



GROVELAND COMMUNITY SERVICES DISTRICT



PROPOSAL FOR A SEWER RATE STUDY

August 17, 2016



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



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INDEPENDENT PUBLIC FINANCE ADVISORS

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August 17, 2016

Groveland Community Services District
18966 Ferretti Road
Groveland, CA 95321

Attn: Jon Sterling, General Manager

Re: Proposal for a Sewer Rate Study

Bartle Wells Associates (BWA) is pleased to submit this proposal to develop a Sewer Rate Study for the Groveland Community Services District (District). BWA specializes in providing utility rate consulting and independent financial advisory services to California water and wastewater agencies. We have extensive expertise developing long-term financial plans, utility rates, and development impact fees for a wide range of public agencies. Established in 1964, Bartle Wells Associates has served more than 500 public agencies of all sizes throughout California, completing well over 1,000 utility rate and fee studies. We have extensive experience providing rate and fee studies for Central Valley and Sierra agencies including sewer rate studies for the Malaga County Water District (Fresno County) and Cities of Hughson, Modesto, and Riverbank. We are also currently conducting studies for the City of Angels Camp and City of Placerville and Mariposa County.

We are very familiar with issues facing California wastewater utilities including impacts of water conservation on sewer flows, cost recovery from fixed vs. volume rates, equity between different customer types, and funding of repair and replacement capital projects. BWA proposes to address these issues in the Sewer Rate Study by focusing on the following tasks:

Financial Plan: As a first step in our rate study, we will develop a 10-year financial plan to determine the cost of providing wastewater service. The District should collect sufficient revenues to meet operating costs, provide for the repair and replacement of its infrastructure, fund capital improvements and debt service costs (as applicable), and maintain emergency fund reserves. We will review the cost increases over the past two years and develop several options to provide revenue stability.

Fairly Allocate Costs and Design Rates: An important task of this study is the fair and equitable allocation of costs. Many wastewater agencies across the state are reviewing their cost allocation and cost recovery from fixed and volume rates. BWA will conduct a detailed cost allocation reviewing administration, collection, treatment, environmental compliance, operations, and infrastructure replacement expenses. We will develop the unit costs of conveying and treating sewer flow.

BWA will also carefully review fixed and volumetric rate design for various customer types. Proposition 218 requires that wastewater rates be proportional to the cost to serve each customer. Potential cost differentials between residential and commercial customers could be based on treatment costs for higher strength commercial customers, metered water use or winter water use, and

administrative costs associated with each account. Area-specific rates could include charges for localized infrastructure such as trunk lines or lift stations.

Implementation: Our ultimate goal for the rate study will be to offer the District a fiscally sound rate plan that is easy to understand and easy to implement. BWA's focus is providing practical advice for the next 10-year planning horizon. Throughout this project, we will work closely with the District to gain ongoing input, evaluate alternatives, and develop recommendations. BWA will gather input from District staff in Finance, Engineering, the District Board, and interested customer groups to better understand the District's issues and to fully vet our rate recommendations. We are comfortable presenting cost allocation and rate structure changes to senior staff, District Board, and the public.

We are very interested in working with the Groveland Community Services District on this assignment and hope our proposal provides a suitable basis for our selection. The attached proposal includes our firm experience, project team, references, approach, scope, schedule, and fee proposal. Douglas Dove will serve as Partner-in-charge and lead contact person and can be reached at (510) 653-3399 extension 110 or at ddove@bartlewells.com.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Douglas Dove', written in dark ink.

Douglas Dove, PE, CIPMA
Bartle Wells Associates



TABLE OF CONTENTS

1. EXECUTIVE SUMMARY 1

- Highly Qualified Team 1
- Extensive Experience with Other Small Agencies..... 1
- Project Understanding and Methodology 1

2. FIRM QUALIFICATIONS 2

- Contact Information 2
- Firm History 2
- Principal Activities 2
- Project Management and Quality Control..... 3
- Consultant Project Team 4

3. REFERENCES 6

- Root Creek Water District 6
- Malaga County Water District..... 7
- City of Patterson 8
- City of Hughson 9

4. PROJECT APPROACH 10

- Financial Plan 10
- Rate Design..... 10
- Connection Fees and Miscellaneous Charges 11

5. SCOPE OF WORK 12

- TASK A. Project Initiation and Data Collection 12
- TASK B. 10-Year Financial Plan 13
- TASK C. Cost of Service Allocation 15
- TASK D. Rate Design 16
- TASK E. Implementation..... 17
- TASK F. Connection Fees and Miscellaneous Fees..... 18

6. SCHEDULE 20

7. COST 20

- Statement of Availability & Fees..... 21
- Billing Rate Schedule 2016 22
- Schedule of Insurance..... 23

ATTACHMENTS

Sample Report #1 – City of Patterson, Sewer Rate Study 2015

Sample Report #2 – City of Guadalupe, Water and Wastewater Rate Analysis and Study 2015

1

EXECUTIVE SUMMARY

Highly Qualified Team

Bartle Wells Associates is one of the only firms in California specializing in water and sewer rate studies and finance. Our staff are leaders in the industry and have been invited to speak at conferences for the California Association of Sanitation Agencies (CASA) and the Association of California Water Agencies (ACWA). We understand the needs of public utility agencies and can provide comprehensive services ranging from budget review, cost of service, rate design, ordinance revisions, legal review, customer outreach, and Proposition 218 printing and mailing.

Extensive Experience with Other Small Agencies

Throughout our fifty years in business, Bartle Wells Associates has worked with a number of small water and sewer districts and cities throughout the state. Provided below is a listing of our consulting assignments for small agencies (2,000 accounts or fewer) over the past five years.

Agency	Number of Accounts	Assignment
Garberville Sanitary District	400	Water and Wastewater Rate Studies (2011)
Grizzly Flats	600	Water Rate Study (2016)
Town of Yountville	800	Many assignments over a number of years
City of Emeryville	1,000	Sewer Rate Study (2016)
Rio Alto Water District	1,300	Water Rate Study (2016)
City of Rio Dell	1,400	Sewer Rate and Capacity Fee Study (2014)
Denair Community Services District	1,600	Water Rate Study (2013)
Home Gardens Sanitation District	1,600	Sewer Rate and Capacity Fee Study (2014)
City of Angels Camp	1,600	Water and Sewer Rate Studies (ongoing)
Heber Public Utility District	1,800	Water and Sewer Rate Studies (2016)
City of Hughson	2,000	Many assignments over a number of years
City of Guadalupe	2,000	Water and Wastewater Rate Studies (2015)

Project Understanding and Methodology

In reviewing the District's request for proposal, BWA identified two main issues facing the Groveland Community Services District: the adequacy of long-term funding and fair and reasonable rate design. BWA will identify the source of the District's recent sewer cost increases, project operating costs, determine capital costs, and evaluate funding sources. We will assist the District in analyzing the affordability of its capital projects and pursue Disadvantaged Community funding sources as appropriate. Ultimately, operating and capital costs will be recovered from rates. Our project team has conducted studies using a variety of rate structures including all fixed charges, all volume rates, volume rates based on monthly metered water use, and volume rates based on winter water use. We can advise the District on the advantages and disadvantages of each rate structure.

2

FIRM QUALIFICATIONS

Contact Information



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Our offices are located in Berkeley, in a circa 1900 Victorian Building.

Firm History

Bartle Wells Associates (BWA) is an independent financial advisor to public agencies with expertise in water, recycled water, and wastewater rates and finance. Our firm was established in 1964 and is owned and managed by its principal consultants. We have 50 years of experience advising local governments on the complexities and challenges in public finance. We have advised over 500 public agency clients in the western United States, predominantly in California. We have a diversity of abilities and experience to evaluate all types of financial issues faced by local governments and to recommend the best practical solutions. Bartle Wells Associates has a well-qualified professional team with education and backgrounds in finance, civil engineering, public administration, public policy, and economics.

Principal Activities

BWA specializes in three professional services: utility rate and fee studies, financial plans, and project financing. We are the only independent financial advisor providing *all three* of these interrelated services to public agencies.

RATE AND FEE STUDIES Our *rate studies* employ a cost-of-service approach and are designed to maintain the long-term financial health of a utility enterprise while being fair to all customers. We often phase in rate adjustments over time to minimize the impact on ratepayers. We also have extensive experience developing impact fees that equitably recover the costs of infrastructure required to serve new development. BWA has completed hundreds of water, recycled water, and wastewater rate and fee studies. We have helped

BWA Key Services

- *Financial Plans*
- *Rate & Fee Studies*
- *Project Financing*

communities implement a wide range of water and sewer rate structures and are knowledgeable about the legal requirements governing rates and impact fees including Proposition 218 and Government Code 66000. We develop clear, effective presentations and have represented public agencies at hundreds of public hearings to build consensus for our recommendations.

FINANCIAL PLANS Our *financial plans* provide agencies with a flexible roadmap for funding long-term operating and capital needs. We evaluate the wide range of financing options available and develop a plan that recommends the best financing approach. We also help agencies develop prudent financial policies, such as fund reserve targets, to support sound financial management. BWA has developed over 2,000 water, recycled water, and wastewater enterprise financial plans to help public agencies fund their operating and capital programs, meet debt service requirements, and maintain long-term financial health.

PROJECT FINANCING Our *project financing* experience includes over 300 bond sales and numerous bank loans, lines of credit, and various state and federal grant and loan programs. To date, we have helped California agencies obtain over \$5 billion of bond financing, \$500 million in low-rate SRF loans and grants, and hundreds of millions in bank loans and lines of credit. We work only for public agencies; we are independent financial advisors and do not buy, trade, or resell bonds. Our work is concentrated on providing independent advice that enables our clients to finance their projects on the most favorable terms—lowest interest rates, smallest issue size, and greatest flexibility.



