were accurately categorized by strength and assessed the appropriate rates. Raftelis also created a user-friendly model so that various scenarios could be evaluated on the fly. Additionally, Raftelis also reviewed and updated the District's connection fees. Upon completion of the rates calculation, Raftelis assisted the District in a comprehensive public outreach campaign to obtain customers buy-in, which was crucial in the successful implementation of the proposed rates for fiscal year 2019.

Olivenhain Municipal Water District (CA)

Reference: Rainy Selamat, Finance Manager
1966 Olivenhain Road, Encinitas, CA 92024
P: 760.632.4218 / E: rselamat@olivenhain.com
Size: 287,000 population
Cost: $34,838
Year Work Was Completed: 2019
Individual's Role in the Project: Project Director
Individual's Employer for Project: Raftelis

Sudhir assisted the Olivenhain Municipal Water District (District) in conducting a water financial plan study and a recycled water rate study to determine the recycled water rates charged to customers. The water financial planning model was developed to assist the District in evaluating different financing alternatives to minimize rate impacts and ensure financial stability. The water model was effectively used in Board meetings and presentations to evaluate the impacts of various scenarios. Additionally, Raftelis calculated drought/conservation rates for different stages of cutbacks. The recycled water rate study was conducted to determine the recycled water rates charged to customers given that the District obtains recycled water from four different sources: the City of San Diego, Vallecitos Water District, Rancho Santa Fe Community Services District, and the 4S Regional Recycled Water System. The existing agreements defined the costs of different sources of recycled water to the District. To address all of those issues and concerns, Raftelis developed a recycled water financial and rate model to determine the costs of providing service and the required revenue to be collected from customers. In addition, the model is built to evaluate when the District is able to take over the 4S Regional Recycled Water System, as stated in the agreement with the developer.

Goleta West Sanitary District (CA)

Reference: Francis Chan, Administrative Manager/CFO
43885 S. Grimmer Boulevard, Fremont, CA 94538
P: 805.879.4615 / E: fchan@goletawater.com
Size: 80,000 population
Cost: $37,206
Year Work Was Completed: 2019
Individual's Role in the Project: Project Director
Individual's Employer for Project: Raftelis

Sudhir has been Goleta West Sanitary District's (District) financial consultant for over more than 15 years. During that time he has assisted the District with financial planning, development and financing their replacement and refurbishment program, developing a rate structure, annexation fees, connection fees, miscellaneous fees, reserves policy development, and other financial issues. The District charges customers on the tax roll. Raftelis developed the data to be included on the tax roll and the District now manages it.

Carpinteria Sanitary District (CA)
Reference: Craig Murray, General Manager
5300 Sixth Street, Carpinteria, CA 93013
P: 805.684.7214 ext 12 / E: craigm@carpsan.com
Size: 15,000 population
Cost: $32,676
Year Work Was Completed: 2022
Individual's Role in the Project: Project Director
Individual's Employer for Project: Raftelis

Raftelis recently assisted Carpinteria Sanitary District (District) in conducting a comprehensive wastewater rate and development impact fees study in order to ensure financial sufficiency for the District. The District's wastewater rate structure included a fixed annual charge for residential customers. Non-residential customers were assessed a base charge plus flow and strength charges based on their classifications. The rates had not been updated since 2004. One of the main goals of the study was to restructure the wastewater rates to be simpler and more equitable. Raftelis reviewed the District's customer classification, revenue requirements, and cost allocation methodology, and recommended appropriate alternative wastewater rate structures that would meet the District's goals and objectives. Return factors for non-residential customers were revised to more closely reflect wastewater discharges. Equity issues among different customer classes were analyzed to ensure compliance with Proposition 218. Raftelis also updated the District's development impact fees and miscellaneous fees to reflect current costs. The District uses the tax roll to bill customers.

PROJECT LIST

- City of Anaheim (CA) - Water rate study
- City of Atwater (CA) - Water and wastewater rate study
- City of Banning (CA) - Recycled water revenue program
- Beaumont Cherry Valley Water District (CA) - Water rate and connection fee study
- Carpinteria Sanitary District - Wastewater rate study
- Casitas Municipal Water District - Water rate study
- Castroville Water District (CA) - Water and wastewater rate study
- City of Beverly Hills (CA) - Asset replacement study, connection fee study, conservation rate study, valuation and development of replacement program and asset inventory, and water rate study and update
- City of Brea (CA) - Water rate study, connection fees and related fees and charges study
- City of Brentwood (CA) - Water and wastewater rate study
- City of Buenaventura (CA) - Water and wastewater rate study
- City of Burbank (CA) - Bond feasibility study, reclaimed water study, and water and wastewater rate study
- City of Carlsbad (CA) - Asset replacement study and water, wastewater and reclaimed water revenue program
- City of Chino (CA) - Valuation study and water rate study
- City of Chowchilla (CA) - Water and wastewater rates study
- Clark County Water Reclamation District (NV) - Cost-of-service study
- City of Cloverdale (CA) - Water and wastewater connection fees and rate study
- City of Corona (CA) - Water and wastewater rate study
- El Toro Water District (CA) - Water budget and wastewater rate studies and connection fees

- City of Encinitas (CA) - Water and wastewater rate study
- City of Escondido (CA) - Valuation study, water and wastewater rate study
- City of Glendora (CA) - Water and wastewater financial planning and rate study
- Goleta Water District (CA) - Water and wastewater rates and connection fees studies, asset management, and financing plan
- City of Henderson (NV) - Water and wastewater rate study
- La Canada Irrigation District - Water rate study
- La Crescenta Water District - Water and wastewater rate study
- City of Livingston (CA) - Water, wastewater and solid waste rates study and litigation support
- City of Los Angeles (CA) - Wheeling charge review
- Los Angeles Department of Water and Power (CA) - Water rate study and wheeling charge review
- City of Madera (CA) - Water and wastewater rate study
- Mammoth Community Water District (CA) - Water and wastewater rate study
- Metropolitan Wastewater Joint Powers Authority (CA) - Wastewater valuation study and capacity valuation study
- Napa Valley Sanitation District (CA) - State revolving fund loan assistance
- City of North Las Vegas (NV) - Water and wastewater rates study and model
- Ojai Valley Sanitary District - Wastewater rate study
- Olivenhain Municipal Water District (CA) - Water and wastewater financial planning studies and recycled water rate study
- City of Ontario (CA) - Water, wastewater and solid waste rate study
- Palmdale Water District (CA) - Water budget rate study
- City of Palo Alto (CA) - Water rate study
- Portland Water Bureau (OR) - Retail and wholesale water rates model
- City of Poway (CA) - Wastewater rate structure analysis
- Ramona Municipal Water District (CA) - Water rate study
- Rainbow Municipal Water District (CA) - Water, wastewater rate and capacity fee studies
- City of Redlands (CA) - Impact fee study, non-potable water fee study, rocky mwc, valuation and lease study, bi-annual rate updates, reclaimed water funding, and water and wastewater rate study
- City of Rialto (CA) - SRF funding and water and wastewater rate study
- County of San Bernardino (CA) - Water and wastewater rate study and connection fees
- City of San Diego (CA) - Recycled water rate study, valuation study, and water and wastewater financial plan, rate and connection fees study, litigation support
- San Diego County Water Authority (CA) - Capacity valuation, rate analysis, valuation study, and wheeling charge study
- City of San Fernando (CA) - Water and wastewater rates study
- City of San Francisco (CA) - Water, wastewater rate study and stormwater incentives for low impact development
- San Gorgonio Pass Water Agency (CA) - Financing plan
- City of San Jose (CA) - Sewer service related fees and charges
- City of San Luis Obispo (CA) - Stormwater financial feasibility study
- City of Santa Barbara (CA) - Water and wastewater rate study
- City of Santa Fe springs - Water rate study
- Santa Fe Irrigation District (CA) - Wastewater treatment plant cost evaluation, water connection fees study, and water rate study and update
- City of Santa Monica (CA) - Wastewater rate study

- City of Scottsdale (AZ) - Impact fee study
- City of South Pasadena (CA) - Water and wastewater rate study
- City of Springfield (OR) - Wastewater rates model
- Sweetwater Authority (CA) - Water rate study
- Tacoma Public Utilities (WA) - 2008 Business planning assistance and financial model
- City of Upland (CA) - Valuation study
- City of Vallejo (CA) - Water financial plan
- Valley County Water District (CA) - Water rate study

John Wright CPA

PROJECT MANAGER

Senior Manager

ROLE

John will manage the day-to-day aspects of the project ensuring it is within budget, on schedule, and effectively meets the District's objectives. He will also lead the consulting staff in conducting analyses and preparing deliverables for the project. John will serve as the District's main point of contact for the project.

