

Western Hills Water District

August 13, 2014

Proposal for Water Rate Study



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



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August 4, 2014

Western Hills Water District
9501 Morton Davis Drive
Patterson, CA 95363

Attn: Patrick Garvey, District Engineer

Re: Proposal for a Comprehensive Water Rate Study

Bartle Wells Associates is pleased to submit this proposal to develop a comprehensive water rate study for the Western Hills Water District. Our firm specializes in providing independent financial advisory and utility rate consulting 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 California agencies. We are currently working with the city of Patterson and are very familiar with the Diablo Grande development and surrounding areas.

Established in 1964, Bartle Wells Associates has served over 500 public agencies throughout the Western United States, predominantly in California, and has completed over 1,000 utility rate and fee studies. Our clients have ranged from small cities and districts to large cities, special districts, joint powers authorities, and counties. We have helped many agencies modify their existing rate structures to provide a better balance of revenue stability and conservation incentive. Our rate studies are based on comprehensive analysis of each agency's customer base, consumption patterns, and demands to ensure rate structure recommendations reflect local needs and objectives.

Our proposal includes a description of our firm, resumes of key staff assigned, experience and references, scope of work, and a similar study's costs. We are very interested in working with the District on this project and hope this proposal provides a suitable basis for our selection. Please contact me at (510) 653-3399, ext. 110 if you have any questions or would like any additional information.

Sincerely,

BARTLE WELLS ASSOCIATES

Douglas Dove, PE, CIPFA
President/Principal

Section 1: Firm Overview

Bartle Wells Associates (BWA) is an independent financial advisor to public agencies that specializes in 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 California and completed over 2,500 assignments. We have a diversity of abilities and experience to evaluate all types of financial issues faced by local governments and to recommend the best and most-practical solutions.

Bartle Wells Associates has a stable, well-qualified professional team. Our education and backgrounds include finance, civil and environmental engineering, business, public administration, public policy, and economics. The firm is owned and managed by its principal consultants who have been with the firm for many years.

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 develop practical recommendations that are easy to implement and 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 and wastewater 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

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



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

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, develop a plan that recommends the best financing approach, and clearly identify the sources of revenue for funding projects and repaying any debt. 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 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, \$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 Independent Public Finance Advisors (NAIPFA)**, which establishes strict criteria for independent advisory firms throughout the United States. All of our lead consultants are *Certified Independent Public Finance Advisors*.



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

PROFESSIONAL LIABILITY INSURANCE

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 ▪ \$1,000,000 Personal & Advertising Injury ▪ \$1,000,000 Each Occurrence 	6/1/15
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	<ul style="list-style-type: none"> ▪ \$1,000,000 Combined Single Limit 	6/1/15
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	Workers' Compensation: Statutory Limits for the State of California. Employers' Liability: <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 	6/1/15
Professional Liability	Chubb & Son, Inc. BINDO94045	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)	6/1/15

Bartle Wells Associates was established in 1964 and is a California Corporation. The Federal ID number is 94-1664409. BWA is certified as a State of California Small Business; certification number 26329 and as a Small, Local, Emerging Business by Alameda County; certification number 03-90344.

Section 2: Staffing & Project Team

BWA STAFF

BWA specializes in water and wastewater rates and finance. We have extensive, directly-applicable experience developing similar studies for a wide range of California cities, counties, special districts, and joint powers authorities. Although we consider ourselves a small business with eight employees, we are one of the largest utility rate consulting firms in California since we specialize exclusively in utility rates and finance. All of our staff members are knowledgeable about utility rates, fees, and finances.