Bartle Wells Associates is a charter member of the *National Association of Municipal Advisors* (NAMA), which establishes strict criteria for independent advisory firms. All of our lead consultants are *Certified Independent Public Municipal Advisors*.

Project Management and Quality Control

The rate study process will be a collaborative effort between BWA consultants and District staff. A working group would be formed at the beginning of the study and will include BWA consultants and District staff from finance, engineering, legal, customer service and other departments as appropriate. BWA will conduct regular meetings with the working group throughout the study to review findings, update progress, and receive input. For this study, regular meetings would typically be on a two- or three-week basis. In addition to in-person meetings, BWA engages in bi-weekly email check-ins, conference calls, and webinars to facilitate communication. We are happy to draft meeting agendas and circulate them in advance and subsequently distribute meeting minutes.

Bartle Wells Associates has a well-earned reputation for completing assignments on-time and on-budget. We provide full service rate and fee studies as needed by our clients. Our comprehensive services can include developing a timeline for Proposition 218 rate adoption, drafting ordinances and resolutions, working with counsel for legal review, negotiating with developers, leading meetings, printing, translating, and mailing public notices, in addition to our robust cost allocation and rate design work. We have consulted for numerous public agencies in the Central Valley and Sierras and can manage the rate and fee study from start to finish.



Doug Dove, President of Bartle Wells Associates, presenting the results of a water rate study to the Indian Wells Valley Water District. Photo credit: Adam Robertson/Daily Independent Newspaper. <http://www.ridgecrestca.com/article/20150211/NEWS/150219946>

In general, our communication strategy is to be clear, concise, and offer practical advice. We will submit draft tables and reports to staff before presenting to senior staff to gain input and hone our recommendations. This also gives us the opportunity to plan our responses to any “hot button” issues. BWA staff has extensive experience giving presentations on controversial topics. We are happy to lead communications with senior management and the public or provide assistance to staff as needed.

Consultant Project Team

BWA uses a team approach for most projects, typically assigning two or three consultants to each assignment, including at least one principal consultant.

BWA proposes to assign Douglas R. Dove, as Partner-in-charge and Project Manager for this engagement. Douglas has over 26 years of experience developing financial plans and utility rate and fee studies for California water and wastewater agencies. He is a Certified Independent Public Municipal Advisor and registered Professional Engineer (PE) with expertise in evaluating financing alternatives for capital improvement programs. He has substantial experience working to build consensus with public agencies and community advisory groups. If selected for this assignment, Doug will reserve 15% of the workweek for the Groveland CSD rate study.



Paul Flaherty will serve as Financial Analyst. Paul holds a joint BA in Finance and Economics and an MSc in Finance from Dublin Institute of Technology. Paul brings a wealth of financial knowledge and a creative analysis approach to projects, with a background in private sector financials. Paul will be responsible for data gathering and financial modeling. If selected for this assignment, Paul will reserve 33% of the workweek for the District’s rate study.



Doug’s resume is provided on the following page.

DOUGLAS R. DOVE, CIPMA, PE



Partner-in-Charge

Douglas R. Dove is President of Bartle Wells Associates and a principal consultant with over twenty five years of infrastructure finance and cost of service ratemaking experience. He specializes in strategic financial planning, bond marketing, utility rate setting, and development impact fees. Since joining BWA in 1990, he has worked for a wide variety of public agencies and developed financing plans to support over 100 public works capital programs.

Mr. Dove assists public agencies in evaluating financing alternatives for capital projects, conducting utility rate and development impact fee studies, and in securing project financing including state and federal grants and loans and bonds. He has extensive experience developing rates and charges for water, wastewater, reclaimed water, and stormwater enterprises. He has substantial experience representing public agencies as an independent financial advisor on the issuance of debt.

Recent Assignments

City of Patterson: Water and wastewater rate studies and five year financing plans.

City of Riverbank: Comprehensive solid waste, water, and sewer rate studies.

City of Hughson: Metered water rate study (transition from unmetered service). Grant and loan application assistance.

Malaga County Water District: Long range financial plan for water, sewer, and solid waste utilities. Evaluated alternatives for financing capital improvements.

Root Creek Water District (Madera County): Financial plan for the District's groundwater basin and agricultural water service. Water, sewer, and storm drain rates and capacity fees for a development area.

City of Lindsay: Water rate study that included analysis of drought conditions, utility franchise fees, and outside City service areas.

City of Modesto: Provided rate expert litigation support in wastewater rate litigation. Recently completed wastewater cost of service and connection fee study. Currently working on water rate and fee studies.

Contra Costa Water District: Water rate study using the American Water Works Association base-extra capacity method of cost allocation; ran the California Urban Water Conservation Council's Water Conservation Pricing model for fixed and volume rate recovery.

East Bay Municipal Utility District: Comprehensive water rate study and AB 1600 capacity fee review; wastewater cost-of-service review and capacity fee review, various other financial studies.

Education

M.S., Civil Engineering, University of California, Berkeley

Certifications

Certified Independent Public Municipal Advisor (CIPMA), and registered Professional Engineer (PE) in California

3

REFERENCES

BWA has provided water and wastewater rate and financial advisory services to over 500 public agencies throughout California. Provided below are four project references.

Root Creek Water District

Water and Sewer Rate and Fee Studies

The Root Creek Water District (RCWD or District) is a California Water District formed to oversee correction of groundwater overdraft through acquisition and importation of surface water. RCWD is located in Madera County, just north of the City of Fresno. In addition to providing untreated water to farmers, the RCWD will eventually provide treated water, wastewater, and stormwater utility services to the Riverstone development area.

Over the past two years, BWA has worked for the District on a number of utility consulting projects including monthly service charges, acreage assessments, connection fees, and a community facility district assessment. Connection fees are critical to the District as the Riverstone development will include about 6,000 homes. RCWD was concerned with the affordability of the fees and the District's infrastructure financing obligations.

BWA allocated wastewater infrastructure costs to flow, BOD (biochemical oxygen demand), and TSS (total suspended solids) to calculate the unit costs of capacity. We also reviewed typical flow and loading patterns of various commercial customers. As part of the study, BWA developed a commercial sewer fee program that would allow high strength customers to pay a portion of their sewer connection fees over time. We also calculated water connection fees on a dwelling unit basis and on an acreage basis to provide fee options for various land use densities. For the stormwater connection fee, BWA reviewed stormwater runoff coefficients for surrounding agencies and used the information to scale the fees for nonresidential customers. Similar to the water connection fee, we developed stormwater fees based on various landuse types.

CONTACT INFORMATION



Chris Campbell
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559.432.5400 ext. 256

Malaga County Water District

Water and Sewer Rate and Fee Studies

Malaga County Water District provides water, wastewater, solid waste, and parks and recreation services to a diverse mix of approximately 1,200 residential, commercial, and industrial customers. The District encompasses about four square miles and is located in Fresno County, in the heart of the San Joaquin Valley.

The District commissioned Bartle Wells Associates to conduct an independent long-range financing plan and rate review for its water, sewer, and solid waste enterprises. The study recommended a series of annual rate increases for each enterprise and increases to the water and sewer capacity fees. BWA also recommended minimum fund reserve targets to provide a financial cushion in emergencies. The water enterprise was in good financial condition; however, current rates and fees were inadequate to cover future priority capital needs on a pay-as-you-go basis. BWA developed 10-year cash flow projections to estimate future revenues and expenses and show necessary water rate, fire-line service, and capacity fee increases. The water connection fee was updated and calculated based on the value of the current system, expansion-related capital project costs, and total capacities of existing and future customers. BWA also recommended that the water capacity fees for larger metered customers should be based on American Water Works Association meter ratio standards.

The District's sewer enterprise had experienced overall deficits in the past few years. Our study developed sewer rates to meet long-term budgetary requirements, including debt service to finance capital outlays. BWA recommended that sewer service unit assignments should be reviewed periodically to ensure the assignment accurately reflects wastewater discharge. The sewer capacity fee was also recalculated based on the cost of buy-in to the current system for an equivalent residential service unit. BWA also reviewed the District's solid waste rates and recommended modest rate increases to ensure the District recovers the full cost of contract payments and dumping fees.



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City of Patterson

Water and Sewer Rate and Fee Studies

The City of Patterson (the City) is a general law City located in western Stanislaus County with a population of approximately 21,000. The City owns and operates its own water and wastewater systems. In October 2009, the City retained Bartle Wells Associates to develop a long-term financial plans and rate recommendations for the water and sewer enterprises.

Both the water and sewer enterprises were facing significant capital improvement projects for the next 10 years. Major water projects included developing the non-potable water system, and for sewer, the capital program was largely comprised of biosolids handling and the treatment plant expansion. The objective was to implement rates that would enable the City to fund the projects through State loans, grants, and debt financing.

Our study included five years of rate adjustments designed to keep rates in line with cost inflation while providing sufficient revenues for the City's operating and capital programs. BWA also recommended several adjustments to the water rate structure including aligning the fixed rates with the American Water Works Association's (AWWA) standard meter ratios and revising the tier breakpoints and adding a fourth tier to better distribute water sales. The tier breakpoints were based on historical water consumption and designed to minimize the impact on residential customers who use low to average consumption while encouraging conservation. For sewer rates, we recommended increasing the consumption rate for commercial and industrial customers by the same percentage as the fixed charge. In previous years, the consumption rate for non-residential customers had not been escalated.

In 2013, BWA principal Douglas Dove provided on-call infrastructure financing and utility rate consulting services in connection with the City's review of funding alternatives for future infrastructure projects. Mr. Dove assisted city staff and consultant Pacific Municipal Consultants in presenting funding alternatives to the City Council in closed session meetings.