PROFILE

John has more than 25 years of utility industry financial management and economic analysis experience. He has provided consulting services to numerous complex utility clients including the City of San Diego, Austin Water, the Portland Water Bureau, Milwaukee Water Works, the City of Calgary, and the Puerto Rico Aqueduct and Sewer Authority.

Prior to joining Raftelis in 2010, John was the Manager of Rate Administration at Denver Water where he was responsible for the annual financial planning, cost-of-service, and capacity fee studies. He also served as a a Senior Economist for the City of Portland Oregon's Bureau of Environmental Services where he was responsible for the annual wastewater and stormwater cost-of-service and capacity fee studies.

KEY PROJECT EXPERIENCE

City of Long Beach Water Department (CA)
Reference: Patrizia Hall, PE, Manager of Engineering
1800 E. Wardlow Road, Long Beach, CA 90807
P: 562.570.2332 / E: patrizia.hall@lbwater.org
Size: 467,354 population
Cost: $99,000
Year Work Was Completed: Ongoing
Individual's Role in the Project: Project Manager
Individual's Employer for Project: Raftelis

The Long Beach Water Department (Department) provides water, sewer, and recycled water service to population over 460,000 in the City of Long Beach. John is currently serving as the project manager on a water and sewer cost-of-service study for the Department. The key objective of the study is the comprehensive review of the cost allocations used to support the Department's currently effective utility rates and the creation of a new financial planning and cost allocation model. John is also currently serving as the project manager for a study investigating the potential implementation of water capacity fees. The study includes valuation of City's water infrastructure, the identification of capacity fee calculation methodologies, and the development of proposed capacity fee assessment schedules.

Years of Experience
- 25+ Years

Number of Years at Raftelis
- 6 Years

Specialties
- Cost-of-service studies
- Capacity fee studies
- Financial & economic analysis
- Public speaking and presentations
- Expert witness testimony
- Litigation support

Professional History
- Raftelis: Senior Manager (2020-present); Manager (2017-2019); Senior Consultant (2010-2016)
- Denver Water: Manager of Rate Administration (2006-2009)
- Portland Bureau of Environmental Services: Senior Economist (2004-2006)
- Public Utility Commission of Oregon: Senior Utility Analyst (2002-2004)
- Positions in the Competitive Telecommunications Industry (1997-2002)
- Colorado Public Utilities Commission: Senior Financial Analyst (1991-1997)

Education
- Master of Science in Finance - University of Colorado, Denver
- Bachelor of Science in Accounting - Metropolitan State University of Denver

Certifications
- Certified Public Accountant, State of Colorado #11959
- Series 50 Municipal Advisor Representative

Professional Memberships
- AWWA - Rates & Charges Committee, Finance Accounting & Management Controls Committee, Asset Management Committee
- WEF Utility Management Committee

San Bernardino Municipal Water Department (CA)

Reference: Cindy Mouser, Director of Finance
1350 SE Street , San Bernardino, CA 92408
P: 909.453.6010 / E: cindy.mouser@sbmwd.org
Size: 144,000 population
Cost: $120,000
Year Work Was Completed: 2022
Individual's Role in the Project: Project Manager

John served as the project manager for a comprehensive water and wastewater rate study for the City of San Bernardino (Department). The study included the development of 10-year financial plans, cost-of-service studies using industry standard principles, and the development of completely revised water and wastewater rate structures that were implemented by the Department's Board of Water Commissioners. In addition, Raftelis also developed drought surcharges for the Department. The outcome of the study was the development of Proposition 218 compliant water and wastewater rates for the period FY 2022 - FY 2026. The Department provides wholesale wastewater service to the City of Loma Linda and the East Valley Water District. In 2022, the East Valley Water District begin using its own Water Reclamation Facility and no will longer be a wholesale wastewater customer of the Department. As part of the rate study, Raftelis has assisted the Department plan for this large loss of revenue.

City of San Diego (CA)

Reference: Adam Jones, Deputy Director of Finance, Public Utilities Department
525 B Street, San Diego, CA 92101
P:858.614.4030 / E: jonesal@sandiego.gov
Size: 880,000 population
Cost: $900,000
Year Work Was Completed: 2022
Respondent's Role in the Project: Lead Consultant

The City of San Diego (City) provides retail water, wastewater, and recycled water service to approximately 1.4 million people in metropolitan San Diego. John served as the lead consultant on the City's recent wastewater and recycled water rate studies. His responsibilities included working with City staff to prepare a revenue requirement projection for the wastewater enterprise fund; 2) developing wastewater and recycled water cost allocations as part of the wastewater cost of service study; and 3) calculating proposed wastewater and recycled water rates for the period FY 2022 – FY 2026.

The City's wastewater utility system consists of Municipal and Metropolitan sub-systems. The Municipal sub-system is a wastewater collection and conveyance system for retail customers served within the City's jurisdictional boundaries. The Metropolitan sub-system is a regional wastewater treatment and disposal system that provides service to 16 member agencies in the County of San Diego. John's work on the project included analyzing the methodology used to allocate Municipal and Metropolitan subsystem operating and capital costs to the City's retail wastewater and recycled water customers. He also developed a comprehensive mass balance analysis that reconciled the wastewater flow and strength loadings contributed by the City to the flow and strength loadings recorded at each of three City-owned treatment plants.

PROFESSIONAL EXPERIENCE

Denver Water: Manager of Rate Administration (2006-2009)

Management position supervising three rate analysts and reporting to the Director of Finance at a municipal water utility serving over 1.3 million people.

- Supervised preparation of Denver Water's annual 10-year financial plan including the coordination of inputs from the water resource planning, engineering, budgeting, and treasury functions
- Supervised preparation of the annual cost-of-service, capacity fee, and miscellaneous fee studies
- Provided corporate finance/economic analysis support for capital investment decisions, integrated resource planning, reclaimed water system expansion, and raw water operations
- Managed relationships with Denver Water's wholesale customers and outside city retail water distributors
- Extensive public speaking and presentation experience before the Denver Water Board of Commissioners and external stakeholder groups

Portland Bureau of Environmental Services: Senior Economist (2004-2006)

Economic analysis position reporting to the Director of Business Services at a municipal utility wastewater utility serving over 500,000 people.

- Assisted in the preparation of the annual wastewater and stormwater utility financial plans
- Prepared the annual wastewater and stormwater cost-of-service and capacity fee studies
- Developed solid waste and recycling rates for the Portland Office of Sustainable Development
- Developed pricing for services provided by the Bureau of Environmental Services' water pollution control laboratory
- Presentations before the City of Portland's Public Utility Review Board

Public Utility Commission of Oregon: Senior Utility Analyst (2002-2004)

Specialist in telecommunications industry financial, economic, and public policy issues at a state regulatory agency.

- Testified as an expert staff witness in regulatory proceedings related to incumbent local exchange carrier access charges, interexchange carrier credit quality, and wireless carrier high cost funding
- Developed financial models to analyze telecommunications utility cost allocations and rate structures including incumbent local exchange carrier unbundled network element pricing
- Financial advisor to the Oregon Universal Service Fund which provided over $50 million annually to support the availability of telecommunications services in rural Oregon

Positions in the Competitive Telecommunications Industry (1997-2002)

Senior financial analyst at Electric Lightwave, Inc. (Vancouver, WA) and Marketing Analyst at WCI Cable, Inc. (Hillsboro, OR).

- Developed pricing for high capacity fiber optic services (DS3 - OC193) in terrestrial, submarine and metropolitan-area networks
- Developed financial models and business cases to analyze network infrastructure expansions and proposed acquisitions
- Developed pricing for Indefeasible Rights of Use (i.e., long-term leases) for dark and lit fiber optic capacity in amounts up to $30 million

Colorado Public Utilities Commission: Senior Financial Analyst (1991-1997)

Specialist in energy utility financial, economic, and public policy issues at a state regulatory agency.

- Testified as an expert staff witness in Public Service Company of Colorado and San Miguel Power Association rate cases
- One of three staff members selected by the Colorado PUC Commissioners to the first independent team of litigation support advisors in agency history
- Advisor to the Colorado PUC Commissioners on electric power and natural gas utility rate cases, integrated resource planning, and electric power retail deregulation issues
- Participated in the development of electric power utility integrated resource planning rules requiring competitive bidding for new resources, the submission of alternative resource portfolios, and the use of discounted cash flow techniques to estimate ratepayer impacts

- Served as liaison to the Clinton Administration's Council on Sustainable Development representing former Colorado PUC Commissioner Christine Alvarez
- Author of Colorado PUC staff comments on proposed Federal Energy Regulatory Commission rules for open access electric transmission (FERC Order No. 888) as published in the National Regulatory Institute Bulletin, Volume 17, No. 1.