Professional Staff			Years	Years of
Name	Title	Academic Background	With BWA	Professional Experience
Thomas E. Gaffney*	Principal Consultant	Engineering & Finance	38	40
Reed V. Schmidt*	Principal Consultant	Utility Economics	25	35
Douglas R. Dove*	Principal Consultant	Civil Engineering	24	26
Alex Handlers*	Principal Consultant	Public Administration	15	22
Catherine Tseng*	Sr. Financial Analyst	Urban Planning	6	8
Alison Lechowicz	Sr. Financial Analyst	Public Administration	4	6
Michael DeGroot	Financial Analyst I	Business Administration	1	1

*Certified Independent Public Finance Advisor, and professional member of the National Association of Independent Public Finance Advisors

PROJECT TEAM

BWA uses a **team approach** for all projects, typically assigning two or three consultants to each assignment, including at least one principal consultant. All project staff, from the most senior partners to financial analysts are available to clients at all times, whether for a phone call or meeting. Our general project approach is to work closely with staff and other members of the project team, identify objectives, set milestones, have frequent communication, and remain flexible to resolve unanticipated issues. BWA has a long track record of completing assignments on-schedule and on-budget.

BWA proposes to assign Doug Dove, a firm principal, as project manager and principal-in-charge for this project. He has extensive experience developing financial plans and utility rate and fee studies for numerous California agencies. Doug also has significant experience working with California water districts which are unique "landowner districts".

Doug will be assisted by Catherine ("Cat") Tseng, a senior consultant. Cat Tseng, a financial analyst, has with substantial experience assisting in the development of utility rate and fee studies. In recent years she has worked on a variety of water and sewer rate and fee studies.

Doug will oversee all work, be the Agency's day-to-day contact person and lead all presentations. Cat will provide project support, in-depth analysis and work closely with Doug and District staff to develop recommendations.



DOUGLAS DOVE, PE, CIPFA

Project Manager

Douglas R. Dove is President of Bartle Wells Associates and directs the operation of the firm while maintaining a principal consultant's role. With over 26 years of consulting experience, he specializes in strategic financial planning, utility rate setting and bond/debt marketing. Since joining Bartle Wells Associates in 1990, he has worked for a wide variety of public agencies and developed numerous financing plans and rate studies to support small and large capital programs as well as managing over \$1 billion in municipal debt sales and the procurement of over \$300 million in state and federal grants and low-interest loans. Mr. Dove frequently shares his expertise and has given presentations at conferences including the Association of California Water Agencies (ACWA), the California Association of Sanitary Agencies (CASA), the California Municipal Treasurers Association (CMTA) and the California Water Environment Association (CWEA) and WateReuse.

Mr. Dove's expertise includes assisting agencies in securing state and federal grants and loans and in issuing certificates of participation (COPs), revenue bonds, general obligation bonds, assessment district bonds, Marks-Roos revenue bonds, private placement loans and other types of debt.

Mr. Dove holds an MS in civil engineering from UC Berkeley and he is a registered Professional Engineer in California. He is also a Certified Independent Public Finance Advisor (CIPFA) and recently finished his term on the board of directors of the National Association of Independent Public Finance Advisors (NAIPFA).

Representative Projects

- **City of Patterson:** Water and wastewater rate studies and five year financing plans.
- **City of Davis:** Comprehensive water rate study (ongoing).
- **City of Hughson:** Water and wastewater rate studies, financing plans and procurement of SRF loans and bank financing for the wastewater treatment plant.
- **Big Bear Area Regional Wastewater Agency:** Regional wastewater rate study, sale of bonds (2 issues), bank loans (2 loans), and refunding.
- **Running Springs Water District:** Water, wastewater, fire and ambulance enterprise financial plans and rate studies.
- **Irish Beach Water District:** Water rate study and engineer's report and mailed ballot election.
- **West Valley Sanitation District (Campbell, CA):** Wastewater rate study and financing plan.
- **Tulare Irrigation District:** Financial advisor on competitive placement of \$9 million refunding bank loan.
- **Napa-Berryessa Resort Improvement District:** Developed financing plan for water and wastewater improvements and prepared assessment engineers report. Assisting in forming an assessment district and securing \$11.1 million in federal funding from US Department of Agriculture.
- **City of Ontario/Ontario Redevelopment Agency:** financial advisor on \$134.3 million in development refunding and new money issues (2), which included financing for the Ontario Convention Center.
- **El Dorado Irrigation District:** Water and wastewater rate studies.
- **Lake Arrowhead Community Services District:** Financial master plan, \$28 million revenue bond refinancing and water and wastewater rate studies.
- **California Statewide Communities Development Authority:** Financial advisor for statewide pooled revenue bond program (over \$250 million issued for over 32 borrowers).