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City of Hughson

Rate Studies and Small Community Financing

BWA has supported the City of Hughson on a number of engagements. Beginning in 2005, BWA successfully completed water and wastewater rate studies. BWA worked closely with City staff and an oversight committee consisting of a Council member and the Mayor. Both the water and wastewater funds were operating in deficit. BWA developed a comprehensive financing plan and recommended multi-year, phased-in rate increases to minimize the impacts on ratepayers. BWA presented the study findings to City Council and the public hearing, and prepared the Proposition 218 mailers in English and Spanish. The water and wastewater rates were approved by the City Council in October 2005.

In 2008, BWA completed a financing plan and rate analysis for the upgrade of the wastewater treatment plant. The prior plant was at capacity and provided substandard treatment. After completing the planning and design, the City accepted bids in September of 2009 to construct a \$16 million expansion to the plant. BWA secured low interest financing through the State Revolving Fund and the American Recovery and Reinvestment Act of 1%, and guided the City through adoption of the rates to support the loan.

June of 2013, Bartle Wells Associates conducted work for the City of Hughson to assist the City in applying for a Small Community Water System Grant and State Revolving Fund Loan through the California Department of Public Health. BWA developed a five year budget projection for the City's application to determine the affordability of Hughson's proposed \$6 million water project. Working closely with California Department of Public Health program administrators, BWA determined that the City may meet income criteria and receive disadvantaged community status. As a disadvantaged community, the City qualifies for grants and 0% interest on a State Revolving Fund (SRF) loan.

In 2015, BWA assisted the City in updating its water rates to cover the cost of the SRF loan for the new wells and wellhead treatment projects. The new rates were adopted by Council in August 2015.



Raul Mendez
City Manager
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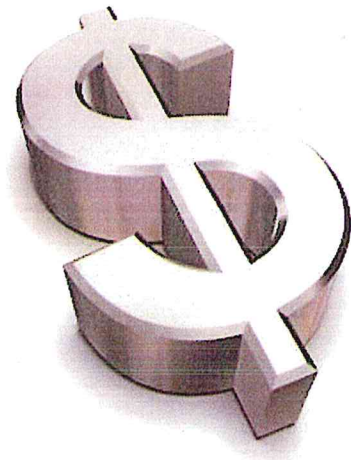
4

PROJECT APPROACH

This section describes Bartle Wells Associates' understanding of the work requested by the Groveland Community Services District and our methodology for completing the assignment.

Financial Plan

At the most fundamental level, the District's sewer rates and charges must recover the cost of providing service. Our strategy will be to phase-in rate increases over time and demonstrate the value of wastewater service to the ratepayers. In addition to meeting basic operating costs, the District should plan for the eventual repair and replacement of aging infrastructure. Bartle Wells Associates staff is



composed of both rate analysts and independent public financial advisors. We have assisted public agencies in securing all types of financing including grants, low-interest state loans, commercial financing, bonds, and pay-as-you-go. We will work in close cooperation with the District to recommend an optimal capital funding strategy. BWA understands legal covenant requirements and how investors view public utility debt. As part of our scope of work, we will develop a financial plan for the sewer utility. BWA has recently secured low cost funding for the City of Modesto and the City of Hughson through state-wide subsidized loan programs. We can assist Groveland CSD with a financial plan and demonstrate that rate revenues are adequate to repay potential future debt.

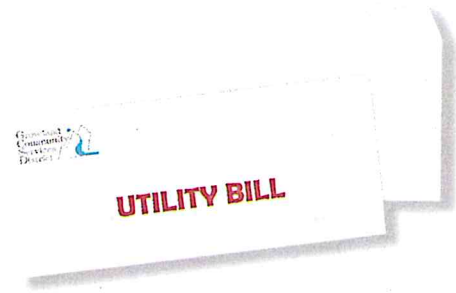
Rate Design

BWA understands that rate design is a key issue for the Groveland CSD's Sewer Rate Study. The District currently charges all customers a bill minimum plus a volume rate based on metered water use. In BWA's experience, many agencies with volume sewer rates either set the water use period on certain months each year (December through February, for example) and/or apply a discharge factor. Commercial customers return a high percent of their metered water use to the sewer system while residential customers have lower sewer discharge factors reflecting water use for outdoor irrigation. As part of the rate study, BWA will advise the District on alternate volume rate billing procedures.

BWA typically recommends different volumetric sewer rates based on the pollutant strength of the customer. Restaurants are often considered high strength customers who discharge higher concentrations of total suspended solids (TSS) and biochemical oxygen demand (BOD) into the sewer system. Offices and retail stores typically have lower volume rates reflecting low pollutant concentrations. As part of our cost allocation, we will determine the cost of wastewater treatment and assign that cost to low, domestic, and high pollutant strength factors.

Another rate design consideration is the implementation of localized rates and fees. This type of rate structure is most useful in situations where costs can be directly assigned to a subset of the service area and the costs identified do not provide a general benefit to all ratepayers. Localized charges could recover capital and operating costs for lift stations that only serve one neighborhood, for example. A key to this analysis will be to review potential cross-customer subsidies within the Groveland CSD service area.

The second step in our rate design approach will be to evaluate revenue recovery. Fixed charges provide stable revenues for the District but do not reflect the marginal cost of operating of the system. Volume rates are generally perceived as being fair and allow customers to have more control over their bills. However, the District may lose volume rate revenue during drought conditions. In addition, metered water use as a proxy for sewer flow may require adjustments to reflect landscape irrigation water that does not flow into the sewer.



The final step in BWA’s rate design process is to review impacts to different customer types and make adjustments as needed. Proposition 218 requires that wastewater rates be proportional to the cost to serve each customer. BWA will review customer water use and discharge trends, commercial strength factors, and customer service costs. We are very comfortable meeting with customer groups potentially including Homeowners’ Associations, the Chamber of Commerce, and building industry groups. After meeting with customers, we will refine our recommendations in consultation with the District.

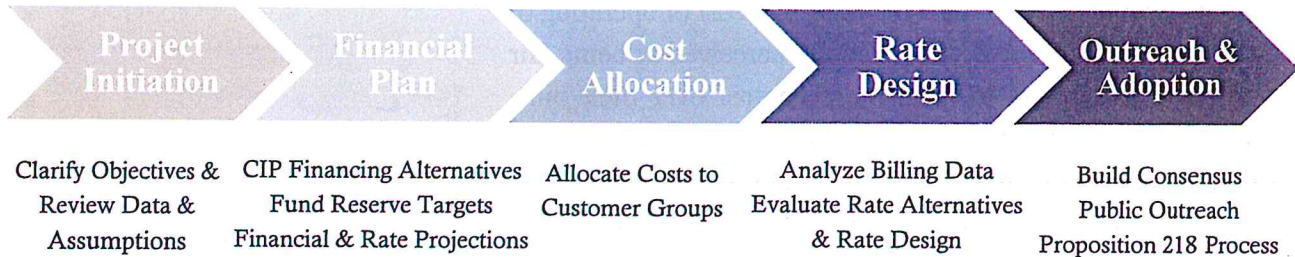
Connection Fees and Miscellaneous Charges

BWA will review the District’s sewer connection fee and evaluate if the fee equitably recovers the full costs of infrastructure and assets benefitting new development and complies with Government Code 66013. As appropriate, we will identify potential modifications to the fees, fee structure, or how fees are applied. BWA has developed connection fees under a wide range of methodologies and has assisted many agencies in improving fee equity and administration. This task will also include review of the District’s miscellaneous customer service charges and identification of potential additional fees and charges that the District should consider recovering. BWA has developed a wide range of customer service fees based on a cost of service approach – including reasonable estimates of staff time, equipment use, materials, and overhead – in compliance with Proposition 26. Our connection fee evaluation will include alternatives for high and low growth.

5 SCOPE OF WORK

This section presents our proposed scope of services that we believe forms a sound basis for completing this assignment. We will work with the Groveland CSD to finalize a scope of services that meets the project team's objectives and schedule. An overview of our rate study process is provided below.

RATE STUDY PROCESS



TASK A. Project Initiation and Data Collection

1. Project Team Orientation

To initiate our work, hold a kickoff meeting with District staff and others as appropriate, to accomplish the following:

- Identify members of staff, board members/subcommittees, engineering consultants, and other consultants/advisors who will participate in the project
- Determine the roles and responsibilities of all project participants
- Identify other parties who may have a significant interest in the project, such as community groups, business organizations, and large customers
- Establish project schedule and key milestone dates
- Confirm the key goals and expectations of the project team

2. Investigation and Data Collection

Assemble the information necessary to understand the wastewater system, finances, customers and usage, rate and fee structures, and legal agreements with other agencies. Assistance and cooperation of District staff will be needed to assemble the relevant background information. The objectives of investigation and data collection are to develop a complete understanding of each utility and its costs, and to reach an agreement on basic assumptions to be used in the study. Information to be reviewed includes the following:

- Cost information: budgets, audits, treatment costs, and capital improvement plans
- Revenue sources: schedule of fees and rates, interest earnings, grants and/or debt proceeds
- Growth trends: city population statistics and flow estimates

Task A. Deliverables Include:

- Project team contact list
- Information needs list
- Meeting #1: Meeting 1 with staff



TASK B. 10-Year Financial Plan

1. Develop Forecasts and Projections

Based on evaluation of the data assembled and input provided by staff and other members of the project team, prepare forecasts and projections to be used in the development of financial projections for the water and wastewater utilities. Develop projections for the following areas (and others as appropriate):

- **Capital Improvements Including Long-Term Capital Repairs & Replacements:** Identify future capital costs or alternatives to include in the financial analysis and determine a reasonable amount to include for future, ongoing capital repairs and replacements for the District. BWA often recommends that agencies phase in funding for long-term system rehabilitation.
- **Wastewater Flow and Pollutant Loading:** Analyze the relationship between water use and wastewater flow generation. Review pollutant loading observed at the treatment plant and assumed pollutant loading of various customer types. Review any wastewater issues such as increased permit requirements and/or inflow and infiltration.
- **Growth and Development/Redevelopment:** Evaluate historical growth trends and develop appropriate and conservative assumptions for future development and redevelopment that can be incorporated into the financial plan/rate model.
- **Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures.

