

CRESTLINE SANITATION DISTRICT

MEMORANDUM

DATE: OCTOBER 12, 2023

TO: BOARD OF DIRECTORS
Crestline Sanitation District

FROM: DAWN GRANTHAM
Interim General Manager

SUBJECT: WASTEWATER FINANCIAL PLAN & RATE STUDY

A. RECOMMENDATION

I recommend the approval of the proposal to perform a Rate Study prepared by Bartle Wells Associates.

B REASON FOR RECOMMENDATION

Due to antiquated equipment and structures the District is having to look at future repair and/or replacements, which will be identified in the updated Master Plan.

C. OTHER INFORMATION

In 2024 the current construction project will be completed and the District will be addressing the repayments to the State for the SRF Loan.

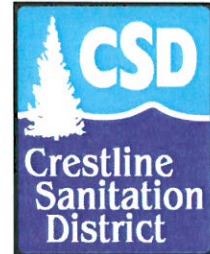
D. FISCAL INFORMATION

Page 18 breaks down the cost to the District for the Rate Study. Total costs are slated to not exceed \$59,890.00. The Board set aside \$60,000.00 for the Study in its' Professional Services Budget line item.

E. ATTACHMENTS

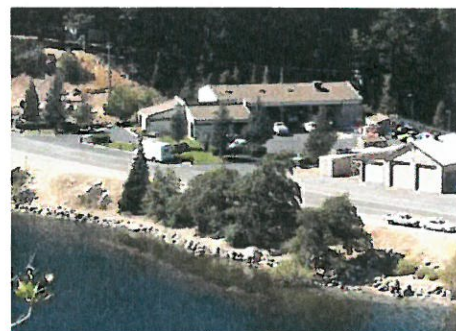
Proposal from Bartle Wells

CRESTLINE SANITATION DISTRICT



PROPOSAL FOR A WASTEWATER FINANCIAL PLAN AND RATE STUDY

October 11, 2023





BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

2625 Alcatraz Ave, #602
Berkeley, CA 94705
Tel: 510 653 3399
www.bartlewells.com

October 11, 2023

Crestline Sanitation District
24516 Lake Drive, P.O. Box 3395
Crestline, CA 92325-3395

Attn: Dawn Grantham, Assistant General Manager
Re: Proposal – 2024 Wastewater Financial Plan and Rate Study

Bartle Wells Associates is pleased to submit this proposal to develop a wastewater financial plan and rate study for Crestline Sanitation District. We specialize in providing utility rate consulting and independent financial advisory services to California water and wastewater agencies. We have extensive expertise in developing long-term financial plans, utility rates, and development impact fees for a wide range of agencies.

Established in 1964, Bartle Wells Associates is based in Berkeley, California and has served over 600 public agencies throughout California, completing well over 1,000 utility rate and fee studies. We are very familiar with the region having worked with the Joshua Basin Water District, Big Bear City Community Services District, Running Springs Water District, Lake Arrowhead Community Service District, Victor Valley Wastewater Reclamation Authority, the Cities of Hesperia and Glendale, and the Town of Apple Valley, among others.

We propose to provide recommendations for a wastewater rate study that recovers the District's annual revenue requirements and establishes reserves for possible future capital needs while minimizing the impact to ratepayers. Major objectives of the rate study are to:

- **Recover the cost of service:** Crestline's wastewater system is a 100% rate-based organization. Wastewater rates have not been increased in some time. Our study will develop rates to meet the District's annual operating and capital expenditures and ensure long-term financial stability.
- **Improve the financial health of the wastewater enterprise:** Concurrent with meeting basic operating costs, our rate study will develop a long-term financial plan to improve the financial health of the wastewater system including meeting debt coverage requirements, planning for replacements, and building reserves. Planning for these costs now will reduce rate impacts in the future.
- **Utilize conservative planning assumptions:** Our study will carefully vet financial planning assumptions with the District including the impact of current and future environmental regulations and potential growth and new development.

Our overall goal for this project would be to work closely with the District and associated consultants, throughout the project to gain ongoing input, evaluate alternatives, and develop recommendations that achieve the District's objectives. We often recommend agencies phase in both overall rate increases as well as rate structure adjustments over a few years, if possible, to minimize the annual impact on ratepayers.

We propose to assign Erik Helgeson, one of our principal consultants, as project manager. Erik is highly experienced in developing wastewater rates for California special districts. Doug Dove president of the firm and a principal consultants will be providing expert review. Doug and Erik recently completed work for the Big Bear City Community Services District to develop water and wastewater rates and capacity fees. Resumes for Doug and Erik are included.