- **City of Hesperia:** Comprehensive water and wastewater financial plan and rate study.
- **South Bay Water Recycling Program, Phases 1 & 2:** Financial plan and rate study for \$200+ million regional (San Jose area) wastewater recycling program.
- **City of Roseville:** Regional wastewater financing plan and connection charge study for over \$200 million of planned capital improvements.
- **City of Tulare:** Financial advisor to the City, sale of \$63 million in bonds (3 issues), water and wastewater rate studies.
- **City of Hanford:** Wastewater financial plan and rate study, bond and bank loan issues, procurement of California Infrastructure Bank SRF loan.

Education

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

B.S., Civil Engineering – Drexel University

Memberships

- National Association of Independent Public Finance Advisors (former Board Member)
- League of California Cities
- Association of California Water Agencies
- California Water Environment Association
- California Association of Sanitation Agencies
- WaterReuse Association

Certifications

Certified Independent Public Finance Advisor (CIPFA), and registered Professional Engineer (PE) in California
PE# 45642

CATHERINE TSENG, CIPFA

Analyst

Catherine L. Tseng is a financial analyst with Bartle Wells Associates. She 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. Ms. Tseng 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. She also helps agencies assess financing options for public works projects and issue debt via bonds, bank loans, and various state-subsidized loan programs. She is a Certified Independent Public Finance Advisor. Prior to joining Bartle Wells Associates, Ms. Tseng worked in the City of Oakland Planning Department.

Representative Projects

- **City of Patterson:** Water and wastewater rate studies and five year financing plans.
- **City of Davis:** Currently assisting City with development of water enterprise financial plan and conservation-oriented rate structure study.
- **Big Bear Area Regional Water Agency:** Reviewed wastewater rates and developed recommendations for rate increases, reserve levels, and capital funding mechanisms.
- **Running Springs Water District:** Prepared financial plan and rate studies for the water, wastewater, fire/ambulance utilities.
- **City of Monterey:** Completed long-range financial plan and wastewater rate study.
- **Sonoma County Water Agency:** Prepared sewer rate study for the Agency's eight sanitation zones and districts. Developed pilot program to implement residential volumetric sewer rates.
- **Indian Wells Valley Water District:** Updated cost of service based water rate study and developed conservation rates under an inclining block water rate structure. Assisted with \$20 million bond sale.
- **City of Mountain View:** Prepared water, wastewater, and recycled water rate studies.
- **Montara Water and Sanitary District:** Updated rates, charge, and connection fees for District's water and sewer systems.
- **City of Benicia:** Completed raw water rate study that developed rate method for the Valero Refinery. Prepared water rate study and capacity fee study.
- **Town of Yountville:** Completed a long-range financial plan for the water and wastewater enterprise to phase out subsidies from the general fund. Developed recycled water rates for peak and off-peak consumption and assisted with contract negotiations with recycled water customers.
- **Soquel Creek Water District:** Developed water financial plan and rate study that developed drought emergency rates. Currently assisting with competitive \$18 million bond sale for water infrastructure.
- **El Dorado Irrigation District:** Updated connection fees for the District's water, wastewater and recycled water utilities. Worked with a local task force throughout the process.

Education

B.A. – U.C. Berkeley, Berkeley, California

M.S.U.P (Master of Science in Urban Planning) – Columbia University, New York

Certifications

CIPFA – Certified Independent Public Finance Advisor

Section 3: Experience & References

SIMILAR PROJECTS OVER THE LAST FIVE YEARS

BWA has experience working with over 500 public agencies including cities, counties, and special districts from all areas of California. The following is a sample list of projects that Doug Dove has successfully managed over the past five years. The projects include financial plans, utility rate studies, development impact fee studies, and infrastructure financing.