Review projections and alternatives with staff for agreements on assumptions, interpretation of data, and completeness of approach.

2. Evaluate Financing Alternatives for Capital Improvements

Evaluate options for financing proposed capital improvement projects. Our evaluation will:

- Estimate the amount and timing of any debt, if needed, to finance capital projects.
- Evaluate the alternative borrowing methods available including bonds, COPs, state and federal loan programs including Disadvantaged Community grants and loans, bank loans and lines of credit, and other options.
- If appropriate, recommend type of debt, term and structure, and estimate debt service.

3. Establish Prudent Minimum Fund Reserve Targets

Evaluate the adequacy of the District's current fund reserves. Establish prudent minimum fund reserve targets based on the operating and capital funding projections and rate stabilization targets. Develop an implementation plan for achieving and maintaining the recommended reserve fund levels.

4. Develop 10-Year Financial Projections

Develop cash flow projections showing the financial position of the wastewater enterprise over the next 10 years. The cash flows will project fund balances, revenues, expenses, and will incorporate the forecasts developed with staff input. After developing a base-case cash flow scenario, we can develop alternatives for additional evaluation such as capital project alternatives, project financing alternatives, the impacts of different levels of growth, and the impacts of various levels of flow. During this phase, BWA will work closely with the project team to evaluate financial and rate projections under alternative scenarios and conduct sensitivity analysis to assess the impacts of changes in key assumptions.

5. Assess the Affordability Index

Evaluate the financial impact of various rate increase alternatives, such as phasing in rate increases over a number of years. If appropriate, evaluate different levels of rate increases and their impacts on the District's ability to fund future operating and capital needs. Determine current and future wastewater utility costs as a % of median household income. Compare with affordability criteria from the Environmental Protection Agencies and State Water Resources Control Board. Contact funding agencies to determine if Groveland CSD qualifies for Disadvantaged Community funding.

6. Provide Excel Model

Provide all electronic workpapers and financial models to the District. The model will contain detailed calculations as well as summary tables and charts for easy printing. BWA will provide training on use of the model to the District as needed.

Task B. Deliverables Include:

- Evaluation of financing alternatives for capital improvements
- Recommendation for minimum fund reserve targets
- Development of 10-year financial projections and alternatives
- Identification of alternative rate increase scenarios
- Affordability assessment
- Electronic financial model



TASK C. Cost of Service Allocation

Task C is the “heart” of the rate study that will provide the legal justification for the rates and charges of the District. BWA will allocate costs based on industry standard practice, guidance from recent court cases, and ease of implementation/practicality.

1. Determine Functional Costs

BWA will provide a detailed, functional cost allocation for operating, capital, debt service, fixed and variable costs, and wastewater treatment. Functionalized cost categories may include collection, wastewater treatment, customer service costs, District overhead, and collection system refurbishment. Determine the units of service and assign costs to each unit of service. Typical units of service for the wastewater utilities are sewer flow and pollutant loading (BOD and TSS).

2. Identify Schedule of EDUs

Review the District’s current definition of an EDU in terms of flow and strength. Compare with industry standard and observed flow and strength loadings at the treatment plant. Recommend changes if needed. Determine the EDUs of nonresidential customers including high and low strength businesses and potential adjustments for seasonal businesses. Provide the District with a total EDU count for the service area. Project EDUs over the next ten years reflecting potential growth.

Task C. Deliverables Include:

- Cost allocation to flow, BOD, TSS, and customer costs
- Identify schedule of EDUs
- Meeting #2: Meeting 2 with staff



TASK D. Rate Design

The functionalized cost categories developed in Task C will serve as the basis for rate design in Task D and ensure that customers are paying fair rates.

1. Review Billing Data & Current Rates

Review three years of District's billing data including customer counts and assumed pollutant loading. Review District ordinances and analyze existing rates with conformance with this 2016 rate study. Evaluate typical bills and cost recovery.

2. Legal Review and Ordinance Review

Provide a legal review describing how the proposed rates comply with Proposition 218, Proposition 26, the California Government Code, and recent court case rulings. Our final rate study report will serve as the administrative record for the development of the rates and charges.

Review all relevant District ordinances. Offer edits as needed to better reflect recommended rates and current legal precedent.

3. Recommend Rate Alternatives

In consultation with the District, recommend rate alternatives for the wastewater service. Potential sewer rate alternatives will include review of flow generation rates and pollutant loading. BWA will discuss the advantages and disadvantages of rate alternatives including with the District before making our final recommendation. Oftentimes, we revise our draft recommendations to mitigate impacts on customers and to phase-in rate increases over a few years. Our rate recommendations will encompass the following options:

- Systemwide fixed rate: all customers are assigned an EDU count; all EDUs are charged the same fixed fee. This rate structure provides revenue stability for the District but may not seem fair to commercial customers.
- Systemwide fixed and variable rate: collect a portion of revenues from fixed charges and a portion from volume rates based on metered water use. Determine appropriate customer classes for the volume rates potentially including low, domestic, and high strength rates.
- Location dependent fixed rate and global variable rate: customers are billed different fixed charges based on location. Location-dependent charges could potentially reflect neighborhood capital projects such as lift stations or main replacements that do not benefit the District as a whole.
- Location dependent fixed rate and location dependent variable rate: under this option, both fixed and variable rates reflect location-specific costs. BWA suggests that the fixed charges reflect area-dependent capital costs (as described in the option above) and the variable rates reflect area-dependent operating costs. Operating costs could include electricity to pump wastewater and/or maintenance costs for specific neighborhoods.

Under a variable rate structure, BWA and the District will determine a fair method for determining sewer flow. Sewer flow can be based on winter water use or monthly metered water use. BWA will evaluate discounts for low volume customers, customers with high landscape irrigation needs, and customers with grey water systems.

4. Evaluate Customer Equity

Review the fairness of each rate and charge across all customer groups. Confirm that all customers are charged for service proportional to how they use the utility system. Review options to aid in affordability for disadvantaged customers. Compare typical bills from each customer class to the typical bills of other local public utilities. As needed, seek input from vocal customers such as business groups and developers.

5. Conduct Rate Fee Survey of Comparable Utility Agencies

Review and summarize other regional and/or comparable agencies. Summarize results in easily understandable tables and/or charts.

Task D. Deliverables Include:

- Analysis of billing data
- Legal review of rate design
- Rate alternatives
- 50% Draft Submittal
- Meeting #3: Meeting 3 with staff



TASK E. Implementation

1. Outreach to Customers

Work with the District to identify interested customer groups and conduct outreach. Potential customer groups could include Homeowner Associations, the Chamber of Commerce, and developers. BWA will prepare outreach materials such as newsletters or presentations and describe the proposed rate changes to the public. As appropriate, we will revise our recommendations based on customer concerns.

2. Meetings/Presentations

Present draft and final results to senior staff and/or the District Board. Presentations will provide brief background and study objectives, make a clear case why rate adjustments are needed, describe the rate structure (and potentially key alternatives) approved by the project team, show rate impacts on various customer profiles, present findings of the rate survey, and discuss related financial and policy

recommendations. We have substantial experience in presenting our findings to both technical and governing boards and to audiences without a background in utility rates or finances.

We will assist staff with the rate approval process. As needed, BWA staff will draft the Proposition 218 notice and present the rates at the public hearing.

3. Prepare Draft & Final Reports

Submit a draft summary report for District review and feedback. The report will summarize key findings and recommendations and discuss key alternatives when applicable. Receive input on draft report from the District's project team and Board. Prepare final reports incorporating feedback received. We will provide printed copies and electronic versions of both the draft and final reports and the excel models supporting all tasks. Our final report will describe legal requirements and industry standard practice, the District's current cost allocation and rate recovery, our project methodology and approach, detailed worksheets of the functionalized cost categories, allocation to units of service, rate design alternatives, drought impacts, customer impacts, and our final recommendations. The final report will include detailed appendices that will serve as the District's administrative record for the rate study. We will provide printed copies to the District.

Task E. Deliverables Include:

- 90% Draft Submittal
- Final Report
- Proposition 218 public hearing notice
- Meeting #4: Meet with customer groups
- Meeting #5: Rate Workshop with District Board
- Meeting #6: Initiate rate adoption process
- Meeting #7: Proposition 218 Public Hearing



TASK F. Connection Fees and Miscellaneous Fees

1. Review Current Connection Fees & Conduct Survey

Review the District's current connection fee resolution/ordinances as well as policies and procedures used by the District to implement the connection fee. Work with the District to identify objectives for a new or modified connection fee for the District's utilities. Review and summarize the connection fees of other local and comparable agencies. Summarize results in easily understandable tables and/or charts.

2. Evaluate Alternative Connection Fee Methodologies

Identify and evaluate alternative methods for calculating the connection fee. A minimum of three fee options will be provided, potentially including the buy-in method, incremental or expansion method, or average cost method. Discuss advantages and disadvantages with the District's project team and determine a recommended approach.

3. Fee Calculation

Using the value of facilities from either Master Plans or fixed asset lists, calculate a unit cost of capacity for wastewater treatment. The unit costs of capacity for wastewater service will be dollar per unit of flow and strength (pounds of BOD and TSS). The unit costs of capacity will be scaled to different types of development (residential, commercial, industrial, agricultural, mixed use, etc.) to calculate the final fees. We will also review the District's fee ordinances and recommend changes.

4. Review Other Miscellaneous Fees

Review the District other miscellaneous fees such as late fees, inspection fees, permit fees, plan review, etc. Determine which fees are regulatory fees and which fees are subject to Proposition 26 requirements. Determine District time and material needed to provide the services associated with each fee. Recommend fee adjustments as appropriate.