EXPERT WITNESS TESTIMONY

- **Public Service Commission of Wisconsin - Milwaukee Water Works (Docket No. 3720-WR-108).** Filed direct and rebuttal testimony, on behalf of Milwaukee Water Works, on wholesale water service cost allocation and public fire protection issues. Provided oral testimony under oath before a Wisconsin PSC Administrative Law Judge. Subject to hostile cross-examination by legal counsel representing the Wisconsin PSC, wholesale customer intervenors, and Miller-Coors.

- **Oregon Public Utility Commission - CenturyTel of Oregon (Docket No. UT 154)**. Filed direct testimony on, on behalf of the Oregon PUC staff, incumbent local exchange carrier access charges and interexchange carrier credit quality. Provided oral testimony under oath before an Oregon PUC Administrative Law Judge. Subject to hostile cross-examination by legal counsel representing AT&T, Sprint, and WorldCom.

- **Oregon Public Utility Commission - United States Cellular Corporation (Docket Nos. UM-1083 and UM-1084)**. Filed direct testimony, on behalf of the Oregon PUC staff, on the applications of United States Cellular Corporation and RCC Minnesota, Inc., to be designated as Eligible Telecommunications Carriers authorized to receive support from the Federal Communications Commission's Universal Service Fund. Provided oral testimony under oath before an Oregon PUC Administrative Law Judge. Subject to hostile cross-examination by legal counsel representing US West.

- **Colorado Public Utilities Commission - Public Service Company of Colorado (Docket No. 93S-001EG)**. Filed direct testimony, on behalf of the Colorado PUC staff, on the proposed test-year revenue requirements of the electric and gas utility operations of Public Service Company of Colorado (PSCO, now operating as Xcel Energy). Testimony included the integration of the assets acquired from the Colorado-Ute Rural Electric Association in the PSCO rate base and the recovery of costs associated with a new PSCO utility billing system. Provided oral testimony under oath before the Colorado PUC Commissioners *en banc*. Subject to hostile cross-examination by legal counsel representing PSCO, the Colorado Office of Consumer Counsel, the Land and Water Fund of the Rockies, and municipal and industrial intervenors.

- **Colorado Public Utilities Commission - San Miguel Power Association (Docket No. 93A-211E)**. Filed direct testimony, on behalf of the Colorado PUC staff, on the proposed test-year revenue requirements and electric rates of the San Miguel Power Association (SMPA). Provided oral testimony under oath before the CPUC Commissioners *en banc*. Subject to hostile cross-examination by legal counsel representing SMPA and Colorado Office of Consumer Counsel.

PROJECT LIST

- Austin Water (TX) – Water and wastewater cost-of-service studies for retail and wholesale services
- Box Elder Sanitation District (CO) – Financial planning and capacity fees
- City of Calgary Utilities and Environmental Protection Department (AB, Canada) – Comprehensive financial risk assessment of water, wastewater, and stormwater utilities
- City of Chandler (AZ) – Water and wastewater cost-of-service and rate design
- City of Corvallis (OR) – Water and wastewater financial planning, cost-of-service, and rate design
- Contra Costa County Sanitary District – Recycled water project financial analysis
- Eastern Municipal Water District (CA) – Water, wastewater, and sewer financial planning

- East Larimer County Water District (CO) – Water financial planning, cost-of-service, rate design and capacity fees
- Fort Collins Loveland-Water District (CO) – Water financial planning, cost-of-service, and rate design
- Imperial County (CA) – Water and sewer financial planning, cost-of-service, and rate design studies
- Irvine Ranch Water District (CA) – Water, sewer, and recycled water cost-of-service and rate design
- Ken Caryl Ranch Water and Sanitation District (CO) – Water and wastewater financial planning, cost-of-service, and rate design
- Left Hand Water District (CO) – Financial model update and capacity fees
- Long Beach Water Department (CA) – Water, wastewater, and recycled water cost-of-service, and rate design; water capacity fees
- Metropolitan Water District of Southern California (CA) – Potential rate structure alternatives for the recovery of wholesale treatment costs
- Milwaukee Water Works (WI) – Expert witness testimony in a rate case proceeding at the Public Service Commission of Wisconsin
- City of Naperville (IL) – Water and wastewater financial planning, cost-of-service, and rate design
- City of Norman (OK) – Water and wastewater capacity fees
- Padre Dam Municipal Water District (CA) – Water, wastewater, and recycled water financial planning, cost-of-service, and rate design; drought rates
- City of Pico Rivera (CA) – Water financial planning, cost-of-service, and rate design
- Portland Water Bureau (OR) – Audit of wholesale rate model
- Prescott Valley (AZ) – Non-utility impact fee study
- Prosper Coordinating Metropolitan District (CO) – Financial planning, cost-of-service, rate design, and system development charges for a greenfield planned development east of metropolitan Denver
- Puerto Rico Aqueduct and Sewer Authority (PR) – Review of financial planning forecasts
- Rancho California Water District (CA) – Water cost-of-service and rate update
- San Bernardino Municipal Water District (CA) – Water, sewer, and recycled water financial planning, cost-of-service, and rate design; drought rates
- City of San Diego (CA) – Wastewater and recycled water financial planning, cost-of-service, and rate design
- Santa Clara County Water District (CA) – Groundwater zone of benefit cost-of-service study
- Santa Clarita Valley Municipal Water Department – Water stand-by charges
- Soldier Canyon Water Treatment Authority (CO) – Financial planning and rate design
- South Fort Collins Sanitation District (CO) – Financial planning, cost-of-service, and rate design
- Strathcona County (AB, Canada) – Water and wastewater financial planning, cost-of-service, and rate design
- City of Thornton (CO) – Water financial planning, cost-of-service, and rate design
- Vallecitos Water District (CA) – Water cost-of-service and rate design
- City of Westminster (CO) – Water and wastewater financial planning, cost-of-service, and rate design study
- City of Wichita (KS) – Water and wastewater financial planning, cost-of-service, and rate design

PUBLICATIONS

- "Financing and Charges for Wastewater Systems," WEF Manual of Practice No. 27 Second Edition, 2018
- "Principles of Water Rates, Fees and Charges," AWWA Manual M1, Sixth and Seventh Edition, 2012 and 2017
- "Water Utility Capital Financing," AWWA Manual M29, Fourth Edition, 2017
- "AWWA Asset Management Definitions Guidebook," Version 1.0, 2018
- "WEF Effective Water Professional," First Edition, 2015
- "WEF User-Fee Funded Stormwater Programs," Second Edition, 2013
- "WEF The Energy Roadmap: A Water & Wastewater Utility Guide to More Sustainable Energy Management," First Edition, 2013
- "Water and Wastewater Finance and Pricing, The Changing Landscape," CRC Press, Fourth Edition, 2015

PRESENTATIONS

- "Developing a Financial Plan to Support Deferred Maintenance Funding," AWWA/WEF Utility Management Conference, 2019
- "Water System Development Charges Tailored to Land Use," AWWA/WEF Utility Management Conference, 2019
- "Utility Financial Risk Assessment - The Calgary Experience," AWWA Annual Conference, 2017
- "Water Profession: Current Issues and Future Challenges," Guest Lecturer at the University of Colorado-Boulder, Civil Engineering Class No. 5574, 2017 and 2018
- "Community Involvement Committees from a Municipal Utility Perspective," Colorado GFOA Conference, 2016
- "Securing Thornton's Water Future," RMSAWWA/RMWEA Annual Joint Conference, 2015
- "Financial Strategies to Prepare for the Next Economic Crises," AWWA Annual Conference, 2014
- "Weathering Economic Crises: Creating a Resilient Financial Plan for Your Utility," AWWA Webinar, 2014
- "Wichita Water Utilities Financial Restructuring," KWEA/KAWWA Annual Joint Conference, 2013
- "Capital Planning - A Business Case Process," AWWA Annual Conference, 2013
- "Declining Revenues and Your Rate Structure," AWWA Annual Conference, 2012

Kevin Kostiuk

ASSISTANT PROJECT MANAGER

Manager

Years of Experience
- 13 Years

Number of Years at Raftelis
- 8 Years

Specialties
- Water & Drought rate design
- Water budget rate structures
- Utility cost-of-service
- Sustainable Groundwater Management Act
- Data analysis
- Environmental policy analysis

Professional History
- Raftelis: Manager (2020-present); Senior Consultant (2014-2019); Consultant (2014-2015)
- Turner New Zealand, Inc.: Director of Operations (2009-2012); Accounting Manager (2007-2009)
- Lesley, Thomas, Schwarz & Postma, Inc.: Staff Accountant (2007)

Education
- Master of Environmental Management - Duke University (2014)
- Bachelor of Arts in Business-Economics & History - University of California, Santa Barbara (2006)

ROLE

Kevin will assist the Project Manager with managing the day-to-day aspects of the project and leading the consulting staff in conducting analyses and preparing deliverables for the project.