Alameda County Water District

Big Bear Area Regional Water Agency

Brawley, City of

Central Contra Costa Sanitary District

Chula Vista, City of

Colusa, City of

Crockett Community Services District

Davis, City of

Delta Diablo Sanitation District

Dixon, City of

Dublin - San Ramon Sanitation District

East Bay Municipal Utility District

Eastern Sierra Community Services District

El Dorado Irrigation District

Garberville Sanitary District

Hanford, City of

Helendale Community Services District

Home Gardens Sanitary District

Humboldt Bay Municipal Water District

Irish Beach Water District

Indian Wells Valley Water District

Lemon Grove, City of

Lindsay, City of

Monterey, City of

Morgan Hill, City of

Napa Berryessa Resort Improvement District

Patterson, City of

Placerville, City of

Rio Dell, City of

Roseville, City of

Running Springs Water District

San Juan Bautista, City of

San Ramon Valley Fire Protection District

Santa Ynez Community Services District

Sewerage Agency of Southern Marin

Sonoma County Water Agency

Sunnyvale, City of

Sunnyslope County Water District

West Valley Sanitation District

Yountville, Town of

REFERENCES

City of Patterson

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.

Doug is currently working with the City to update the water and sewer 5-year financial plan and rate studies.

Agency Contact:

Contact: Mike Willet, Director of Public Works
Address: 1 Plaza, Patterson, CA 95363
Phone Number: (209) 895-8065
Email: mwillet@ci.patterson.ca.us

Helendale Community Services District

Helendale Community Services District provides water, wastewater and parks and recreation services in the Silver Lakes Area in San Bernardino County. BWA has been the District's financial advisor since 2007.



In 2012, BWA completed a water and sewer rate study. The study looked at adding additional tiers to encourage conservation and increase revenue from extreme water users. The District purchases a portion of its water from other agencies. We established a pass-through rate for these

purchases, developed water tiers based on cost-of-service, and set rates to match declining usage and expected drought conditions in order to ensure sufficient revenue to meet expected capital expenses. The sewer study looked at converting from an EDU billing system to a winter-water use basis. It was determined the current system was sufficient.

Agency Contact:

Contact: Kimberley Cox, General Manager
Address: 26719 Vista Rd #3, Helendale, CA 92342
Phone Number: (760) 951-0006
Email: kcox@helendalecsd.org

City of Davis

Due to groundwater quality issues, the City of Davis is looking to participate in a \$330 million regional surface water treatment and distribution project with its neighbor, the City of Woodland.



Since February 2012, BWA has worked closely with City staff and a 15-member Water Advisory Committee (WAC) to review water rate structure alternatives, evaluate various financing scenarios, and develop a gradually phased-in set of rate increases to support the surface water project. The detailed rate study recommended rate increases through 2017/18 which will assist the City in obtaining State loans and grants as well as other debt financing alternatives.

The WAC recommended implementing a new rate structure called the consumption-based fixed rate (CBFR) to recover a portion of the fixed costs based on each customer's actual consumption. Instead of using meter size as the basis for recovering all of the water system's fixed costs, CBFR is structured so that each ratepayer's proportional share of the fixed costs related to water supply and treatment is based on their actual water usage from the previous summer months when consumption is typically at its peak. The CBFR rate structure will give residents increased control over their bills and allow property owners to determine approximately 80% of their water service fees in a given year in advance. The City is proposing to implement the CBFR rates structure in phases, allowing customers to implement water conservation measures before the new rate structure is in place.

The surface water project was approved by voters at a citywide election on March 5, 2013. The City Council approved water rates through 2018/19 on March 19, 2013.

Agency Contact:

Contact: Herb Niederberger, General Manager - Utilities
Address: 1717 5th Street, Davis, CA 95616
Phone Number: (530) 757-5885
Email: hniederberger@cityofdavis.org

Additional job descriptions and references are available upon request

Section 4: Proposed Scope of Services

This section presents a draft scope of services that we believe forms a sound basis for completing this assignment. Bartle Wells Associates will work with the District to finalize a scope of services that meets the District's objectives and schedule. At the end of the study, BWA will produce a legally defensible document that outlines a comprehensive, reasonable financial plan and rate study developed through sound, industry-standard methods.

TASK A. PROJECT INITIATION & 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 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 utility 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 each enterprise and its finances, and to reach an agreement on basic assumptions to be used in the study. A list of preliminary information needs is attached to this proposal.