Task F. Deliverables Include:

- Capacity costs and fee calculations
- Miscellaneous fee recommendations
- Electronic fee model
- Draft and final fee reports
- Fee ordinance or resolutions



6

SCHEDULE

This section presents our preliminary draft schedule with completion of the study before the end of FY2016/17. Our project schedule will allow the District to implement new rates at the start of the new fiscal year.

PROJECT TASK	SEP	OCT	NOV	DEC	JAN	FEB	MAR
TASK A. Project Initiation & Data Collection							
TASK B. 10-Year Financial Plan							
TASK C. Cost of Service Allocation							
TASK D. Rate Design							
TASK E. Implementation					D	F	Prop 218
TASK F. Connection Fees							
Meetings	1	2	3	4	5	6	7

Note: Individual project milestones will be established based on consultation with the District. D - draft report, F - final Meetings:

- 1 - Kickoff Meeting: meeting with staff introduce project team, review goals and objectives, review data collection
- 2 - Progress Meeting 1: progress meeting with staff, review preliminary financial plan and cost allocation
- 3 - Progress Meeting 2: progress meeting with staff, review revised cost allocation and rate design
- 4 - Meet with customer groups
- 5 - Rate Workshop: informational workshop with District Board
- 6 - Public Meeting: initiate rate adoption process
- 7 - Final Presentation/Proposition 218 Hearing: public hearing for the adoption of rates (minimum 45 days after mailing the public notice)

7

COST

BWA's proposed project cost to complete the Sewer Rate Study scope of services is listed below.

TASK	Estimated Hours	D. Dove	P. Flaherty	Total Cost
		@ \$245/hr	@105/hr	
TASK A. Project Initiation & Data Collection	6	2	4	\$910
TASK B. 10-Year Financial Plan	18	6	12	\$2,730
TASK C. Cost Allocation	26	10	16	\$4,130
TASK D. Rate Design	34	14	20	\$5,530
TASK E. Implementation	53	21	32	\$8,505
TASK F. Connection Fees	16	6	10	\$2,520
TOTAL ESTIMATED HOURS	153	59	94	\$24,325
<i>Estimated Direct Expenses (travel, printing, etc)</i>				\$500
TOTAL PROJECT COST				\$24,825

Statement of Availability & Fees

1. BWA is prepared to begin work upon the District's authorization to proceed.
2. During the project development period, we will be available at all reasonable times and on reasonable notice for meetings and for consultation with District staff, attorneys, and others as necessary.
3. Bartle Wells Associates will perform all work related to the assignment. Doug Dove, BWA President, will be assigned as project manager on this assignment. He will serve as the lead contact person for BWA and will be involved with the project daily.
4. The fees for services outlined in this proposal will not exceed \$24,825 including the additional task. The fee is based on the following assumptions:
 - a. The project will be completed before June 30, 2017 or other mutually agreeable date preferred by the District. BWA will work to meet all District scheduling requirements and deadlines.
 - b. All necessary information will be provided by the District and/or its other consultants in a timely manner.
 - c. Development of draft, final draft, and final versions of tables. Time and expenses involved in revising tables and assumptions may constitute additional services if not achievable within the budget.
 - d. The fee is based on a total of up to seven (7) trips to the District for meetings and presentations.
5. Progress payments are payable monthly on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2016, which will remain in effect for this project.
6. In addition to the services provided under this proposal, the District may authorize the project team to perform additional services for which the District will compensate us based on consultants' hourly rates at the time the work is performed, plus direct expenses.
7. Bartle Wells Associates is an independent public finance advisory firm that is registered as a Municipal Advisor with the Securities and Exchange Commission (SEC Registration No. 867-00740), and the Municipal Securities Rulemaking Board (MSRB ID K0414).
8. BWA will maintain in force, during the full term of the assignment, insurance.
9. If the project is terminated for any reason, Bartle Wells Associates is to be reimbursed for professional services and direct expenses incurred up to the time notification of such termination is received.

This proposal may be withdrawn or amended if not accepted within 120 days of its date.

Billing Rate Schedule 2016



BARTLE WELLS ASSOCIATES

Rates Effective 1/1/2016

Professional Services

Financial Analyst I.....	\$105 per hour
Financial Analyst II	\$125 per hour
Financial Analyst III	\$145 per hour
Senior Financial Analyst	\$175 per hour
Senior Consultant	\$205 per hour
Principal Consultant	\$245 per hour

The professional time rates include all overhead and indirect costs. Bartle Wells Associates does not charge for administrative support services and internal computer time. Expert witness, legal testimony, or other special limited assignment will be billed at one and one-half times the consultant's hourly rate. The above rates will be in effect through December 31, 2016 at which time they will be subject to change.

Direct Expenses

Subconsultants will be billed at cost plus ten percent. Word processing and computer-assisted services related to official statement production are charged as direct expenses at \$60 per hour. Other reimbursable direct expenses incurred on behalf of the agency will be billed at cost plus ten percent.

These reimbursable costs include, but are not limited to:

- Travel, meals, lodging
- Long distance telephone and fax
- Printing and report binding
- Special statistical analysis
- Outside computer services
- Bond ratings
- Automobile mileage
- Messenger services and mailing costs
- Photocopying
- Graphic design and photography
- Special legal services
- Legal advertisements

Insurance

Bartle Wells Associates maintains insurance in the amounts and coverage as provided in the attached schedule of insurance. Additional or special insurance, licensing, or permit requirements beyond what is shown on the schedule of insurance are billed in addition to the contract amount.

Payment

Fees will be billed monthly for the preceding month, and will be payable within 30 days of the date of the invoice. A late charge of 1.0 percent per month may be applied to balances unpaid after 60 days.

Schedule of Insurance

BWA will maintain in effect the following insurance throughout the duration of the project.

Insured: BARTLE WELLS ASSOCIATES

Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance in the amounts and coverage as provided in this schedule. If additional insurance is required, and the insurer increases the premium as a result, then the amount of the increase will be added to the contract price.

TYPE OF INSURANCE	COMPANY POLICY NUMBER	COVERAGES AND LIMITS	EXP. DATE
Commercial General Liability	Hartford Insurance Company Policy #35-SBA PA6857 Hartford Insurance Company Policy #35-SBA PA6857	■ \$2,000,000 General Aggregate ■ \$2,000,000 Products Comp/Op Aggregate ■ \$2,000,000 Personal & Advertising Injury ■ \$1,000,000 Each Occurrence	6/1/17
Excess/Umbrella Liability	Hartford Insurance Company Policy #35-SBA PA6857	■ \$1,000,000 Aggregate ■ \$1,000,000 Each Occurrence	6/1/17
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	■ \$1,000,000 Combined Single Limit	6/1/17
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	Workers' Compensation: Statutory Limits for the State of California. Employers' Liability: ■ Bodily Injury by Accident - \$1,000,000 each accident ■ Bodily Injury by Disease - \$1,000,000 each employee ■ Bodily Injury by Disease - \$1,000,000 policy limit	6/1/17
Professional Liability	Chubb & Son, Inc. 81714947	Solely in the performance of services as municipal financing consultants for others for a fee. Limit: \$2,000,000 Per Occurrence & Aggregate (including defense costs, charges, and expenses).	6/1/17
Excess Professional	ACE G27437606001	Excess Professional. Limit: \$3,000,000 Per Occ. & Aggregate	

HANSFORD ECONOMIC
CONSULTING



**Proposal for Sanitary Sewer
Rate Study**

**Submitted:
August 17, 2016**

**HANSFORD ECONOMIC
CONSULTING**

PO Box 10384
Truckee, CA 96162

Phone: 530-412-3676
Email: catherine@hansfordecon.com

August 17, 2016

Jon Sterling, General Manager
Groveland Community Services District
18966 Ferretti Rd
P.O. Box 350
Groveland, CA 95321

Subject: Sanitary Sewer Rate Study

Dear Mr. Sterling

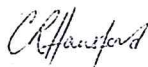
Thank you for the opportunity to submit a proposal to prepare a Sanitary Sewer Rate Study (Study) for the Groveland Community Services District (District). The Study will serve as an essential cornerstone in planning for the District's wastewater utility operations, supporting continuation and expansion of excellent services to its customers.

Hansford Economic Consulting (HEC) and its Principal, Catherine Hansford, bring more than 20 years of experience in municipal finance with specialization in the water industry. With a proven track record of completed projects and references listed herein, HEC offers the necessary skill set for successful, straightforward execution of the Study. The majority of HEC's clients are small cities and special districts, similar to Groveland, with a median household income less than 80% of the State.

HEC appreciates the challenge of balancing equity, feasibility, and customer acceptance goals when approaching utility rate and fee changes. Our objective is to help the District operate the wastewater system to meet all regulatory requirements with affordable, reasonable rates and charges that help sustain a vibrant economy. As a sole proprietor carrying a project from start to finish, HEC is intimate with all project details. HEC's personal approach to projects is desirable when working with sensitive issues, a divergent customer base and/or multiple interests of stakeholders. We work with clients to find the best solutions for their own unique circumstances.

We look forward to having the opportunity to discuss our proposal with the District in greater detail. All correspondence should be directed to myself, Catherine Hansford, at (530) 412-3676 or catherine@hansfordecon.com.

Sincerely,



Catherine R. Hansford
HANSFORD ECONOMIC CONSULTING

Proposal Contents

<u>Section</u>	<u>Page</u>
Letter of Interest	
Proposal	
1. Executive Summary	1
2. HEC Information and Services	2
3. Project Approach	3
- Statement of Understanding	3
- Methodology	3
- District Responsibilities	4
- Scope of Services	4
4. Organization and Qualifications	9
- HEC Project Team	9
- Qualifications/Water Utilities Clients	10
- Relevant Projects and References	12
5. Proposed Schedule and Budget	14
- Project Schedule	14
- Estimated Budget	14
6. Insurance Requirements and Coverage	16

Additional Documents:

Attachment A – HEC Resumes and Project Listing

Attachment B – Examples of Completed Reports

1. Executive Summary

This Sanitary Sewer Rate Study (Study), prepared for Groveland Community Services District (District or GCSD), will provide a ten-year financial model and recommended rates and fees for the next five years to ensure financial stability of the wastewater enterprise fund and continued wastewater services to District customers.