PROFILE

Kevin has a background in economics and accounting and possesses extensive analytical skills. His expertise lies in water resources management, environmental economics, environmental policy, and federal water supply and flood control policy. Kevin is a member of the American Water Works Association (AWWA) Young Professionals and the Young Professionals Summit Committees in conjunction with the AWWA Utility Management Conference (UMC). He has authored an article on potable reuse in Journal AWWA discussing the treatment, financing structures, and pricing of treated water at advanced purification treatment plants; an article on municipal water demand pattern changes during the recent State-wide drought; and an article on proactive financial planning in times of drought for California Society of Municipal Finance Officers (CSMFO) Magazine. Most recently Kevin presented at the AWWA UMC discussing a recent evaluation of the conceptual CustomerSelect rate model for Soquel Creek Water District.

KEY PROJECT EXPERIENCE

Goleta Water District (CA)
Reference: Francis Chan, Administrative Manager/CFO
43885 S. Grimmer Boulevard, Fremont, CA 94538
P: 805.879.4615 / E: fchan@goletawater.com
Size: 35,000 population
Cost: $37,206
Year Work Was Completed: 2022
Individual's Role in the Project: Project Manager
Individual's Employer for Project: Raftelis

Kevin completed a full water cost-of-service study for the Goleta Water District (District) which included design of inclining tiered rates for their single-family residential class, as well as agricultural rates for two classes. Complexities in customer classes' access to District water supplies, interruptibility during times of drought, and benefit (or lack thereof) from treatment made the analysis unique and challenging. The study included development of a long term financial plan model, rate model, and corresponding bill impacts.

To achieve the District's demand reduction targets as outlined in their Drought Management Plan, the District wished to explore drought rates/drought surcharges to curb demand. Ultimately, Kevin developed three options of revenue neutral drought surcharges for the Board's consideration. These various options ranged from targeted surcharges on an inter and

intra-class basis, to a surcharge applied to non-drought commodity rates, to a uniform commodity surcharge irrespective of customer class or use. The proposed rates and drought surcharges were adopted and implemented July 1, 2015.

City of Hayward (CA)

Reference: Alex Ameri, PE, Director of Public Works
777 B Street, Hayward, CA 94541
P: 510.583.4720 / E: alex.ameri@hayward-ca.gov
Size: 158,817 population
Cost: $54,218
Year Work Was Completed: 2021
Individual's Role in the Project: Project Manager
Individual's Employer for Project: Raftelis

Raftelis assisted the City with reviewing water rate structures, financial planning, and water cost-of-service. The City serves an urban retail base with very low per capita demands and has a relatively large share of low-income customers. Raftelis assisted the City of Hayward (City) with a comprehensive water cost-of-service and rate study in 2021. Kevin served as the project manager for this engagement, which involved developing a 10-year financial plan, a two-year rate proposal, a water rate model, and a technical report (or administrative record). The City receives 100% of its water supply from the San Francisco Public Utilities Commission (SFPUC); the increasing costs of purchasing water from SFPUC is often unpredictable. The key drivers in the financial plan included developing a reserve policy which mitigated the risk of volatile SFPUC costs and minimizing the financial impact to customers to the greatest extent possible. Additionally, Raftelis recommended a simplified rate structure based on a detailed cost-of-service allocation. The proposed rate structure helped improve equity among customer classes, provided affordability for low water users, and enhanced customer understanding. The water rates were successfully approved and implemented by City Council.

Crescenta Valley Water District (CA)

Reference: David Gould, District Engineer, Project Manager
2700 Foothill Boulevard, La Crescenta, CA 91214
P: 818.248.3925 / E: dgould@cvwd.com
Size: 32,000 population
Cost: $96,767
Year Work Was Completed: 2020
Individual's Role in the Project: Project Manager
Individual's Employer for Project: Raftelis

Kevin developed a combined water and sewer financial plan and rate model for the Crescenta Valley Water District (District) in 2016. The cost-of-service and rate study included several workshops with the District Board which culminated in structural changes to the District's existing water and sewer rate structures. In addition to the tiered water rate structure, which was ultimately adopted, Kevin developed a water budget rate model for evaluation by District staff and the District Board.

Prior to the cost-of-service and rate study, Kevin performed an economic analysis for the District to determine the feasibility of offsetting imported water supply with the production of local groundwater. Kevin created a customized model for the District to use under different scenarios of capital requirements, lease options, and contract lengths. As part of the study, he reviewed the District's prior consultant's work, determined internal rate of returns, calculated the net present value of district savings, and determined the cost at which the District should lease water rights for groundwater production.

City of Camarillo (CA)
Reference: Mark S. Uribe, Assistant Director of Finance
601 Carmen Drive, Camarillo, CA 93010
P: 805.388.5358 / E: muribe@cityofcamarillo.org
Size: 68,583 population
Cost: $154,596
Year Work Was Completed: 2018
Individual's Role in the Project: Project Manager
Individual's Employer for Project: Raftelis

Raftelis has provided rate consulting services to the City of Camarillo (City) for the past seven years with Kevin serving as lead analyst the past three years. In the current rate cycle Kevin serves as project manager. The City adopts rates on a two-year cycle and the most recent study included rebuilding long term financial plan models, revising the wastewater utility's rate structure, and performing a cost-of-service analysis for the sewer utility. Kevin has made presentations to the City Manager, City's Utility Committee, and City Council in consecutive years. Kevin successfully presented rates to City Council in December 2016, November 2017, and November 2018.

During the height of the most recent state-wide drought, the City contracted with Raftelis to evaluate emergency drought rates as a conservation and revenue recovery tool. Kevin adapted the existing financial plan model and developed multiple scenarios based upon the City's water supply condition stages. Kevin developed drought rates utilizing the City's financial plan at each stage and estimating water reductions. The rates were not adopted prior to the end of the state-wide drought however the drought tool is available for quick implementation should drought conditions return. Raftelis is currently contracted with the City for another two-year rate and capacity fee study for 2019 with Kevin as project manager.

PROJECT LIST

- Antelope Valley (CA) - East Kern Water Agency
- Citrus Heights Water District (CA) - Groundwater supply analysis
- Coastside County Water District (CA) - Water rate study
- Elsinore Valley Municipal Water District (CA) - Drought surcharge study
- La Canada Irrigation District (CA) - Water cost-of-service and rate study
- City of Lancaster (CA) - Wastewater cost-of-service study
- Madera County Groundwater Sustainability Agencies (CA)
- Montecito Basin Groundwater Sustainability Agency (CA)
- City of Torrance (CA) - Wastewater cost-of-service and rate study
- Triunfo Sanitation District (CA) - Water rate study
- Ventura County Waterworks District No. 8 Simi Valley (CA)

Jim Armstrong

SPECIAL ADVISOR
Principal Consultant

ROLE

Jim is a Principal Consultant with Raftelis and based in Santa Barbara. He is currently leading the Special District Collaboration and Consolidation Study for the District and the Montecito Water District.

PROFILE

Prior to joining Raftelis, Jim had a long and successful local government career in four California cities. Most recently, he served as City Administrator of Santa Barbara from 2001 to 2014. During his tenure, he successfully led the City through the 2008-10 recession; completion of a General Plan update; two major wildland fires; and the dissolution of the City's Redevelopment Agency. He was instrumental in the creation of the City's Neighborhood Improvement Task Force and the South Coast Task Force on Youth Gangs. Santa Barbara also implemented a comprehensive performance management program under Jim's direction.

After leaving government service, Jim has provided consulting services for several California cities and special districts. His assignments have included management studies, executive recruitments, and development of long-term financial plans. He is known for his extensive knowledge of local government finance, budgeting and financial analyses.

RELEVANT PROFESSIONAL EXPERIENCE

Ralph Andersen & Associates: Senior Consultant (2015-2018)

Jim served as senior consultant conducting city manager and senior level executive recruitments and management studies for cities and special districts throughout California. Management studies included a high-level review of a city's entire departmental operations; development of a cost-benefit model to determine the feasibility of creating a municipal police department; and evaluation of management systems at a community college district.