We are very interested in working with the District on this project and hope this proposal provides a suitable basis for our selection. Please direct correspondence to:

Doug Dove
Bartle Wells Associates
2625 Alcatraz Ave #602
Berkeley, CA 94705
ddove@bartlewells.com
(510) 853-2336

Sincerely,



Douglas R. Dove, CIPFA, PE
Principal/President



Erik Helgeson, MBA
Principal/ Vice President

Table of Contents

SECTION 1: Professional Qualifications	1
SECTION 2: BWA Project Staffing.....	3
SECTION 3: Resumes	4
SECTION 4: References and Past Performance.....	6
SECTION 5: Tentative Schedule	11
SECTION 6: Scope of Work.....	12
<i>TASK A. PROJECT INITIATION & DATA COLLECTION</i>	<i>12</i>
<i>TASK B. 10-YEAR UTILITY ENTERPRISE FINANCIAL PLANS.....</i>	<i>12</i>
<i>TASK C. WASTEWATER RATE STRUCTURE.....</i>	<i>14</i>
<i>TASK D. MEETINGS, PRESENTATIONS, REPORTS, & PROP. 218</i>	<i>15</i>

SECTION 1: Professional Qualifications

A. Basic Overview

Bartle Wells Associates (BWA) specializes in providing independent financial advisory and utility rate consulting services to California water and wastewater agencies. 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 services to public agencies. In recent years, we have consulted for many regional agencies including:

Regional Water/Sewer Districts

- Big Bear City CSD
- Indian Wells Valley Water District
- Mojave Water Agency
- Eastern Sierra CSD
- Helendale CSD
- Palmdale WD

Regional Cities

- City of Santa Clarita
- City of Glendale
- City of California City
- City of Hesperia
- City of Palm Springs
- City of Palmdale

B. Specific Qualifications

Bartle Wells Associates (BWA) is an independent financial advisor to public agencies with expertise in water and wastewater rates and finance. Our firm was established in 1964 and is owned and managed by its principal consultants. We have nearly 60 years of experience advising local governments on the complexities and challenges in public finance. We have advised over 600 public agency clients in the western United States, predominantly in California. We have a diversity of abilities and experience to evaluate all 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. The firm is owned and managed by its principal consultants.

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 well over 2,500 utility rate and fee studies. We have helped 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.

BWA Key Services

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

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 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. We generally recommend issuing debt via a competitive sale process to achieve the lowest cost financing possible. To date, we have helped California agencies obtain over \$5 billion of bond financing, \$900 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.



Bartle Wells Associates is committed to providing value and the best advice. Our strength is *quality*—the quality of advice, service, and work we do for all our clients.

SECTION 2: BWA Project Staffing

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

We propose to assign Erik Helgeson, one of our principal consultants, as project manager. Erik is highly experienced in developing wastewater rates for California special districts. Doug Dove president of the firm and a principal consultants will be providing expert review. Doug and Erik recently completed work for the Big Bear City Community Services District to develop water and wastewater rates and capacity fees.

Resumes are located on the subsequent pages.

Principal in Charge / Project Manager

Douglas R. Dove, PE, CIPFA

Tel: 510.853.2336

E-mail: ddove@bartlewells.com

Senior Project Manager

Erik Helgeson, MBA

Tel: 509.998.7602

E-mail: erik@bartlewells.com

Other BWA consultants are available to assist this project team if ever needed.

DOUGLAS R. DOVE, PE



Project Manager

Douglas R. Dove is President of Bartle Wells Associates and a principal consultant with over thirty 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 200 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. He recently finished his term on the board of directors of the National Association of Independent Public Finance Advisors.

Rate: \$275/hr

Proposed Hours: 56

Education

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

Certifications

Certified Series 50 and 54 Municipal Advisor, and registered Professional Engineer (PE) in California

Memberships

National Association of Municipal Advisors (former board member)

Association of California Water Agencies, California Association of Sanitation Agencies

Recent Assignments

- **Big Bear Area Regional Wastewater Agency:** Wastewater rate study and refinancing.
- **Running Springs Water District:** Water, wastewater, fire and ambulance enterprise financial plans and rate studies.
- **City of Chula Vista:** Wastewater capacity fee analysis.
- **City of Lemon Grove:** Water and wastewater rate studies and 10-year financial plan.
- **Big Bear City Community Services District:** Regional wastewater rate study, sale of bonds (2 issues), bank loans (2 loans), and refunding.
- **Home Gardens Sanitary District:** Sewer rate study and capacity fee.
- **City of Glendale:** Cost of service water rate study with new meter capacity ratios and drought rates.
- **City of Santa Clarita:** Sewer maintenance feasibility study. Analysis of the costs of sewer operation under the current agreement with the Los Angeles County Consolidated Sewer Maintenance District and under City operation.
- **Lake Arrowhead Community Services District:** Financial master plan, \$28 million revenue bond refinancing and water and wastewater rate studies.
- **Helendale Community Services District:** Water and wastewater utility rate studies. \$2.8 million project financing.
- **Indian Wells Valley Water District:** Cost of service based water rate study and conservation rates. Financial advisor for \$20 million bond sale.