The Study will focus on revenue stability, equity, customer acceptance and affordability. Hansford Economic Consulting's (HEC's) approach is to maintain contact and solicit feedback from District staff at important junctures in the analysis, such as confirmation of key assumptions to be used in the models, verification of capital costs, and allocation of costs between existing and future customers.

SCOPE OF SERVICES

HEC's understanding of the project and preliminary scope of services is provided in detail in Section 3. In summary, HEC's services would include:

1. Providing a wastewater cost of services analysis, identifying a schedule of Equivalent Dwelling Units (EDU) to ensure customers are paying their share of costs.
2. Evaluating requested scenarios in recommending a wastewater rate structure, ensuring revenue sufficiency and stability, completion of necessary capital projects, and compliance with State regulations.
3. Assisting the District with wastewater rates adoption, including workshops with stakeholders, drafting of a public hearing notice, and conducting a public hearing.

It is proposed that these services would be accomplished in six tasks: project management and kick-off, background review of finances and customers, capital improvement projects financing and connection fees calculations, sewer rates analysis, report preparation, and rate implementation.

ESTIMATED BUDGET AND SCHEDULE

Given HEC's current level of understanding of District needs, a preliminary estimate of \$49,880 has been provided and is detailed in Section 5. The draft report will be complete by January 4, 2017. Allowing for public meetings to present the rate study and inclusion of the mandatory 45-day waiting period after public hearing notices are mailed, HEC believes implementation of new wastewater rates can be accomplished by May 2017.

HEC QUALIFICATIONS

The Project Team will be led by Catherine Hansford, Principal of HEC. HEC brings decades of experience and expertise in public finance, utility rate studies, and Proposition 218 compliance. Catherine is known for finding workable solutions to complex issues and has the disposition for working with diverse interests. In addition to experience with financial models, fee and rate studies and economic impact studies, Catherine has experience in creation and management of inter-local agreements, multi-jurisdiction cost sharing of infrastructure projects, and regionalization efforts for water utilities. In all of these endeavors, clear and open communications are vital.

2. HEC Information and Services

HEC has been serving municipal clients in California, Nevada, and Oregon since 2005. Owned by Catherine Hansford, HEC provides planning, economic, and financial services for small to regional-scale projects from its location in Truckee, Northern California.

HEC specializes in water and wastewater utilities public finance and enjoys a reputation for timely delivery of high quality work products. HEC endorses forward planning and understands that plans are useful only if they are comprehensive, relevant to the specific local conditions, and lead to implementation.

Contact HEC

P.O. Box 10384
Truckee, CA 96162

Visit HEC

www.hansfordecon.com

Project Leader and Principal of HEC: Catherine Hansford

P: (530) 412-3676

E: catherine@hansfordecon.com

HEC's services include:

- Infrastructure Networks Analysis
- Economic and Business Impact Analysis
- Public Facilities and Services Financing Plans
- Special Financing District Formation
- Development Impact Fees Nexus Studies
- Fiscal Impact Studies
- Real Estate Feasibility Analysis
- Agency Governance and Mergers
- **Water-Related Utilities:**
 - Demand Analysis and Projections
 - Income Surveys
 - Rate and Fee Studies
 - State and Federal Low-Interest Loan and Grant Program Applications

3. Project Approach

Statement of Understanding

Utility rates must be studied on a routine basis to ensure that revenue sufficiency is being achieved in the most equitable fashion. Any recommended increases must be robust in determination and clearly understood by the public. The goal is to ensure that rates cover the revenue required to operate the wastewater system in a safe manner and in compliance with regulatory requirements.

The Study will:

- ✓ Document the current cost of service,
- ✓ Recommend any changes to rate structure as a result of the cost of service analysis, evaluating all requested rate structure scenarios, with input and direction from staff,
- ✓ Plan for revenue sufficiency of the enterprise fund in the long-term and short-term,
- ✓ Provide a financing plan for timely completion of planned capital improvements,
- ✓ Document the cost allocation methodologies such that calculated rates adhere to legal requirements of the California constitution, and
- ✓ Calculate five years of rates that are projected to achieve revenue sufficiency for the wastewater enterprise, accounting for projections of costs including operations and maintenance, long-term asset replacement, short-term completion of major rehabilitation and new capital improvement projects, as well as any debt service payments.

Recommended rates and charges strive to meet multiple objectives including reasonableness, equity among customer groups, and to be both understandable and easy to implement. HEC will work with the District to meet its desired schedule to implement new rates. HEC's approach throughout the project is to remain flexible to changing circumstances and/ or assumptions.

Methodology

HEC's methodology focuses on equity, so that customers are paying their fair share of system costs. HEC's financial model is created in Microsoft Excel and will present a ten-year projection of costs and revenues. The model is easy to update and to test for different financial and operational scenarios. A baseline scenario will be developed, which may be modified to evaluate the impact of changing assumptions, changes from alternative rate structures, and changing District policies, and/or measure the impact of rate increases.

Care is taken to ensure that all assumptions are clearly defined and the material is presented in a logical and easily understood format. With rate models there is no one template that works for all municipalities. HEC's models are all created from scratch to fit the unique needs of the studied system.

HEC will coordinate with staff to collect the base data necessary to conduct the Study. HEC anticipates working very closely with District staff on capital improvement projects costs, cost share of capital improvement costs between existing and future customers, costs specific to individual lift stations, and life expectancy of assets as part of the asset replacement cost analysis.

District Responsibilities

HEC will rely on the District to provide all the primary data to be used in the analysis, including customer billing data, wastewater asset inventories and book values. All financial data including capital improvement costs will be furnished by the District and all related materials pertinent to the Study shall also be provided. Other tasks that may be required of the District include provision of land use projections and growth rate assumptions. Beyond this initial data and information gathering, District staff will need to review work products and assist in setting up meetings; however, this time is anticipated to be minimal and not interfere with typical work duties.

Scope of Services

The Sanitary Sewer Rate Study will be conducted in 6 tasks. Each task is detailed below.

Task 1: Project Management and Meetings

1.1: Project Management:

HEC will spend a couple of hours each month on project management. Project management includes review of work status/progress, invoicing/determination of remaining budget, and check-in with District staff.

The Project Team will be led by Catherine Hansford, Principal of HEC and Project Manager. Zach Gustafson, Analyst at HEC, will be the primary point of contact for Project progress and communications.

1.2: Meetings:

Materials necessary for presentations and meetings will be prepared under this task. Materials may include PowerPoint, handouts, and so forth. This scope of services provides for up to six (6) meetings at the District over the course of the project: One project orientation/kick-off, three meetings with District staff, community groups, and building

industry groups (including one public workshop providing background of the rate study and reviewing preliminary results), one Board of Directors meeting, and one public hearing.

An orientation/kick-off meeting will be held with staff to concur on expectations, deliverables and schedule, and to review items influencing the Study such as regulatory requirements specified in permits, District policies, and legislative mandates.

Examples of financial topics that are to be reviewed at kick-off include:

- Capital improvement plan and schedule
- Target operating and capital funds reserve levels
- Pay as you go funding versus debt financing for capital facilities
- Asset replacement and funding

Prior to, and during the kick-off meeting with District staff, the HEC Project Team will distribute a list of documents needed from the District to perform this scope of services.

Three meetings with District staff and stakeholders, including a public workshop, is included in the budget for progress meetings/discussion items and to review draft work. One Board of Directors meeting is included for presentation and discussion of Study findings, recommendations, and sensitivity analysis of different funding scenarios, and there will be one public hearing to comply with Proposition 218 requirements. Sufficient public noticing of each of the workshops is important to ensure the public has ample opportunity to attend and be heard.

If more meetings are necessary than included in this Scope of Services, HEC will bill for each additional meeting. The cost for additional meetings is provided in Section 5.

Task 2: Background Review

2.1. Financial:

HEC will thoroughly review the District's funds including revenue and cost information for all operations maintenance, administration, general expenses, short and long term liabilities as well as capital and reserve expenditures. The financial review will establish the historical and current financial health of the District, generally describe components of annual revenue, and characterize expenses.

Through the capital improvement planning process, the District identifies projects that will likely need to be constructed over the next five to ten years. Under this task, HEC will summarize the wastewater capital improvement plan (CIP) as provided by the District.

2.2. Customers:

Cost allocation is based on number of connections and estimated flow per connection provided the District serves a population of less than 10,000, does not accept septage, and

has no industrial customers. Otherwise, cost allocation is also based on strength of wastewater for each connection. HEC will use District flow and strength factors that are available and industry standard factors where they are not to profile customer characteristics by customer type. HEC will use this data to establish the number of EDUs associated with each connection (customer account).

Task 3: CIP Financing Strategy and Connection Fees Calculations

HEC will summarize the District's capital improvement program (CIP) for the wastewater system and will present a financing strategy, including long-term debt financing if needed, to ensure capital improvements are completed in a timely fashion, while minimizing the impact to rates and fees. HEC will allocate CIP costs between existing and future customers based on District information. The Excel model will be able to evaluate the impact of several funding options (such as low interest loans, bond sales and so forth) for capital improvements. Because service areas in the District qualify as either disadvantaged or severely disadvantaged, the use of Clean Water State Revolving Funds will be evaluated in the model.

Connection fees will be assessed for adequacy in light of projected costs to increase capacity for new development growth potential. New development should pay for both a buy-in for existing facilities they benefit from and their share of new facilities costs. Connection fees can be updated at the same time as water rates or at a different time. Connection fees are not subject to Proposition 218.