Santa Barbara (CA): City Administrator (2001-2014)

Served as City Administrator and Redevelopment Executive Director of this well-known city with 90,000 residents, 1,000 employees and an annual budget of $275 million. Accomplishments include:

- Leading the organization successfully through a major downsizing as a result of the 2008-10 recession with a minimum disruption of services
- Successfully completing several important capital improvement projects including a new airline terminal, a major new downtown parking structure; important water and wastewater upgrades, and reconstruction of historic fire headquarters building

Years of Experience
- 40+ Years

Number of Years at Raftelis
- 2 Years

Specialties
- Municipal budget development & financial management
- Organizational analysis
- Long term financial planning
- Establishment of performance management systems
- Strategic planning

Professional History
- Raftelis: Principal (2019-present)
- Ralph Andersen & Associates: Senior Consultant (2015-2018)
- Santa Barbara, California: City Administrator (2001-2014)
- Fullerton, California: City Manager (1992-2001)
- Anaheim, California: Assistant City Manager (1990-1992); Assistant to the City Manager (1979-1983); Administrative Assistant (1978-1979); Administrative Aide (1977-1978)
- Hanford, California: City Manager (1983-1990)

Education
- Master of Public Administration - California State University, Long Beach
- Bachelor of Arts in Psychology, Political Science, Cum Laude - University of California, Los Angeles

Professional Memberships
- Santa Barbara County City Managers Association: Chair
- Orange County City Managers Association: President
- South San Joaquin Valley City Managers Association: President
- International City/County Management Association: Life Member
- Santa Barbara Neighborhood Clinics: President of the Board
- Channel Islands YMCA: Chair of the Board, Treasurer
- Santa Barbara Rotary Foundation: President
- Santa Barbara County United Way: Board of Directors
- Aircraft Owners and Pilots Association

- Implementation of major organization efforts including a comprehensive performance management system, a modern communications strategy, and an award-winning sustainability program
- Development of revised budgeting and financial management systems that stabilized city finances, improved accountability, and increased transparency
- Completion of a new General Plan

Fullerton (CA): City Manager (1992-2001)

Served as City Manager and Redevelopment Executive Director of a full-service city with 130,000 residents, 800 employees and an annual budget of $125 million. Accomplishments included:

- Restoration of downtown business area that received state and national recognition
- Restructuring of city operations to deal with a major revenue shortfall, resulting in annual savings of $5 million
- Implementation of improved management systems that enhanced customer service, productivity tracking, internal communications, and employee morale
- Implementation of long-term planning efforts including infrastructure financing strategies, a Transportation Center Master plan, and water system master plan
- Participation on regional planning efforts which resulted in restructuring of the county solid waste system and implementation of a county-wide public safety communications system

Anaheim (CA): Assistant City Manager (1990-1992)

Served as Assistant City Manager of a large, diverse City with 300,000 residents, 2,000 employees and a budget exceeding $550 million. Duties included directly supervising eight departments, including Finance, Stadium, Convention Center, Parks and Recreation, and the Library. Accomplishments included:

- Serving on the city negotiating team to plan and implement the $1.5 billion expansion of Disneyland, improvement to the commercial recreation area, and a major expansion of the Anaheim Convention Center
- Serving as a member of the negotiating team that successfully negotiated the development of the Anaheim Arena, a 20,000-seat multipurpose facility

Hanford (CA): City Manager (1983-1990)

Served as City Manager and Redevelopment Executive Director of this full-service city with a population of 30,000 and 180 employees. Major accomplishments included:

- Numerous state and national awards for downtown restoration efforts
- Implementation of improved management systems to improve performance measurement, customer service, and budgeting
- Developed a solid waste joint powers authority in conjunction with the county and two other cities.

Anaheim (CA): Assistant to the City Manager (1979-1983)

- Served in progressively responsible positions in the city manager's office. Duties included working with city council members on specific policy issues, review of all council agenda items, supervision of the intergovernmental relations office and work on special projects.
- Managed public works maintenance functions for two years to create a new Department of Maintenance. Supervised five divisions of Public Works with a budget of $26 million and 400 employees
- Chaired task force in negotiations with Hilton Hotels, which resulted in a 50-year lease to construct a 1600 room hotel on city owned land
- Developed computerized work management system and productivity tracking system for use by all city departments.

PROFESSIONAL HONORS

- Orange County Division of American Society of Public Administration Public Administrator of the Year
- Channel Islands YMCA Distinguished Service Award

References

Goleta West Sanitary District CA

Reference: Mark Nation**,** General Manager
UCSB Campus Lot 32**,** Santa Barbara, CA 93106
P: 805.968.2617 **/** E: mnation@goletawest.com
Duration of Assignment: 2019 – 2020
Key Personnel: Kevin Kostiuk **(**Project Manager), Sudhir Pardiwala (Project Director)

Carpinteria Sanitary District CA

Reference: Craig Murray, General Manager
5300 Sixth Street, Carpinteria, CA 93013
P: 805.684.7214 ext 12 / E: craigm@carpsan.com
Duration of Assignment: 2021 - 2022
Key Personnel: Sudhir Pardiwala (Project Director)

San Bernardino Municipal Water Department CA

Reference: Cindy Mouser, Director of Finance
1350 SE Street , San Bernardino, CA 92408
P: 909.453.6010 / E: cindy.mouser@sbmwd.org
Duration of Assignment: 2021 - 2022
Key Personnel: John Wright (Project Manager)

City of San Diego CA

Reference: Adam Jones, Deputy Director of Finance, Public Utilities Department
525 B Street, San Diego, CA 92101
P:858.614.4030 / E: jonesal@sandiego.gov
Duration of Assignment: 2021 - 2022
Key Personnel: John Wright (Project Manager)

California Experience

This table lists the California utilities that Raftelis has assisted over the past five years on financial, rate, and/or management consulting projects.

Client	Affordability Analysis & Program Development	Debt Issuance Support	Dispute Resolution	Financial and Capital Improvements Planning	Rate Case Support	Rate Design	Risk Analysis	Cost of Service	Development / Impact Fees	Stormwater Utility Development	Organizational Optimization	Water/Wastewater Utility Valuation
Alameda County Water District		●		●		●	●	●	●			
Anaheim, City of				●		●	●	●				
Arroyo Grande, City of				●		●	●	●				
Atwater, City of				●	●	●		●				
Bakersfield, City of		●		●		●		●				
Benicia, City of									●			
Beverly Hills, City of		●		●		●	●	●	●		●	
Borrego Water District			●	●		●						
Brea, City of				●		●		●				
Brentwood (CA), City of				●		●	●	●				
CAL FIRE/San Luis Obispo								●				
Calleguas Municipal Water District		●		●		●	●	●				
Camarillo, City of		●		●		●		●	●			
Carlsbad Municipal Water District		●		●		●	●	●				
Casitas Municipal Water District				●		●		●				
Castaic Lake Water Agency			●	●		●	●	●	●			
Central Basin Municipal Water District		●		●			●	●				
Central Contra Costa Sanitary District				●		●		●				
Channel Islands Beach Community Services District				●		●		●				
Chino Hills, City of				●		●		●				
Chino, City of				●		●		●				
Chowchilla, City of				●		●	●	●				
Corona, City of						●			●			
County of San Diego				●				●		●		
Crescenta Valley Water District				●		●		●				
Cucamonga Valley Water District				●		●						
Del Mar Union School District		●										
Delta Diablo Sanitation District											●	
East Bay Municipal Utility District				●				●	●			
East Orange County Water District				●		●		●	●			
East Valley Water District				●		●	●	●				
Eastern Municipal Water District				●								
El Toro Water District				●		●		●				
Elk Grove Water District	●			●		●	●	●	●			
Elsinore Valley Municipal Water District				●		●			●			
Escondido, City of		●		●		●	●	●	●			
Galt, City of		●		●		●		●	●			
Glendora, City of						●						
Goleta Water District				●		●	●	●				
Goleta West Sanitary District			●	●		●	●	●	●			
Helix Water District				●		●		●				
Henderson, City of				●		●		●	●			
Hollister, City of				●		●		●	●			
Holtville, City of				●				●				
Huntington Beach, City of				●		●	●	●				
Imperial County				●		●		●				
Inland Empire Utilities Agency				●								