ERIK HELGESON, MBA



Senior Project Manager

Erik Helgeson is a senior project manager with Bartle Wells Associates. He works closely with public agency staff, engineers, and other consultants to develop water, wastewater, and recycled water rates, connection fees, and long-term financial plans for utility enterprises. Mr. Helgeson assists with the development of financial projections, design of equitable rate structures, evaluation of utility billing data, calculations of financial impacts on ratepayers, and development of rate surveys. Erik also helps agencies assess financing options for public works projects and issue debt via bonds, bank loans, and various state-subsidized loan programs. Prior to joining Bartle Wells Associates, Mr. Helgeson worked in the Denver Water Rates Department.

Rate: \$230/hr

Proposed hours: 134

Education

B.A. – Gonzaga University, Spokane Washington

M.B.A. (Master of Business Administration) – University of Denver, Colorado

Certifications

Series 50 – Certified Municipal Advisor

Representative Projects

- **City of Patterson:** Prepared financial plan and rate studies for the water, wastewater, and solid waste utilities.
- **Big Bear Area Regional Water Agency:** Reviewed wastewater rates and developed recommendations for rate increases, reserve levels, and capital funding mechanisms.
- **Crestline Sanitation District:** Assisted with the septic fee study.
- **City of Davis:** Long-range financial plan and wastewater rate study.
- **City of Willits:** Completed sewer rate study for the City in 2023.
- **Marin Municipal Water District:** Updated cost of service based water rate study and developed conservation rates under an inclining block water rate structure.
- **City of Imperial:** Prepared water, wastewater, and recycled water rate studies.
- **City of Modesto:** Updated rates, charge, and connection fees for City's water and sewer systems.
- **Alameda County Water District:** Completed water wheeling rate study that developed rate method for the Los Vaqueros Reservoir Expansion Project.
- **Fallbrook PUD:** Completed a long-range financial plan and rate studies for the District's water, wastewater, and recycled water enterprises.
- **San Miguel Community Services District:** Developed water and wastewater financial plans and rate studies.

SECTION 4: References and Past Performance

PROJECT REFERENCES

BWA has provided water and wastewater rate and financial advisory services to over 600 public agencies throughout California. This section includes descriptions and references of some relevant BWA assignments.



Big Bear City Community Services District, CA

Bartle Wells Associates first assisted the District in 1967. BWA developed the district's early financing and revenue programs to build sewers and finance wastewater improvements. BWA assisted the district with the authorization and sale of three series of general obligation bonds and supervised the sale of five assessment bond issues in the Sugarloaf and Pinewood areas.

In 2015, BWA assisted the district in developing water, wastewater and solid waste 5-yr financing plans and rate studies.

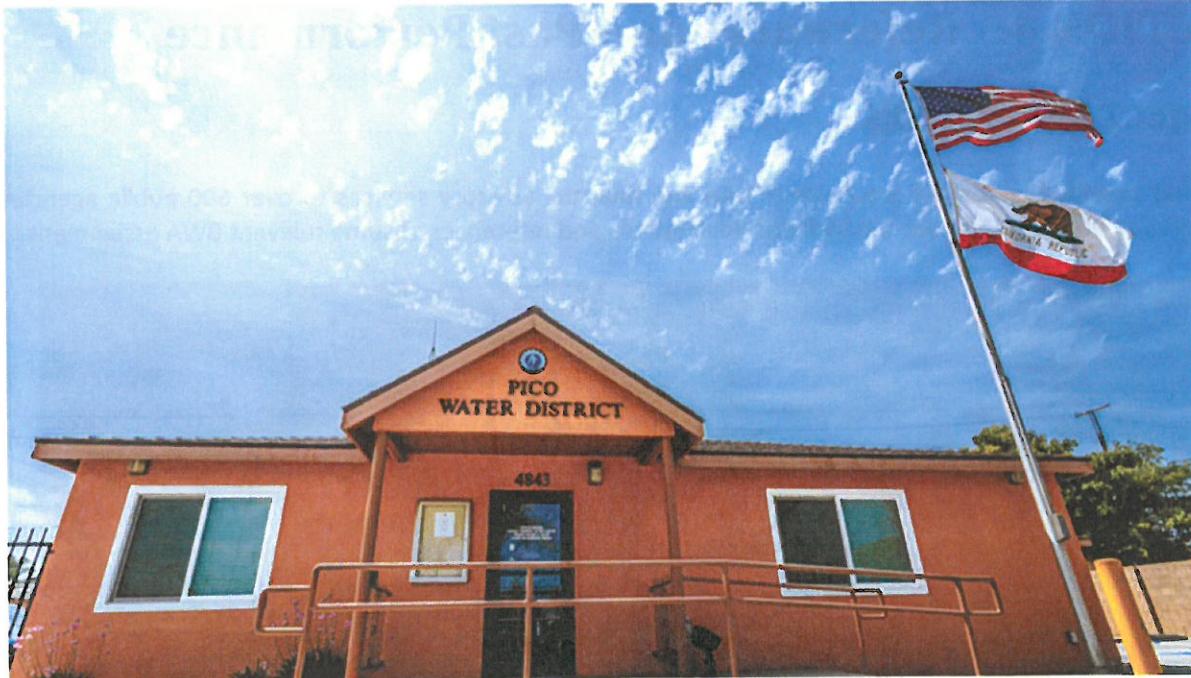
Most recently, in 2019, BWA performed comprehensive water, wastewater and solid waste cost-of-service rate studies. BWA recommended a series of rate increases designed to meet each utility's operating and capital funding needs. BWA also reviewed the water and solid waste rate structures and customers classes and recommended modifications designed to equitably recover the costs of providing service, comply with Proposition 218, and achieve the District's objectives.