Task 4: Sewer Rates Analysis

4.1. Revenue Requirement Projection:

The projected revenue requirement is the revenue necessary to fully cover all expenditures net of other operating and non-operating revenues. A projection of revenue deficiency will be conducted by comparing the existing level of operating and non-operating revenues with projected annual expenditures.

Operation and maintenance expenses may be projected using historical annual percentage increases, or some other index, such as a consumer price index; projection methodology will be discussed with staff. Expense item categories, such as utility costs and labor costs, will be projected independently. Projected annual costs may also include other non-operating cost considerations, such as an operating reserve, rate stabilization fund, or additional funds to meet debt service coverage requirements. Non-operating revenues, such as interest revenue, connection charges, and other miscellaneous revenue sources, will be included as credits in the analysis so that the revenue requirement is not over-estimated.

4.2. Cost of Service and Rates Calculations:

Once the projected revenue requirement is established, the cost per EDU is determined using data developed in Task 2.2. The cost allocation analysis leads to a calculation of user fees such that the operating costs are adequately funded for existing and projected future costs and that the rates are based on the demand for service by each customer. By establishing a basis and relation between the cost of service and the demand for service by each customer type, the requirements of Proposition 218 will be fully met. The following rate scenarios will be evaluated:

1. System-wide Fixed Rate (customers pay according to the number of EDUs for each account)
2. System-wide Fixed and Variable Rate (customers pay for fixed costs according to the number of EDUs for each account plus variable costs in a variable rate multiplied by metered water use)
3. Location Dependent Fixed Rate plus Global Variable Rate (customers pay for fixed costs depending on location in the District, primarily to capture differences in lift station costs, and a variable rate that applies District-wide)
4. Location Dependent Fixed Rate plus Location Dependent Variable Rate (customers pay for fixed and variable costs depending on location in the District to capture differences in lift station and other costs incurred due to topography/geography)

The degree to which each rate scenario best meets the intent of Proposition 218 will be evaluated.

Considerable time will be spent in this task evaluating the effect of different financial scenarios on developed policy objectives, the bill impacts to different customer groups, and the economic effect / hardship on low-income households. In addition, HEC will work with the District to determine potential impacts of rebates for grey water systems, and low volume usage. The pros and cons of winter water averaging will be presented, particularly in light of the fact that 75% of the District's sewer customers are second homes. The cost estimate for this task assumes only these four rate scenarios. Any additional rate scenarios would incur additional cost as described in Section 5.

4.3. Sewer Lift Station Calculations: Only customers using sewer lift station facilities are charged for the costs of lift stations. HEC will calculate sewer lift station charges for customers in each geographic area that a lift station serves. The lift station rates will be added to sewer charges in monthly bills.

4.4. Cash Flow Projections: A cash flow will be presented to ensure sufficiency of funding through the model time period, demonstrating adequate debt service coverage and reserve levels are met. HEC will work with the District to establish necessary reserves to begin replacement of the District's sewer infrastructure.

4.5. Bill Impact Analysis: Bill impact analysis provides an important reality check to assess customer acceptability of changes in fees. HEC will prepare a user rate comparison for the District that will measure wastewater bills for different customer types under the current rate schedule, proposed rate schedule and rate schedules of other regional wastewater providers. Customer bills will be compared with affordability indicators to assess the impacts of changes to the rate structure and/or rate amounts.

Task 5: Prepare Reports

A summary report will be prepared detailing assumptions and methodologies used in the analysis and will demonstrate conformance with applicable law related to wastewater charges. A recommended 5-year rate schedule will be provided in the findings.

Draft, corrected draft and final reports will be provided to the District electronically.

Task 6: Implementation

HEC will support the District in the process of adopting the new wastewater rates. Conference calls will be held with District staff to ensure adequate review and feedback of all material developed for District Board meetings, including public hearings. In this phase HEC will work with the District to implement revised rates and/or other recommendations of the Study. Items may include, but are not limited to the following, depending on the needs of the District:

- Create an implementation schedule including task, timing and medium addressing the key issues and concerns of stakeholders,
- Conduct a public workshop(s),
- Draft the public hearing notice,
- Assist drafting resolutions, and
- Attend the public hearing.

HEC will present the information and analysis contained within the revised draft report for the Study at a District Board meeting or workshop(s), addressing Board questions and concerns. All studied rate structures will be presented; together with merits and drawbacks of each.

Following the District Board workshops, HEC will draft the public hearing notice, and be present at the public hearing to answer questions, or to provide a presentation if desired. The public hearing notice will specify the basis of the fee, the reason for the fee, the customer's right to protest the fee, and the date/time/location of the public rate hearing. Outcome of the public hearing will be incorporated into the Study final report.

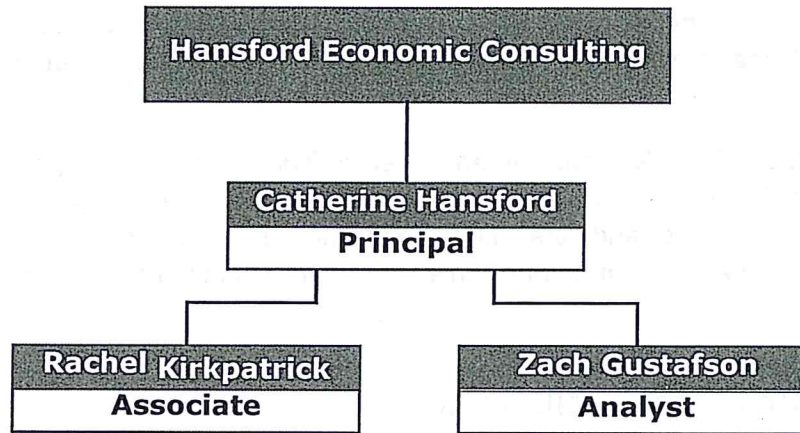
4. Organization and Qualifications

HEC Project Team

Successful completion of the Study is the result of collaboration between consultant and staff and it requires an engaged Board willing to provide input to the process. Catherine Hansford will manage this project and will conduct the rate study analysis; however, smooth completion of the process to adopt revised rates and fees in a timely fashion is dependent on a successful relationship between HEC and the District's supporting staff.

Rachel Kirkpatrick, Associate, and Zach Gustafson, Analyst, will be responsible for collecting and analyzing data, correspondence, scheduling, editing, formatting, and other tasks under the guidance of Catherine. The HEC organizational chart, **Figure 1**, is below. Resumes of the Project Team are located in **Attachment A**.

Figure 1
HEC Project Team Organizational Chart



Costs to-date and project progress are monitored monthly. Because the Project Team is small, project costs and progress can be tracked with relative ease.

Catherine Hansford – Project Manager

Professional Background: Catherine is a practitioner of financial, economic, and resource sciences offering a unique set of skills to the Study. As a professional for more than 20 years, Catherine has built a reputation for creative problem solving, excellent speaking skills and written products. Catherine has a passion for the water industry. She has worked in both the public and private sectors on water resource and finance issues. Catherine offers a fresh perspective, having training and experience in both economics and finance and continually looks for creative strategies to meet utility revenue needs.

Relevant Experience: In the public sector Catherine worked on marrying water supply and demand management programs with appropriate pricing signals, and communicating plans and rate adjustments to stakeholder groups at Truckee Meadows Water Authority (TMWA). Catherine was responsible for the water rate model, pricing of water rights, billing of wholesale contracts, and updates of the rules. In the private sector Catherine worked for Economic and Planning Systems (Sacramento office) helping clients with municipal bond sales, financing plans, special district formation, solid waste franchises, fee nexus studies, and utility rate studies. At ECO:LOGIC Engineering (now Stantec) Catherine specialized in water and wastewater public financing.

Customer Outreach Experience: During employment at TMWA, Catherine served as liaison/chair between TMWA and various customer groups. These included a Rates Customer Outreach Group, Rate Making Review Committee, and Landscape Subcommittee. Catherine served on the Advisory Committee on Conservation for the Washoe County Regional Water Planning Commission from 2001 through 2004 and as its Chair from 2003 through 2005.

Catherine will be supported by Rachel Kirkpatrick, Associate, and Zach Gustafson, Analyst. Rachel's responsibilities at HEC include data analysis, memorandums, reports, presentations, and client communications. Rachel's robust background in statistics and finance are a strong asset for HEC's lines of business, in particular in conducting water and wastewater rate studies.

Since joining HEC in 2015 Zach has primarily been assisting clients with applications for State and Federal funding for water and wastewater capital improvement projects. Zach also provides in-depth research and data analysis using many sources of economic information such as US Census data, California Department of Finance, and Bureau of Labor Statistics data.

Qualifications/Water Utility Clients

Catherine has worked with many local governments on water and sewer utility municipal finance projects. While Catherine's clients range from very small to large, the majority of HEC's clients serve a population of less than 10,000. **Table 1** on the following page lists HEC water utility clients.

Table 1
Water Utility Clients

Municipality	State	Water	Sewer &/or Reclaimed	Flood &/ or Storm Water
Population Greater than 100,000				
Truckee Meadows Water Authority	NV	X		
Truckee Meadows Regional Planning Agency	NV	X	X	X
Western Regional Water Commission	NV	X	X	X
Washoe County	NV	X	X	
Population 20,000 to 100,000				
City of Turlock	CA	X	X	
City of Yuba City	CA	X	X	
City of Manteca	CA		X	
South Placer Municipal Utility District	CA		X	
City of West Sacramento	CA			X
City of Riverbank	CA		X	
Carson City	NV	X	X	
City of Fernley	NV	X	X	
Population Less than 20,000				
City of Ashland	OR	X		X
City of Escalon	CA	X	X	
City of Livingston	CA	X	X	
City of Newman	CA	X	X	
City of Live Oak	CA	X	X	
City of Williams	CA		X	
City of Colusa	CA		X	
City of Bishop	CA	X	X	
City of St. Helena	CA	X	X	
City of Waterford	CA	X		
Town of Floriston	CA	X		
Eureka County	NV	X		
Sierra County Water Works District #1	CA	X		
Rancho Murieta Community Services District	CA			X
Donner Summit Public Utilities District	CA	X	X	
Heather Glen Community Services District	CA	X		
Midway Heights Community Water District	CA	X		
Squaw Valley Public Services District	CA	X	X	
June Lake Public Utility District	CA	X		
Sierra Lakes County Water District	CA		X	
Woodbridge Sanitary District	CA		X	
Sierraville Public Utility District	CA	X		
San Andreas Sanitary District	CA		X	

Relevant Projects and References

HEC has selected three relevant studies demonstrating our qualifications to perform a sewer rate study for the Groveland Community Services District.