Client	Affordability Analysis & Program Development	Debt Issuance Support	Dispute Resolution	Financial and Capital Improvements Planning	Rate Case Support	Rate Design	Risk Analysis	Cost of Service	Development / Impact Fees	Stormwater Utility Development	Organizational Optimization	Water/Wastewater Utility Valuation
Irvine Unified School District		●										
Jurupa Community Services District				●		●	●	●				
Kern County Water Agency					●							
La Canada Irrigation District				●		●		●				
La Habra Heights County Water District				●		●	●	●	●			
Laguna Beach, City of				●								
Lake Valley Fire Protection District				●			●	●				
Las Virgenes Municipal Water District				●		●		●				
Leucadia Wastewater District				●		●						
Livermore, City of				●		●		●	●			
Long Beach City of	●	●		●		●		●				
Los Alamos Community Services District		●		●		●		●	●			
Los Angeles Department of Water and Power						●		●				
Los Angeles, City of Bureau of Sanitation					●							
Madera, City of		●		●								
Mammoth Community Water District				●		●		●				
Marin Municipal Water District					●							
Merced, City of				●		●		●	●			
Mesa Water District				●				●				
Metropolitan Water District of Southern California			●									
Modesto Irrigation District						●		●				
Mojave Water Agency				●		●	●					
Monterey County Water Resources Agency				●		●		●				
Monterey, City of		●		●		●	●					
Moulton Niguel Water District									●			
Municipal Water District of Orange County					●			●				
Napa Sanitation District				●		●		●				
Ojai Valley Sanitary District				●		●		●				
Olivenhain Municipal Water District				●		●	●					
Ontario Municipal Utilities Company								●				
Ontario, City of				●		●	●	●				
Orange, City of				●		●		●				
Palo Alto, City of				●		●	●	●				
Phelan Pinon Hills Community Services District	●			●		●		●	●			
Placer County Water Agency					●			●				
Pleasant Hill Recreation & Park District				●				●				
Pomona, City of				●		●		●	●			
Rainbow Municipal Water District				●		●	●	●				
Ramona Municipal Water District				●		●		●				
Rancho California Water District						●	●	●	●			
Redlands, City of				●		●	●	●	●			
Rincon del Diablo Municipal Water District				●		●		●				
Riverside Public Utilities				●		●	●	●	●			
Roseville, City of		●		●					●			
Sacramento Regional County Sanitation District						●						
Sacramento, City of				●		●		●				
Salton Community Services District				●				●				

Client	Affordability Analysis & Program Development	Debt Issuance Support	Dispute Resolution	Financial and Capital Improvements Planning	Rate Case Support	Rate Design	Risk Analysis	Cost of Service	Development / Impact Fees	Stormwater Utility Develoment	Organizational Optimization	Water/Wastewater Utility Valuation
San Bernardino Valley Municipal Water District						●						
San Bernardino, County of				●		●		●	●			
San Clemente, City of				●		●	●	●				
San Diego, City of Public Utilities Department		●	●	●		●	●	●	●			
San Dieguito Water District				●		●		●				
San Elijo Joint Powers Authority				●	●	●	●	●	●			
San Gabriel County Water District				●		●		●				
San Gabriel, City of				●		●		●				
San Jose, City of								●				
San Juan Capistrano, City of				●		●	●	●	●			
Santa Ana, City of								●				
Santa Barbara, City of				●		●	●	●	●			
Santa Clara Valley Water District			●	●	●							
Santa Clarita Water District		●		●		●	●	●	●			
Santa Cruz, City of				●		●	●	●				
Santa Fe Irrigation District				●		●	●	●	●			
Santa Fe Springs, City of				●		●		●				
Santa Margarita Water District				●		●	●	●				
Santa Rosa, City Attorney's Office									●			
Scotts Valley Water District		●		●		●	●	●	●			
Shafter, City of				●		●		●				
Shasta Lake, City of				●		●	●	●				
Sierra Madre, City of	●			●		●		●				
Signal Hill, City of				●		●		●				
Simi Valley, City of				●		●	●	●	●			
Sonoma, City of				●		●		●				
South Mesa Water Company				●		●	●	●				
South Pasadena, City of				●		●		●				
South San Francisco, City of				●				●				
Sunnyslope County Water District				●		●	●	●	●			
Sweetwater Authority				●		●		●				
Temescal Valley Water District				●		●		●	●			
Thousand Oaks, City of				●		●	●	●	●			
Torrance, City of				●		●		●				
Trabuco Canyon Water District				●		●		●				
Triunfo Sanitation District				●		●		●				
Tustin, City of				●		●		●				
Union Sanitary District				●		●	●	●	●			
Ventura Regional Sanitation District				●		●		●				
Ventura, City of	●	●	●	●	●	●	●	●	●			
Vista, City of				●		●			●			
Walnut Valley Water District				●		●		●				
Watsonville, City of	●			●		●	●	●				
West Basin Municipal Water District				●		●	●	●				
Western Municipal Water District				●		●		●	●			
Yorba Linda Water District				●		●		●				
Zone 7 Water Agency				●		●		●				

Project Understanding

Recommended Sewer Service Charges for FY 2023-24 through FY 2028-29

The Montecito Sanitary District (District) is seeking an expert consultant to complete a comprehensive sewer rate study. The primary objectives of the study are the development of recommended Proposition 218 compliant sewer service charges for the six-year period FY 2023-24 through FY 2028-29. Developing the recommended sewer service charges will require the preparation of a six-year financial plan featuring recommended annual rate revenue adjustments to pay for the District's projected costs, adequate operating and capital reserves, and adequate debt service coverage levels. The District's current sewer service charges, which are recovered via Santa Barbara property tax billings, are as follows.

Residential	
Single Family Dwelling	$1,480
Condo or 2nd Dwelling	$696
Fixed Capacity Allocation Charge ($/HCF Based on Historic Maximum Annual Water Use)	
Low Strength Sewage	$4.33
Medium Strength Sewage	$10.32
High Strength Sewage	$12.59
Variable Charge ($/HCF Based on Prior Calendar Year Actual Water Use)	
Low Strength (BOD and TSS < 325 mg/L)	$2.88
Medium Strength BOD and TSS 325 - 900 mg/L)	$3.96
High Strength (BOD and TSS > 900 mg/L)	$5.57

Other Key Objectives

- **Capital Improvement Expenditure Funding**. The District's approved capital improvement plan (CIP) for FY 2022-23 called for $5.0 million in expenditures. The financial plan must ensure that the District has adequate sewer service charge revenues to fund required capital expenditures. Key sources of information that may be used to develop the capital improvement program expenditures included in the financial plan include:
    - Septic-to-Sewer Strategic Plan for the connection of the approximately 300 parcels not currently collected to the District's collection system
    - Lift station and collection system assessment and rehabilitation plan that will be completed concurrently with the rate study
    - Carollo Engineers technical memorandums TM3 and TM5

- **Treatment Cost Debt Service Coverage Sensitivity**: The District's ability to absorb higher treatment costs while maintaining adequate debt service coverage must be analyzed. As of June 30, 2021, the District had long-term liabilities of $11.0 million supporting capital assets of $31.8 million. The District's total debt service payments in FY 2022-23 were $923K or approximately 13% of projected operating revenues.

- **Operating and Capital Reserve Levels**: Recommendations for operating and capital reserve levels must be made to ensure the District can mitigate reasonably foreseeable risks.

- **Revenue Sensitivity to Drought**: Analyze the projected reduction in sewer service charge revenue earned from commercial customers under different drought scenarios

- **Customer Classes**: Evaluation of the Districts current sewer service customer classes

- **Sewer Service Charge Structure**: Evaluation of the District's current sewer service charge structure

- **Connection Fee Evaluation and Update**: Evaluate the District's current connection fee calculation methodology and calculate updated connection fees. The current connection fee is $8,300 per Equivalent Residential Unit (ERU)

- **Accessory Dwelling Units**: Analyze the impact of accessory dwelling unit statutory changes SB9 and SB10) on the District's service charges and connection fees

- **Rate Survey**: Complete a survey that compares the District's existing and proposed rates for FY 2023-24 through FY 2028-29 to surrounding public agencies

- **Cost Benchmarking**: Compare the District's operating and capital costs the appropriate industry standards

Project Approach

Our proposed project approach is based on our extensive experience in completing sewer rate studies for utility District's throughout California and the specific objected identified by the District in its Request for Proposals (RFP).

Task 1: Project Initiation and Management

On-Site Kick-Off Meeting

A productive kick-off meeting is the most effective way to begin any rate study. The goals for the meeting include:

- Providing a forum to finalize the scope of the project, work plan, and schedule with District staff
- Discussing the District's preliminary sewer service charge pricing objectives
- Providing an opportunity for District staff to meet and become comfortable with the Raftelis project team
- Reviewing the data needs for the project

Prior to the kick-off meeting, we will prepare a data request describing the information required to successfully complete the study. If the data is provided in time, Raftelis will review the initial data before the kick-off meeting and will come prepared with questions to maximize the effectiveness of the meeting.

Project Management

Raftelis believes in a no-surprises approach to project management in which are client is always kept informed of the project status. Informing our client of issues and challenges as early as possible minimizes project delays and cost overruns. As part of the project management process, we will:

- Prepare budgets for each project task and milestone
- Prepare monthly reports of expenditures and milestones for each project task.
- Provide monthly progress reports to accompany each invoice.
- Provide a detailed project schedule, including milestones, major activities, and deliverables for all aspects of the Study.
- Prepare agendas, lead Study status meetings, and provide meeting notes to the District with action items.

Project Management and QA/QC

Our proposed Task 1 consulting fee includes time for project management and Quality Assurance and Quality Control (QA/QC). To ensure robust quality control, the Project Manager and Assistant Project Manager will review the data, model, and results to ensure they are based on sound rate-making principles. The QA/QC reviews will take place at each project task milestone, which means it will occur several times during the project. The Project Manager and Task Leaders will each perform QA/QC.