BWA assisted the District with the Proposition 218 noticing and the rate adoption process which ultimately resulted in Board's adoption of recommended rate increases and cost-of-service based rate structure modifications.

Contact:

Shari Strain
Finance Officer
909-585-6525
sstrain@bbccsd.org





Pico Water District, CA

Pico Water District (District) provides water distribution and maintenance service to 5,600 customers in Pico Rivera, CA. The District provides water service to its customers through the use of a 1.25 million gallon reservoir and five wells ranging in water production from 600 gallons per minute to 2,800 gallons per minute. The District pumps all of its water from the underground aquifer known as the Central Basin, which is an adjudicated water basin.

The District contracted Bartle Wells Associates (BWA) to conduct a water rate study which recommended rates sufficient to support capital projects and complied with Proposition 218. BWA provided several rate structure recommendations including transitioning to a uniform rate structure. The Pico Water District Board adopted the BWA recommended rates after a successful 218 process.

Contact:

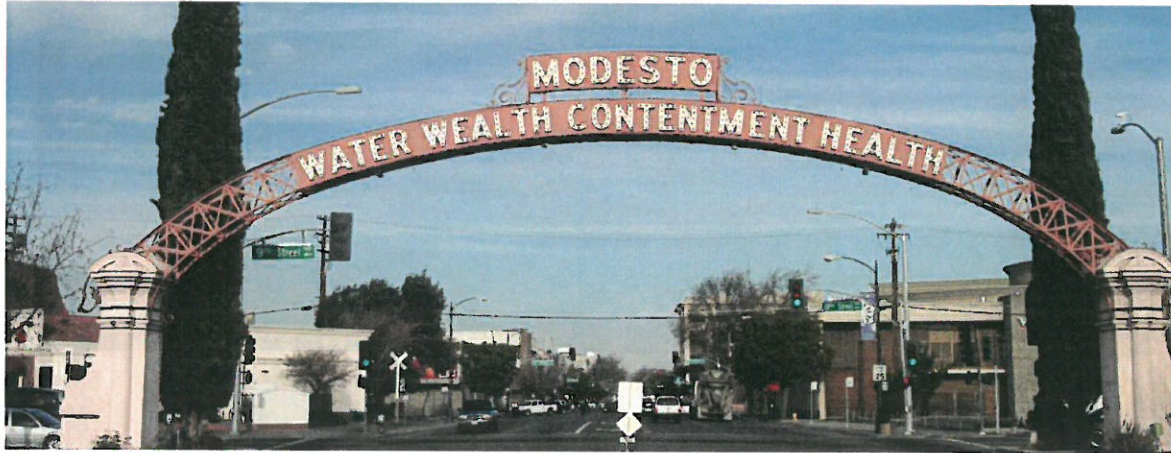
Mark Grajeda, General Manager

Pico Water District

(562) 692-3756

msgrajeda@picowaterdistrict.net





City of Modesto, CA

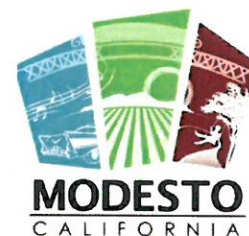
In 2015, BWA was retained to work with the City and the Industrial customers to develop a new wastewater rate structure based on the 2014 Tolling Agreement. Working closely with an accountant hired by the City's large industrial customers, BWA developed a separate large industrial wastewater rate structure and capacity fee schedule for cannery customers. BWA also developed new rates reflecting the City's tertiary treatment stream and secondary treatment "scalping." We met with stakeholder groups, the wastewater master planning engineering team, Finance Committee, and City Council on many occasions to vet our recommendations and gain consensus. Our rate study was implemented by City Council April 2016.