1. Woodbridge Sanitary District Sewer User Rate Update

Project Dates: January 2015 – July 2015

Contact: John Welch, General Manager
(209) 276-1176jwelch@woodbridgesd.com

The Woodbridge Sanitary District was in need of a wastewater rate review, particularly in light of known near-term capital improvements. HEC conducted a cost of service and rates review with the assistance of engineering firm KSN, Inc. Particular challenges included unique customer discharge circumstances and determination of number of equivalent dwelling units for commercial customers. The District successfully adopted increased rates within five months of contracting with HEC.

Relevance to GCSD: EDU schedule development, small population

The final report for this project is provided in [Attachment B](#).

2. Donner Summit Public Utility District Wastewater Financial Plan and Cost of Service Study, and Water Rate Study

Project Dates: On-call; client since January 2010

Contact: Tom Skjelstad, General Manager
(530) 426-3456.....tskjelstad@dspud.com

The Donner Summit Public Utility District (District) was operating under a Cease and Desist Order from the State Water Resources Control Board. The wastewater upgrade and expansion project required a significant amount of planning. Seasonal loads fluctuate with ski and summer visitation periods, and discharge is to land during the summer months and to the Yuba River during winter months.

HEC liaised with the Clean Water State Revolving Fund (CWSRF) and the USDA rural utilities programs staff, as well as local Community Development Block Grant (CDBG) representatives to craft a financing strategy for construction of the approximately \$24 million in improvements, of which 44% was a cost-share with the Sierra Lakes County Water District. HEC assisted the District with formation of a Community Facilities District (CFD) to fund their share of costs of the project and completed a cost of service and rate study. The Project broke ground in August 2012 and a ribbon cutting ceremony took place July 2015.

HEC continues to assist the District with financial technical assistance. In February 2016 HEC completed a water rate study for the District to support an application for a Drinking Water State Revolving Fund loan, and updated the wastewater rate study.

Relevance to GCSD: Seasonal loads, CIP financing, disadvantaged small population

The final report for this project is provided in Attachment B.

3. City of Livingston Water, Wastewater and Solid Waste Rate Studies

Project Dates: May 2012 – March 2014

Contact: Odi Ortiz, City Manager
(209) 394-8041.....oortiz@livingstoncity.com

In 2012 the City engaged HEC to assist with updating water, wastewater and solid waste services customer rates. The City needed to raise the rates to cover cost of service and make upgrades to failing infrastructure. The City of Livingston's utility enterprise funds had suffered from an inability to fund necessary capital improvements due to a lack of cash flow, and had been operating with general fund revenues due to insufficient rate revenues for several years. The City attempted to raise rates in 2009 but failed due to a lack of communication with its customer base. A successful campaign to remove City Council members resulted in a roll back of rates to their 1995 levels. After the failure of the 2009 rate increases three rate consultants were hired and fired before the City contracted with HEC.

HEC conducted three rates studies, working closely with the City Engineer, common to GCSD, Alfonso Manrique. Revised solid waste rates were successfully implemented in April 2013. After extensive public outreach including workshops in English, Spanish and Punjabi, increased water and wastewater rates were adopted May 2014.

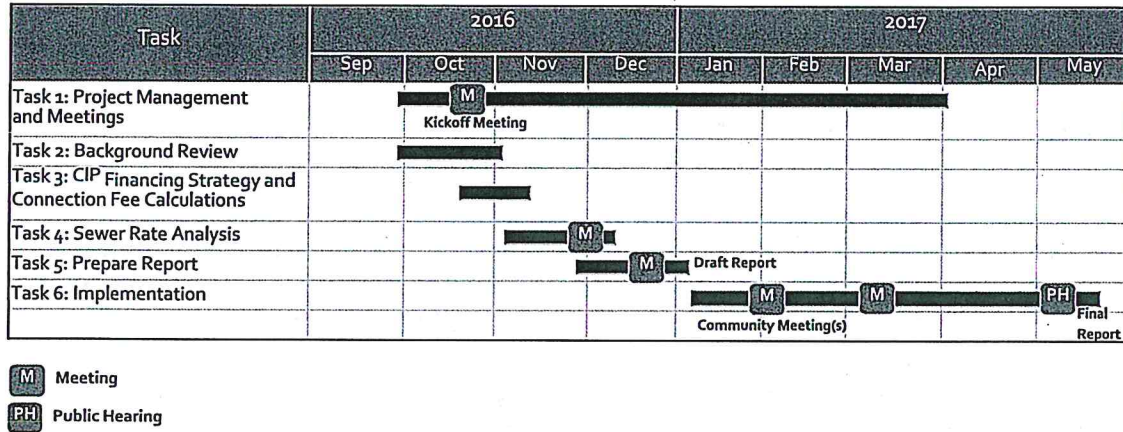
Relevance to GCSD: System rehabilitation/infrastructure planning and financing, disadvantaged small population

5. Proposed Schedule and Budget

Project Schedule

An estimated project schedule by task is shown in **Figure 2** below.

Figure 2
Estimated Project Schedule



HEC has a reputation for delivering projects on schedule in a professional manner. HEC will provide monthly progress reports to the District with invoices.

Estimated Budget

The total estimated cost for completing the services identified in this RFP is \$49,880 including reimbursable expenses. The cost estimate is based on HEC's standard hourly rates of \$160 per hour for Catherine Hansford, \$115 per hour for Rachel Kirkpatrick, \$90 per hour for Zach Gustafson, and \$75 per hour for clerical and administrative tasks. HEC hourly rates are valid until project completion.

Reimbursable expenses are charged with no markup and are included in monthly invoices. Reimbursable expenses include any travel-related expenses such as mileage reimbursement using the current Federal mileage reimbursement rate, parking, postage or delivery charges, meals and lodging if necessary, and printing.

An estimate of cost by task is shown in **Table 2** on the following page. The numbers in brackets show total number of trips for in-person meetings in Groveland included in the task. For example, there are 3 meetings in Task 6 – 1 community workshop, 1 District Board presentation, and 1 public hearing for rate adoption.

Cost Estimate Assumptions

- HEC will negotiate an authorized budget with the District upon award of work.
- The cost estimate includes up to six meetings. Additional meetings, workshops or presentations will be billed a flat per meeting cost of \$3,400.
- The cost estimate for Task 4 includes four rate scenarios. Scenario 1: System-wide fixed rate is included in the base model setup cost. A cost estimate for each additional scenario is provided. Additional rate scenarios beyond the four identified in the scope of services are estimated to cost \$2,300 each; however, the cost would depend on the complexity of the scenario modelled. Actual cost could be lower or higher.
- Reimbursable expenses are charged with no markup and are included in monthly invoices.

**Table 2
Estimated Budget**

Task/Item Description <i>Hourly Billing Rates</i>	HEC				Total Estimated Cost
	Hansford \$160	Kirkpatrick \$115	Gustafson \$90	Admin \$75	
1 Project Management & Kickoff [1]	16	0	16	8	\$4,600
2 Background Review	10	0	8	0	\$2,320
3 CIP Financing Strategy and Connection Fees	12	0	20	0	\$3,720
4 Sewer Rate Analysis					
Base Model Setup & meeting	27	12	31	0	\$8,490
Scenario 1: System-wide Fixed Rate	0	0	0	0	\$0
Scenario 2: System-wide Fixed & Variable Rate	6	0	8	0	\$1,680
Scenario 3: Location Dep't Fixed & Global Variable Rate	8	0	12	0	\$2,360
Scenario 4: Location Dep't Fixed & Location Dependent Variable Rate	10	0	15	0	\$2,950
Sewer Rate Analysis Subtotal plus meetings [1]	51	12	66	0	\$15,480
5 Reports [1]	41	8	35	16	\$11,830
6 Implementation [3]	41	12	11	10	\$9,680
Subtotal Staff Costs	171	32	156	34	\$47,630
Reimbursable Costs					\$2,250
Total Staff & Reimbursable Costs **					\$49,880

** HEC reserves the right to move budget between tasks as necessary to complete the scope of services up to the authorized budget amount.

HEC charges for services on a cost not-to-exceed basis; therefore, you will only be billed for the work completed up to the authorized budget amount. Invoices are issued monthly and are due on receipt.

Although the cost estimate is shown by task, HEC reserves the right to move budget between tasks, should one task be completed under the estimated amount, and another task be completed over the estimated amount. If additional work is requested that is beyond the original scope of services, or if work efforts are greater than anticipated in development of the budget, HEC will request authorization for additional budget.

6. Insurance Requirements and Coverage

During the entire term of its engagement, HEC agrees to indemnify, defend and hold harmless the District and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages and/or liability arising from the Contractor's acts, errors or omissions and for any costs or expenses incurred by the District on account of any claim therefore, except where such indemnification is prohibited by law.

HEC currently holds, and will maintain throughout the Agreement, the required insurance and limits:

- Workers' Compensation – HEC carries \$1,000,000 in limits.
- Comprehensive General – HEC carries \$1,000,000 per occurrence and \$2,000,000 aggregate.
- Automobile Liability Insurance – HEC carries a \$1,000,000 limit.

HEC also holds:

- Errors and Omissions Insurance \$2,000,000 per claim and \$2,000,000 aggregate.