Prior to the kick-off meeting, we will prepare a detailed data request list that will identify the information needed to complete the various analyses.

PLANNED MEETINGS:

- Kick-off meeting in Santa Barbara

DELIVERABLES:

- Data request list
- Agenda for kick-off meeting
- Documentation summarizing the kick-off meeting
- Project Management Items VI, 1a-1f as specified in the District's RFP

Task 2: Analysis of Customer Class Water Consumption and Demand Forecast

The starting point for the sewer rate study will be an analysis of historical customer class water consumption for the four-year period FY 2017-18 through FY 2020-21. An outcome of this analysis will be the development of a demand forecast for the period FY 2023-24 through FY 2028-29. Key areas of the study that require a detailed understanding of customer demand include:

- **Financial Planning**: Used to prepare a realistic projection of revenues earned from existing sewer service charges used in the projection of sewer service charge revenues

- **Cost Allocations**: Used to allocate flow-based costs and estimate the pounds of biochemical (BOD) and suspended solids (TSS) contributed to the wastewater treatment plant by each customer class

- **Analysis of Customer Classes**: Used to determine the appropriateness of the District's existing customer classes

- **Accessory Dwelling Units**: Used to determine the demand relationships between single family residential, condominiums (2nd dwelling unit), and accessory dwelling units

- **Equivalent Residential Units**: Used to determine the number of ERUs used in the allocation the revenue requirement to each customer class and develop customer class service charges

PLANNED MEETINGS:

- Web based meetings with District Staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Comprehensive understanding of customer class water demands
- Demand forecast for the six-year period FY 2023-24 through FY 2028-29.

Task 3: Financial Planning and Revenue Requirement Forecasting

Raftelis will develop a comprehensive sewer utility financial plan for the period FY 2023-24 through FY 2028-29. The financial plan will include projections of:

- Total system and customer class water consumption (Task 2)
- Revenues earned from existing sewer service charges and proposed sewer service charge increases
- Property tax receipts
- Operations and maintenance expenses using inflation escalation factors
- Debt service expenditures from both existing and projected future external debt financing
- Capital improvement program expenditures as developed by the District and potentially informed by the:
    - The Septic-to-Sewer Strategic Plan
    - The lift station and collection system assessment and rehabilitation plan
    - The technical memoranda on required treatment

Cash Reserve and Debt Service Coverage Analysis

As part of the financial planning process the District's current financial policies for the maintenance of operating and capital cash reserves will be analyzed. Modifications will be recommended by Raftelis as necessary to mitigate reasonably foreseeable risks. A similar analysis of the District's current debt service coverage and recommended debt service coverage levels under different operational and external financing scenarios will also be completed.

Optimal Financing Strategy

As part of the financial planning process, Raftelis will work with District staff to develop a financing strategy for the period FY 2023-24 through FY 2028-29 that is composed of the optimal combination of rate revenue increases, connection fee receipts, and external debt financing.

Microsoft Excel Financial Model

As part of the study, a Microsoft Excel model will be developed that will include financial planning, cost allocation, rate design, customer bill impact, and connection fee components. This model will be developed to the specification of District staff and will be provided to the District for future use at the end of the study. The model will allow for virtually unlimited inputs for items such as inflation factors, customer class demand, percentage revenue increases, and external debt financing.

Financial Planning Outcomes

The key outcomes of the financial planning process will include a projection of:

- A projection of required annual increases in sewer service charge revenues
- A project of the annual revenue requirement from rates during the period FY 2023-24 through FY 2028-29. The revenue requirement from rates will be adequate to recover all of the District's projected operating costs including the maintenance of cash reserves and target debt service coverage ratios.

PLANNED MEETINGS:

- Web based meetings with District as required
- Meeting agendas and minutes

DELIVERABLES:

- Multi-year financial plan and revenue requirement analysis

Task 4: Cost-of-service Analysis

Having established the revenue requirement from rates in Task 3, Raftelis will complete a COS analysis to allocate the revenue requirement to customer classes, Raftelis follows a multi-step COS process based on the industry standard methodologies published by the Water Environment Federation (WEF) in its *Manual of Practice No. 27, Financing and Charges for Wastewater Systems, 2nd Edition*. The use of WEF-standard cost allocation processes ensures that costs will be allocated to each customer class based on the proportionate demands they impose on the sewer utility system. This, in turn, serves as a critical outcome that assists in fully complying with the requirements of Proposition 218.

Cost Functionalization

As a first step in the sewer COS process, the total system revenue requirement must be allocated to the appropriate functional cost categories associated with both for wastewater treatment and collection system activities. Wastewater functions typically include treatment (often subdivided by treatment processes), collection, solids management, and customer service. During the initial phases of the study, we will work with District staff to determine the appropriate functional categories and factors to use in the analysis. Criteria for allocating costs will be based on an evaluation of the design and function of system facilities. For a utility that maintains its own wastewater treatment facilities, these functional categories often include the functions listed below:

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

Cost Allocation

Following functionalization, an allocation process is undertaken. Some costs the utility incurs are a function of the water quantity discharged by customers, while other costs are associated with addressing wastewater strengths or conveying wastewater. Customer service, billing, and metering costs are generally a function of the number of customers served and the size and type of meter or service. As with the cost functionalization process, Raftelis will work with District staff to determine the specific allocation factors that best represent wastewater utility system cost drivers.

Typical cost classification categories for a utility that maintains its own wastewater treatment facilities:

- Variable Costs:
    - Average day volume
    - BOD
    - TSS
- Fixed Costs
    - Customer billing, service, and metering

Mass Balance: Estimation of Strength Loadings and Return Flow Factors

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

Estimation of Total System Units of Service and Unit Costs of Service

Based on the mass balance analysis, Raftelis will estimate the total system units of service associated with each cost classification parameter. Raftelis will then estimate the total system unit cost of service for each cost classification parameter.

Distribution of Costs to Customer Classes

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

PLANNED MEETINGS:

- Web-based meeting with District staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Recommended sewer customer class definitions
- Determination of revenue requirements for wastewater customer classes

Task 5: Rate Development

Having established the customer class revenue requirement from rates in Task 4, Raftelis will develop proposed sewer service charges, under the District's current rate structure, for the period FY 2023-24 through FY 2029-29. The proposed sewer service charges will be designed in a manner in keeping with the requirements of Proposition 218. The rate design process will include:

ERU Update

Non-residential customer ERU counts will be updated based on the demand analysis completed in Task 2

Commercial Customer Strength Loading Classifications

The non-residential customer class strength loading classifications used in the District's commercial sewer service charge rates will be reviewed.

Residential Customer Land Use

The differentials between single family residential and condominiums (2nd dwelling units) will be reviewed. If appropriate, sewer service charges for an accessory dwelling unit will be recommended.

Alternative Rate Structure Recommendations

Based on our findings in the study, Raftelis may recommend one or more modifications to the District's existing sewer service charge rate structure. Any recommended modifications will be made in a manner keeping with the requirements of Proposition 218. The rate design process will include:

PLANNED MEETINGS:

- Web-based meeting with District staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Recommended proposed sewer service charge rates for the period FY 2023-24 through FY 2028-29

Buy-In Method

The buy-in approach is most suitable when the current system has excess capacity to accommodate new customers. It is also the most common methodology. The buy-in approach rests on the premise that new customers are entitled to service at the same "price or cost" as existing customers. However, existing customers have already developed the facilities that will serve new customers, including the costs associated with financing those services. Under this approach, new customers/development pays the amount equal to the net investment (accounting for depreciation) already made by existing users, based on the value of the utility. The value is normally established using the cost approach under replacement cost less depreciation. There are two variations of the buy-in approach: the system buy-in and the equity buy-in. For the system buy-in, the system value is divided by the ultimate system demand to determine the proposed capacity fee. For the equity buy-in, the system value is divided by the current demand.

Incremental Method

The incremental method is a forward-looking calculation and can be used when substantial new investment in capital facilities is required to serve new customers. Stated simply, it is the value of the new facilities divided by the total capacity of the new facilities.

Hybrid Method

A hybrid approach can be used when new customers will use both current excess capacity in existing facilities and new facilities. Mathematically, it is the weighted average of the buy-in method and the incremental method.

Task 6: Connection Fee Evaluation and Update

As currently understood by Raftelis, the District assesses a connection fee of $8.300 per ERU. This connection fee is the outcome of a connection fee study finalized in 2017. The methodology used to develop the District's connection fees is based on a technical memo dated May 3, 2010. Our connection fee evaluation and update will include the following components:

Review of the Existing Methodology

Raftelis will throughout review the 2017 study and the 2010 technical memo.