Task A Deliverables Include:

- Project kickoff meeting
- List of project goals and objectives
- Final project schedule and budget
- Project team contact list

TASK B. 10-YEAR WATER UTILITY ENTERPRISE 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 District's water enterprise. 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 and redevelopment 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 costs trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with 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 for each of the District's utilities. BWA often recommends that agencies phase in funding for long-term system rehabilitation as rates are gradually increased.
- **Water Demand, Supply, & Cost:** With District input, forecast water demand, future conservation projections, and sources of supply. Evaluate alternative water supply and cost scenarios as warranted.

Review projections with District 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, 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.
- Evaluate financing approaches for specialized areas such as improvement districts and benefit zones, if warranted.

3. Allocated Capital Improvement Costs to Existing vs. Future Customers

Work with District staff, and potentially the consulting engineers who developed the most recent water master plans, to allocate capital project costs to existing ratepayers vs. future customers, who should generally pay for capacity improvements benefitting new development.

4. Establish Prudent Minimum Fund Reserve Targets

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

5. Develop 10-Year Cash Flow Projections

Develop cash flow projections showing the financial position of the District's water and sewer enterprises 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, 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.

6. Evaluate Rate Increase Options

Based on the cash flow projections, determine the annual revenue requirements for the water and sewer enterprises and project required utility 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 for each utility and evaluate impacts on the District's ability to fund capital projects.

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

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

Task B Deliverables Include:

- List of key assumptions and alternatives underlying the water rate and fee study
- 10-year financial projections and financial plan along with all supporting tables
- Identification of alternative rate increase scenarios for District evaluation
- Evaluation of financing alternatives for capital improvements and recommended financing approach or approaches
- Recommendation for minimum fund reserve targets

TASK C. WATER RATE STUDY

1. Review the District's Existing Water Rate Structure

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

2. Analyze Utility Consumption Data

Evaluate current and historical water and sewer usage, utility billing data, and production data to determine reasonable and conservative estimates of demand to use in developing rate options. Water 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 utility billing data in order to determine slightly conservative demand projections.

Residential wastewater flows can be estimated based on historical metered water consumption during the wettest winter months (typically December through March), when customers typically use minimal to no water for landscape irrigation.

3. Identify Rate Structure Modifications & Alternatives

Identify alternative rate structures or modifications to the District's existing rates designed to improve equity and/or better achieve District objectives. For each utility, 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:

Water Rate Alternatives

- Changes to fixed vs. revenue charges and revenue recovery
- Revisions to the number of water rate tiers, tier breakpoints, and/or tier steepness
- Potential separate quantity rate structure for non-residential customer class
- Developing seasonal water rates if appropriate

4. 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.

5. Review Current Water Fees

Review the current capacity fees as well as policies and procedure and for compliance with Government Code Section 66000 et. seq. (AB1600). Determine whether current charges are sufficient to fund capital needs to serve new customers. Work with the District to identify objectives for new or modified capacity charges.

6. Conduct Rate and Connection Fee Survey of Regional Water Agencies

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

7. 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 and Board of Directors. Based on input received, develop final draft water and sewer rate recommendations.

Final rate recommendations will be designed to a) fund each utility's long-term costs of providing service, b) be fair and equitable to all customers, c) provide a prudent balance of revenue stability and conservation incentive, and d) comply with the substantive requirements of Prop. 218. Based on input

from staff, develop a plan for implementing any rate structure modifications and/or rate adjustments.

8. 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 water or sewer 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.

Task C Deliverables Include:

- Independent evaluation of existing utility rate structure
- Analysis of utility billing data
- Identification of rate alternatives and their impacts
- Review of existing connection fees
- Utility rate surveys

TASK D. MEETINGS/PRESENTATIONS, REPORTS, & PROPOSITION 218

1. 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 findings to Board of Directors. The final number of meetings will be determined with input from the District's project team. A preliminary meeting/presentation schedule could include: one kickoff meeting, one progress meeting with the project team, one meeting with a citizens group, one meeting with the Board to present draft recommendations, and attendance at one Proposition 218 hearing. Additional meetings with committees and citizens group may also be included if warranted by District 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.