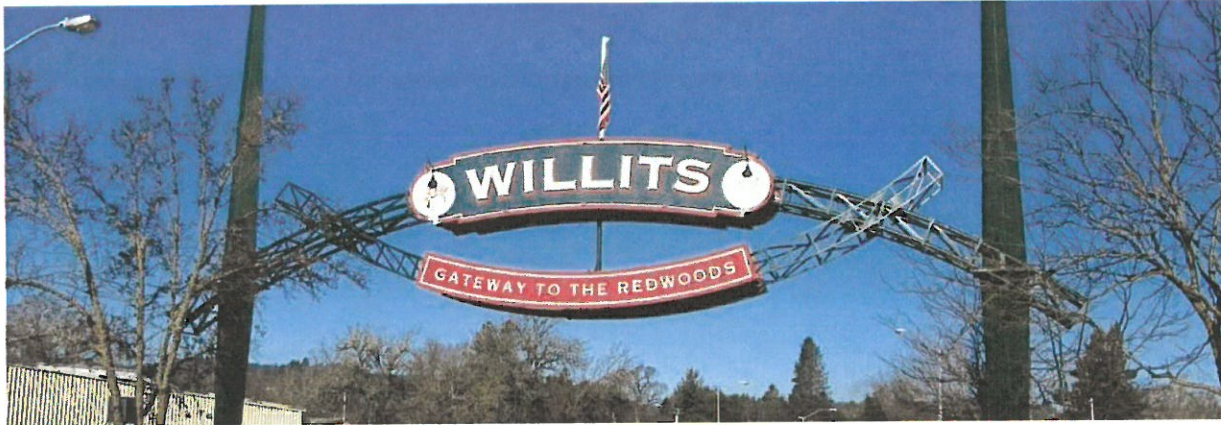
In 2015, the City retained BWA to conduct a comprehensive water rate study. The City had not raised rates since 2013 and experienced reduced revenue due to drought conditions. BWA developed drought surcharges and analyzed individualized rate structures for each of the City's outlying service areas. A Proposition 218 hearing to adopt proposed rates was successfully completed in Fall 2016.

In 2021 BWA was retained again to perform water and sewer rate studies. BWA is in the process of completing these studies.

Agency Contact:

William Wong, P.E., Sr. Engineer
(209) 571-5801
wwong@modestogov.com





City of Willits, CA

The City of Willits is located in Mendocino County with a population of approximately 5,000. BWA has worked with the City on various projects since 1997.

In 2007, BWA assisted the City in issuing Certificates of Participation (COPs) through the USDA Rural Utilities program. Subsequently, we assisted the City in issuing an additional \$8.3 million in COPs in 2011 for further wastewater capital improvements.

In 2008, BWA prepared a comprehensive water rate study for the City that recommended moving to a tiered-rate structure. The City has limited water supplies and was seeking a rate conservation-based structure that would still enable it to meet all of its funding needs.

In 2015, BWA developed rates for septage sewer, leachate and construction storm water haulers discharging into the City's wastewater treatment system. In line with the methodology used to calculate non-residential sewer rates, the proposed rates were based on metered water use and strength factor. In addition to the volumetric rates for wastewater treatment, BWA recommended that each separate load discharged be charged an administrative fee to cover City administration costs related to administering and maintaining the disposal facility at the wastewater treatment plant.

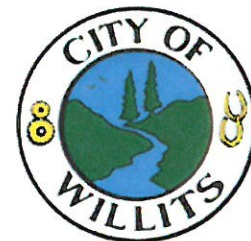
Most recently, the City retained Bartle Wells in 2023 to perform a comprehensive water and wastewater rate study. After a successful 218 process, the City council passed the recommended rate increases.

Agency Contact:

Andrea Trincado, Project Manager

(707) 459-7126

atrincado@cityofwillits.org



Additional References are Available Upon Request



List of Clients from Past Five Years

Alameda County Water District
Apple Valley, Town of
Arvin-Edison Water Storage District
Benicia, City of
Big Bear City Community Services District
Brentwood, City of
Cambria Community Services District
Central Costa County Water District
Crestline Sanitation District
Cotati, City of
Davis, City of
Diablo Water District
Dixon, City of
Downey, City of
Dublin - San Ramon Services District
East Bay Municipal Utility District
East Palo Alto Sanitation District
Fairbanks North Star Borough
Fresno, City of
Helendale Community Services District
Hesperia, City of
Humboldt Bay Municipal Water District
Huntington Park, City of
Indian Wells Valley Water District
Ironhouse Sanitary District
James Irrigation District
Joshua Basin Water District
Keyes Community Services District
Las Gallinas Valley Sanitary District
Lemon Grove, City of
Marina Coast Water District
Menlo Park, City of
Mid-Peninsula Water District
Milpitas, City of
Montara Water & Sanitary District
Monterey, City of
Monterey Peninsula Water Mgmt District
Morgan Hill, City of
Moulton Niguel Water District
Mountain View, City of
Mountain View Sanitary District
Novato Sanitary District
Palm Springs, City of
Patterson, City of
Petaluma, City of
Placerville, City of
Port Hueneme, City of
Poway, City of
Ramona Municipal Water District
Redwood City, City of
Riverdale Public Utility District
Rodeo Sanitary District
Running Springs Water District
San Bruno, City of
San Carlos, City of
San Diego County Water Authority
San Francisco Public Utilities Commission
San Juan Bautista, City of
San Mateo, City of
Santa Clara, City of
Santa Ynez Water Conservation District
Sewer Agency of Southern Marin
Silicon Valley Clean Water
Sonoma County Water Agency
Soquel Creek Water District
South San Francisco, City of
South Tahoe Public Utility District
Stege Sanitary District
Sunnyslope County Water District
Sunnyvale, City of
Thousand Oaks, City of
Triunfo Sanitation District
Tulare, City of
Tulare Lake Drainage District
Union Sanitary District
Vacaville, City of
Victor Valley Wastewater Reclamation Authority
West Valley Sanitation District
Williams, City of
Willits, City of
Windsor, City of
Winton Water and Sanitary District
Woodland, City of
Woodside, Town of
Yountville, Town of

SECTION 5: Tentative Schedule

This section presents a preliminary draft schedule for completing the project with a target of having new rates go into effect on July 1, 2024. BWA will work with District staff to develop key milestones and a final schedule.