Determination of Capacity Charge Calculation Methodology

As discussed on the right side of the previous page, there are three industry-standard methodologies for the calculation of capacity charges (Buy-In, Incremental, Hybrid). Raftelis will work with District staff to determine which of these methodologies is most appropriate.

Capacity Determination and Asset Valuations

Informed by the previous tasks, Raftelis will develop a capacity charge model that reflects the following:

- Current annual and maximum day demands for each major functional component of the treated water system
- Infrastructure valuation for each major functional component of the treated water system. For existing assets, the valuation will be based on replacement cost less deprecation (RCLD). The replacement cost will be developed using the construction cost inflation factors published in the Engineering News-Record (ENR CCI). The value of growth-related infrastructure will be based on present value as expressed in 2022 dollars.

Calculation of Updated Capacity Charges

Raftelis will calculate the unit cost of capacity for an ERU using the following information.

- Annual and maximum day demand per ERU demand
- Infrastructure capacity for each major functional component of the treated water system
- Infrastructure valuation for each major functional component of the treated water system

PLANNED MEETINGS:

- Web-based meeting with District staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Recommended connection fee methodology
- Updated connection fees

Task 7: Cost Benchmarking

In this task, we will compare the District's current sewer system costs (operational, capital expenditures, and debt against benchmarks provided in the American Water Works Association publication, "*AWWA Utility Benchmarking, Performance Management for Water and Wastewater 2021*". Raftelis will also compare the District's sewer system costs to up to four comparable utilities selected by the District staff *to the extent that adequate cost information if available for these utilities*.

PLANNED MEETINGS:

- Web-based meeting with District staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Benchmarking analysis

Task 8: Rate Survey

Raftelis will complete a survey that compares the District's existing and proposed rates for FY 2023-24 through FY 2028-29 for up to a maximum of eight public agencies selected by District staff.

PLANNED MEETINGS:

- Web-based meeting with District staff as required
- Meeting agendas and minutes

DELIVERABLES:

- Rate survey

Task 9: Report Preparation

We will prepare draft and final reports according to the specifications provided by the District in Section 4 (3). The rate study reports prepared by Raftelis are exceptionally comprehensive and provide our clients with a detailed administrative record that describes the rationale for the assumptions, calculations, and projections made in the rate study. An administrative record of this type can be extremely useful in potential Proposition 218 litigation.

PLANNED MEETINGS:

- Web-based meetings with District staff as required

DELIVERABLES:

- Draft and final reports per District specifications

Task 10: Public Meetings

As specified in the District's RFP, our proposed consulting fee includes two (2) Finance Committee meetings and (1) Strategic Planning Committee meeting during the Rate Study Analysis Phase.

During the Final Report and Recommendation Phase of the study, our proposed consulting fee also includes a:

- Finance Committee meeting in February 2023 to present our financial planning recommendations on gather feedback on proposed rate increases.
- Board of Directors meeting in March 2023 to incorporate feedback from the Finance Committee and present final recommendations to the Board.

PLANNED MEETINGS:

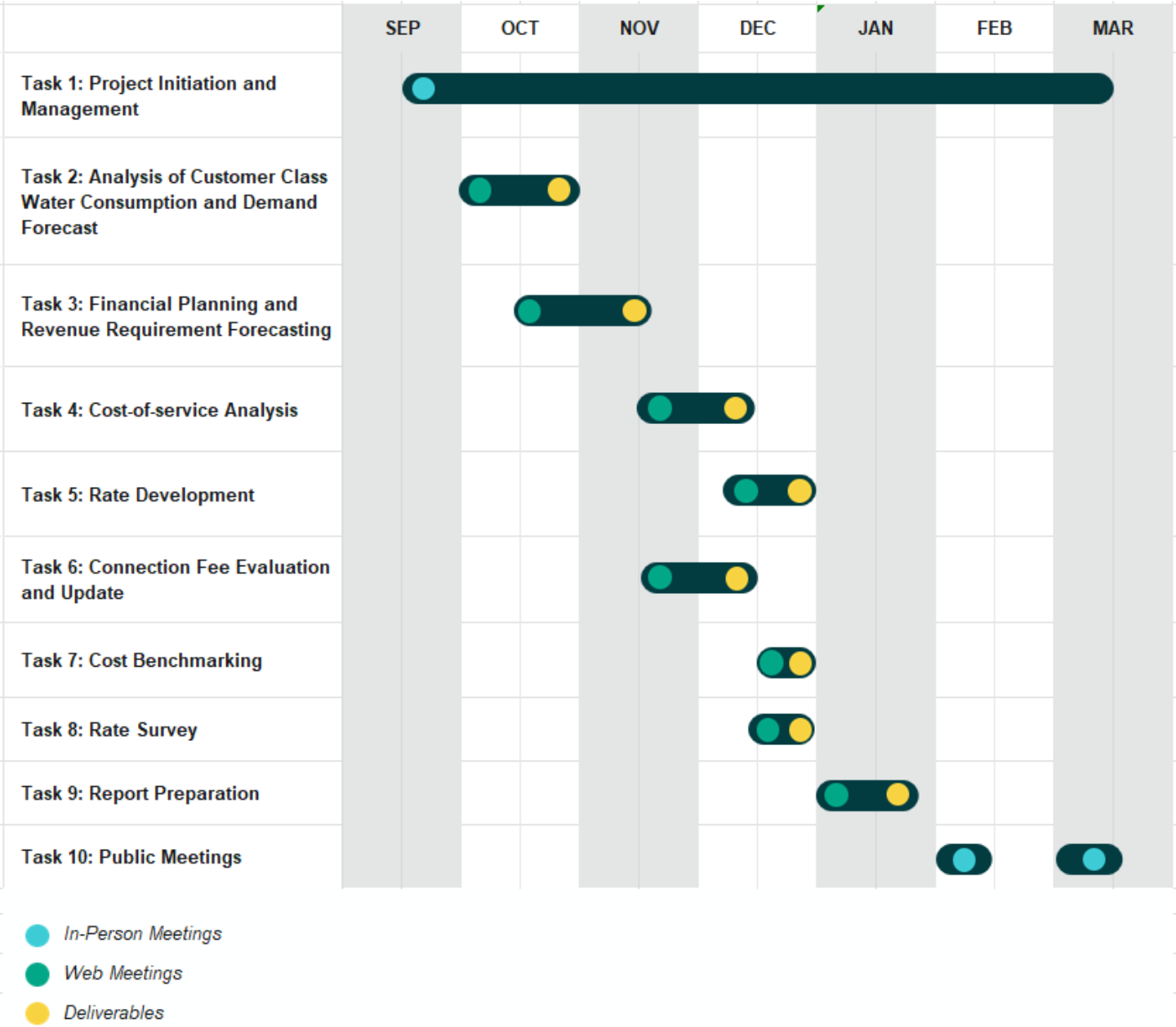
- Rate Study Analysis Phase: 2 Finance Committee meetings, 1 Strategic Planning Committee meeting
- Final Report and Recommendation Phase: Finance Committee meeting in February 2023 and Board of Directors meeting in March 2023

DELIVERABLES:

- All meeting presentation materials
- Meeting minutes

Schedule

Raftelis will complete the scope of services within the timeframe shown in the schedule below. The proposed schedule assumes a notice-to-proceed by the mid-September 2022 and that Raftelis will receive the needed data in a timely manner and be able to schedule meetings as necessary. Project completion is estimated for March 2023.



Contract Requirements

We request that the District consider making the following modifications, shown in red below, to the Professional Services Agreement. Please contact us if you have any questions or concerns about these modifications.

---

3. Standard of Performance

Consultant agrees to undertake and complete these services to conclusion, using that standard of care, skill, and diligence normally provided by a professional person in performance of similar services at the time and place the services are performed.

15. Confidentiality of Information

Any documents, materials, personal or privileged information given to or prepared or assembled by Consultant under this Agreement shall be confidential and shall not be made available to any third person or organization by Consultant without prior written approval of the General Manager, or as required by applicable law or legal process.

16. Indemnity

Consultant agrees to indemnify, hold harmless and defend District, its governing board, and each member thereof, and every officer, employee, representative or agent of District, from ~~any and all~~ third party liability, claims, demands, actions, damages (whether in contract or tort, including personal injury, death at any time, or property damage), costs and financial loss, including all costs and expenses and fees of litigation or arbitration, that arise directly or indirectly from ~~any~~ negligent acts or omissions related to this Agreement performed by Consultant or its agents, employees, subconsultants, subcontractors and other persons acting on Consultant's behalf. This agreement to indemnify, hold harmless and defend shall apply whether such acts or omissions are the product of active negligence, passive negligence, or acts for which Consultant or its agents, employees, subconsultants, subcontractors and other persons acting on Consultant's behalf would be held strictly liable ; provided that Consultant's indemnity shall not include the negligence of any indemnified party.