2. Prepare Draft & Final Reports & Present Findings

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 of Directors. Prepare final reports incorporating feedback received.

3. Compliance With Proposition 218

Prop. 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 XIIC and

XIIID 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.

4. 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 in developing public education materials.

Task D Deliverables Include:

- Attendance at project team meetings and Board meetings
- PowerPoint presentation summarizing key findings, alternatives, and recommendation, including a summary presentation at the Prop. 218 Rate Hearing
- Draft and final reports summarizing key findings, alternatives, and recommendations
- Drafting of the Prop 218 notice and assistance with Prop. 218 compliance

PRELIMINARY SCHEDULE

Bartle Wells Associates is prepared to begin work upon the District's authorization to proceed. The following chart presents a preliminary schedule for completing the project.

TASK	Sep-14	Oct-14	Nov-14	Dec-15	Jan-15	Feb-15	March-15
TASK A - PROJECT INITIATION & DATA COLLECTION							
1. Project Team Orientation/Kickoff Meeting	■						
2. Investigation & Data Collection		■ ■ ■ ■ ■					
TASK B - 10-YEAR WATER UTILITY ENTERPRISE FINANCIAL PLANS							
1. Develop Forecasts and Projections			■ ■ ■ ■ ■				
2. Evaluate Financing Alternatives for Capital Projects			■ ■ ■ ■ ■				
3. Develop 10-Year Cash Flow Projections & Revenue Requirements				■ ■ ■ ■ ■			
4. Review Fund Reserve Targets				■ ■ ■ ■ ■			
TASK C - WATER RATE STUDY							
1. Evaluate Water Consumption and Production Data			■ ■ ■ ■ ■				
2. Evaluate City's Utility Billing System Capabilities			■ ■ ■ ■ ■				
3. Conduct Rate Survey of Regional Agencies				■ ■ ■ ■ ■			
4. Identify and Evaluate Conceptual Rate Structure Alternatives				■ ■ ■ ■ ■			
5. Develop Rate Schedules Under Various Alternatives				■ ■ ■ ■ ■			
6. Evaluate Impacts on City Customers				■ ■ ■ ■ ■			
7. Develop Preliminary & Final Rate Recommendations				■ ■ ■ ■ ■			
TASK D - MEETINGS/PRESENTATIONS, REPORTS, & PROPOSITION 218							
1. Meetings & Presentations (5 budgeted)	■	■		■	■	■	■
2. Compliance with Proposition 218						45 DAYS	■
3. Public Education and Consensus Building						45 DAYS	■
4. Develop Preliminary, Draft & Final Reports				■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■

COST PROPOSAL

Western Hills Water District
 Comprehensive Water Rate Study
 Proposed Project Budget – 2014

TASK	Estimated	D. Dove	C. Tseng	Total
	Hours	@ \$225/hr	@ \$165/hr	Cost
TASK 1 - PROJECT INITIATION & DATA COLLECTION	16	6	10	\$3,000
1. Project Team Orientation/Kickoff Meeting				
2. Investigation & Data Collection				
TASK 2 - FINANCIAL PLAN	30	10	20	\$5,550
1. Develop Forecasts and Projections				
2. Evaluate Financing Alternatives for Capital Projects				
3. Develop 10-Year Cash Flow Projections & Revenue Requirements				
4. Review Fund Reserve Targets				
TASK 3 - RATE STRUCTURE ANALYSIS	30	10	20	\$5,550
1. Evaluate Water Consumption and Production Data				
2. Evaluate City's Utility Billing System Capabilities				
3. Conduct Rate Survey of Regional Agencies				
4. Identify and Evaluate Conceptual Rate Structure Alternatives				
5. Develop Rate Schedules Under Various Alternatives				
6. Evaluate Impacts on City Customers				
7. Develop Preliminary & Final Rate Recommendations				
TASK 4 - UPDATE CONNECTION FEES (i.e Capacity Charges)	34	10	20	\$5,550
1. Conduct Survey of Regional Capacity Charges				
2. Identify & Evaluate Alternative Capacity Fee Methodologies				
3. Determine Value & Capacity of Existing & Future Infrastructure				
4. Calculate Updated Capacity Charges				
TASK 5 - MEETINGS, PRESENTATIONS, AND REPORT	36	20	22	\$8,130
1. Meetings & Presentations				
2. Compliance with Proposition 218				
3. Public Education and Consensus Building				
4. Develop Preliminary, Draft & Final Reports				
TOTAL ESTIMATED CONSULTING HOURS & COSTS	148	56	92	\$27,780
Estimated Direct Expenses				\$500
Travel				200
Miscellaneous				700
Total Estimated Expenses				
Total Project Cost				\$28,000