Proposed Project Schedule

PROJECT TASK	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Project Initiation & Data Collection	█	█						
Wastewater Financial Plan		█	█	█	█			
Wastewater Rate Study		█	█	█	█	█		
Draft & Final Reports					█	█	█	
Kickoff & Project Team Meetings		█		█				
Board of Directors Meetings					█			
Proposition 218 Process & Hearing							█	█

Note: Individual project milestones will be established based on consultation with the project team.

SECTION 6: Scope of Work

This section presents a draft scope of services that we believe forms a sound basis for completing the wastewater rate study. Bartle Wells Associates will work with the District to finalize a scope of services that meets the District's objectives and schedule.

TASK A. PROJECT INITIATION & DATA COLLECTION

1. Project Team Orientation

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

- Identify members of District staff, engineering consultants, and other consultants/advisors who will participate in the project.
- Determine the roles and responsibilities of all project participants.
- Identify other parties that 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 District's wastewater systems, 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 the water enterprise and its finances, and to reach an agreement on basic assumptions to be used in the study.

Task A Deliverables Include:

- Project kickoff meeting
- List of project goals and objectives
- Final project schedule and budget
- Project team contact list
- List of key assumptions and alternatives underlying the rate and fee studies
- Meet with District staff to review and discuss findings and gain input

TASK B. 10-YEAR WASTEWATER 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 economic analyses, forecasts, and projections to be used in the development of financial projections for the District's wastewater system. Develop projections for the following areas (and others as appropriate):

- **Growth and Development/Redevelopment:** Evaluate historical growth trends and develop appropriate and conservative assumption for future development that can be incorporated into the financial plan/rate model. Demonstrate effect of financing assumptions of faster and slower growth rates.
- **Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with District staff to estimate potential

new operating costs, such as new O&M costs related to planned capital improvements, or costs for complying with future permit requirements.

- **Long-Term Capital Repairs & Replacements:** Based on input from District staff, determine a reasonable amount to include for future, ongoing capital repairs and replacements. BWA often recommends that agencies phase in funding for long-term system rehabilitation as rates are gradually increased.

2. Evaluate Financing Alternatives for Capital Improvements

Based on the results of the Effluent Plan, if warranted, 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, bank loans and lines of credit, and other options.
- Recommend the appropriate type of debt, its term and structure.
- Develop possible combinations of financing methods, such as cash and debt, and a mixture of borrowing options.

3. Establish Prudent Minimum Fund Reserve Targets

Establish prudent minimum fund reserve targets based on the operating and capital funding projections developed in the study. Meet with the District's Board to review the findings. Develop an implementation plan for achieving and maintaining the recommended reserve fund levels.

4. Develop 10-Year Cash Flow Projections

Develop cash flow projections showing the financial position of the District's wastewater system over the next 10 years. The cash flows will project fund balances, revenues, expenses, and debt service coverage, and will incorporate the forecasts developed with staff input, including funding needs for future repairs and replacements. 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 water conservation, the impact of current and future environmental regulations, etc. During this phase, BWA will work closely with the project team to develop financial and rate projections under alternative scenarios. BWA typically recommends that rate increases be phased in over time to minimize the annual impact on ratepayers.

5. Evaluate Rate Increase Options

Based on the cash flow projections, determine the annual revenue requirements and project required rate increases. Evaluate the financial impact of various rate adjustment alternatives, such as phasing in required rate increases over a number of years. If appropriate, develop a reduced rate alternative and evaluate impacts on the District's ability to fund capital projects.

6. Review Existing Financial Policies & Recommend New Policies as Appropriate

Review the District's existing financial and/or rate policies. Discuss potential policy modifications and/or other policies that the District may consider adopting to help provide policy guidance for long-term financial health.

Task B Deliverables Include:

- Evaluation of financing alternatives for capital improvements and recommended financing approach or approaches
- Recommendation for minimum fund reserve targets
- 10-year financial projections and financial plan
- Identification of alternative rate increase scenarios for District evaluation
- Meet with District to present findings, discuss alternatives, gain input, and develop preliminary recommendations

TASK C. WASTEWATER RATE STUDY

1. Review the District's Existing Wastewater Rate Structure

Review the District's existing wastewater rate structure and discuss advantages and disadvantages compared to other rate approaches. Summarize and discuss finding with the District's project team.

2. Conduct Rate Survey of Comparable Agencies

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

3. Analyze Wastewater Consumption Data

If appropriate, evaluate current and historical wastewater usage, billing data, and production data to determine reasonable and conservative estimates of demand to use in developing rate options. Wastewater use can fluctuate from year to year depending on various factors such as weather and local and regional conservation efforts. Ideally, we would prefer to analyze 3 years of billing data in order to determine slightly conservative demand projections.

4. Identify Rate Structure Modifications & Alternatives

Identify alternative rate structures or modifications to the District's existing wastewater rates designed to improve equity and/or better achieve District objectives. Discuss pros and cons of different rate structure options and their general impacts on different types of customers. Rate structure options will be refined as the study progresses based on input from the District's project team. Some potential rate structure modifications may include the following:

- Addition of a variable sewer rate component
- Changes to fixed vs. revenue charges and revenue recovery
- Potential modifications to ensure equity between residential and non-residential rates
- Breakout costs or surcharges for debt service, capital improvements, purchases etc. or passthroughs of inflation or importing costs as allowed by Proposition 218

5. Allocate Costs to Billing Parameters

Identify parameters for equitably allocating costs. Allocate revenue recovery targets identified in the financial plans to appropriate rate parameters to determine the underlying unit charges that will be used to calculate rates. Apply the underlying unit rates to the utility loading profiles of each customer class to ensure rate equity between different types of customer classes.

6. Develop Preliminary & Final Rate Recommendations

Based on the rate analyses and the financial plan update, develop draft rate recommendations. The recommendations can include a multi-year phase in of both overall rate increases and proposed rate structure adjustments. Review preliminary recommendations and key alternatives with the District's project team. Based on input received, develop final draft wastewater rate recommendations.

Final rate recommendations will be designed to a) fund long-term costs of providing service, b) be fair and equitable to all customers, as well as simple to understand, c) provide a revenue stability, and d) comply with the substantive

requirements of Prop. 218 and other applicable laws. Based on input from staff, develop a plan for implementing any rate structure modifications and/or rate adjustments.

7. Evaluate Rate Impacts on District Customers

Calculate the rate impacts of each rate alternative on a range of utility customers (e.g. different customer classes, customers with different levels of wastewater use, etc.) Work with the project team to identify customer and usage profiles to use for calculating the rate impacts. Discuss additional rate structure adjustments that may reduce the impact on certain customers if warranted and/or requested by the project team.

8. Compliance With Proposition 218

BWA remains available to assist the District with drafting the Prop. 218 rate notice. BWA recommends the notice go beyond the minimum legal requirements and provide clear and concise explanation of the reasons for any rate adjustments. We have found that ratepayers are generally much more accepting of rate increases or rate structure modification when they understand the reasons underlying the changes.

Task C Deliverables Include:

- Wastewater rate survey
- Independent evaluation of existing wastewater rate structure
- Analysis of wastewater billing data
- Identification of rate alternatives and their impacts
- Meet with District to present findings, discuss alternatives, gain input, and develop preliminary rate structure recommendations

TASK D. MEETINGS, PRESENTATIONS, REPORTS, & PROP. 218

1. Prepare Draft & Final Reports & Present Findings

Develop a draft report summarizing key background issues, study objectives, findings, assumptions, methodologies, draft recommendations and alternatives, impacts on ratepayers, and the rate surveys. The report will clearly explain the rationale for recommendations and will be drafted for a non-technical audience in plain English. Submit a draft report for District review and feedback (provide District with hard copies and an electronic copy as needed). Revise report based on District input and develop a final report (provide District with hardcopies and an electronic copy as needed).

2. Develop a User-Friendly Rate Model

Develop a simple and straightforward Excel-based financial and rate model to enable the District to evaluate financial scenarios and project future wastewater rates. The model will enable District staff to update financial information and key assumptions and evaluate the impacts of various rate increase alternatives on fund reserves, debt service coverage ratios, and customer bills. BWA has developed numerous rate and financial models for wastewater enterprises. We have found that keeping a model as straightforward as possible, without unnecessary complexity, can increase the model's usability and improve effectiveness as an in-house planning tool.

3. Meetings & Presentations

Meet with the District's project team to present and present findings, discuss alternatives and their impacts, gain ongoing input, and develop and hone recommendations. Present alternatives and findings to the Board of Directors

and staff. Our proposal includes a total of four meetings. A preliminary meeting/presentation schedule could include: one kickoff meeting, one progress meeting with the project team, two presentations/workshops with the Board of Directors/attendance at one Proposition 218 hearing. Additional meetings with committees and citizens group may also be included if warranted by staff. Meetings can also be combined, e.g. progress meetings can be scheduled on the same day as Board meetings, to reduce costs.

Presentations will provide brief background and study objectives, make a clear case why rate increases 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 water rates or finances.

4. Compliance with Prop 218

Proposition 218 establishes requirements for adopting or increasing property-related fees and charges. In July 2006, the California Supreme Court ruled that water rates are subject to Prop. 218 (Articles XIII C and XIII D of the state constitution). Prop. 218 requires that the District: 1) mail notification of proposed rate increases and the date, time, and place of public hearing to all affected property owners (and potentially ratepayers who are renters that pay water bills), 2) hold a public hearing not less than 45 days after the notices are mailed, and 3) subject the rate increases to majority protest; if more than 50% of property owners submit written protests, the proposed rate increases cannot be adopted. Water and sewer rates are exempt from the voting requirements of Prop. 218 provided rates do not exceed the cost of providing service and meet the substantive rate requirements of Proposition 218.

BWA remains available to assist the District with drafting the Prop. 218 rate notice. BWA recommends the notice go beyond the minimum legal requirements and provide clear and concise explanation of the reasons for any rate adjustments. We have found that ratepayers are generally much more accepting of rate increases when they understand why they are being implemented.

5. Public Education and Consensus-Building

Rate and fee adjustments are often controversial. BWA has extensive experience developing clear presentations that facilitate public understanding of the need for rate increases. We understand the importance of building consensus and public acceptance for our recommendations and can assist the District and public relations consultant in developing public education materials.

Task D Deliverables Include:

- Draft and Final Report
- PowerPoint presentation summarizing key findings, alternatives, and recommendations for Board of Directors Workshops
- User-friendly financial and rate model in Excel
- Attendance at 4 meetings including the initial kickoff meeting, a progress meeting, and 2 Board of Directors presentations, including the Prop 218
- Assist with Prop. 218 notice, public education and/or outreach efforts

STATEMENT OF AVAILABILITY AND FEES

1. Bartle Wells Associates 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, consulting engineers, and others as necessary.
3. Bartle Wells Associates will perform all work related to the assignment. Doug Dove, a firm principal and President will be assigned as project leader on this assignment.
4. The fees for services outlined in this proposal will not exceed \$49,890 including direct expenses estimated not to exceed \$3,000. The fee is based on the following assumptions:
 - a. The project will be completed by July 1, 2024, 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 a draft and a final version of tables and report. Time and expenses involved in revising tables and assumptions and additional report revisions may constitute additional services if not achievable within the budget.
 - d. The fee is based on a total of up to 3 in-person meetings and/or presentations.
5. Progress payments and direct expenses are payable monthly on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2023, which will remain in effect for the duration of this project.
6. In addition to the services provided under this proposal, the District may authorize Bartle Wells Associates to perform additional services, which may include, but are not limited to:
 - Changes in project scope
 - Delays in project schedule resulting in additional revisions
 - Additional meetings and presentations
 - Any other services not specified
7. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance as provided in the Certificate of Insurance attached.
8. 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.
9. This proposal may be withdrawn or amended if not accepted within 120 days

TASK	Estimated Hours	D. Dove @ \$275/hr	E. Helgeson @ \$235/hr	Total Cost
TASK A. PROJECT INITIATION & DATA COLLECTION	22	6	16	\$5,410
TASK B. 10-YEAR UTILITY ENTERPRISE FINANCIAL PLANS	44	12	32	\$10,820
TASK C. SEWER RATE STUDY	50	14	36	\$12,310
TASK D. SEWER CONNECTION FEES	40	10	30	\$9,800
TASK E. MEETINGS, REPORTS, MODEL, & PROP 218	34	14	20	\$8,550
SUBTOTAL HOURS	190	56	134	\$46,890
ESTIMATED NOT-TO-EXCEED EXPENSES				\$3,000
TOTAL PROJECT COSTS				\$49,890
<i>Contingency/Additional Analysis and/or Meetings (Optional)</i>				<i>\$10,000</i>

BARTLE WELLS ASSOCIATES
BILLING RATE SCHEDULE 2023
Rates Effective 1/1/2023

Professional Services

Financial Analyst I	\$110 per hour
Financial Analyst II	\$140 per hour
Senior Financial Analyst	\$165 per hour
Senior Project Manager	\$230 per hour
Principal Consultant	\$275 per hour

The professional time rates include all overhead and indirect costs. Bartle Wells Associates does not charge for secretarial 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 throughout the duration of the project.

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.

SCHEDULE OF INSURANCE

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	<ul style="list-style-type: none"> ▪ \$2,000,000 General Aggregate ▪ \$2,000,000 Products Comp/Op Aggregate ▪ \$2,000,000 Personal & Advertising Injury ▪ \$1,000,000 Each Occurrence 	6/1/24
Excess/Umbrella Liability	Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> ▪ \$1,000,000 Aggregate ▪ \$1,000,000 Each Occurrence 	6/1/24
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	<ul style="list-style-type: none"> ▪ \$1,000,000 Combined Single Limit 	6/1/24
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	<p>Workers' Compensation: Statutory Limits for the State of California. Employers' Liability:</p> <ul style="list-style-type: none"> ▪ 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 	6/1/24
Professional Liability	Axis Surplus Lines Insurance Company Policy #ENN603224	<p>Solely in the performance of services as municipal financing consultants for others for a fee.</p> <p>Limit: \$2,000,000 Per Occurrence & Aggregate (including defense costs, charges, and expenses)</p>	6/1/24