SIMILAR PROJECT: COST PROPOSAL

City of Patterson

Water & Wastewater Rate Analysis & Prop 218 Validation

Proposed Project Budget – 2009

TASK	Estimated	D. Dove	C. Tseng	Total
	Hours	@ \$225/hr	@ \$125/hr	Cost
TASK 1 - PROJECT INITIATION & DATA COLLECTION	32	6	12	\$4,800
1. Project Team Orientation/Kickoff Meeting				
2. Investigation & Data Collection				
TASK 2 - FINANCIAL PLAN	60	20	40	\$9,500
1. Develop Forecasts and Projections				
2. Evaluate Financing Alternatives for Capital Projects				
3. Develop 10-Year Cash Flow Projections & Revenue Requirements				
4. Review Fund Reserve Targets				
TASK 3 - RATE STRUCTURE ANALYSIS	84	24	60	\$12,900
1. Evaluate Water Consumption and Production Data				
2. Evaluate City's Utility Billing System Capabilities				
3. Conduct Rate Survey of Regional Agencies				
4. Identify and Evaluate Conceptual Rate Structure Alternatives				
5. Develop Rate Schedules Under Various Alternatives				
6. Evaluate Impacts on City Customers				
7. Develop Preliminary & Final Rate Recommendations				
TASK 4 - UPDATE CONNECTION FEES (i.e Capacity Charges)	40	10	30	\$6,000
1. Conduct Survey of Regional Capacity Charges				
2. Identify & Evaluate Alternative Capacity Fee Methodologies				
3. Determine Value & Capacity of Existing & Future Infrastructure				
4. Calculate Updated Capacity Charges				
TASK 5 – PERFORM “BEST FINANCIAL MANAGEMENT PRACTICES” REVIEW	32	12	20	\$5,200
TASK 6 - MEETINGS, PRESENTATIONS, AND REPORT	68	20	48	\$10,500
1. Meetings & Presentations				
2. Compliance with Proposition 218				
3. Public Education and Consensus Building				
4. Develop Preliminary, Draft & Final Reports				
TOTAL ESTIMATED CONSULTING HOURS & COSTS	148	56	92	\$24,100
Estimated Direct Expenses				
Travel				\$500
Copies/binding/phone/fax/mail/miscellaneous				\$200
Phone/fax/mail				\$200
Miscellaneous				\$200
Total Estimated Expenses				\$1,100
Total Project Cost				\$50,000

SIMILAR PROJECT: ACTUAL COST

City of Patterson

Water & Wastewater Rate Analysis & Prop 218 Validation

Actual Cost – 2009

PROJECT BUDGET

TASK	Estimated Hours	D. Dove @ \$225/hr	C. Tseng @ \$125/hr	Total Cost
TASK 1 - PROJECT INITIATION & DATA COLLECTION	32	8	24	\$4,800
1. Project Team Orientation/Kickoff Meeting				
2. Investigation & Data Collection				
TASK 2 - FINANCIAL PLAN	60	20	40	\$9,500
1. Develop Forecasts and Projections				
2. Evaluate Financing Alternatives for Capital Projects				
3. Develop 10-Year Cash Flow Projections & Revenue Requirements				
4. Review Fund Reserve Targets				
TASK 3 - RATE STRUCTURE ANALYSIS	84	24	60	\$12,900
1. Evaluate Water Consumption and Production Data				
2. Evaluate City's Utility Billing System Capabilities				
3. Conduct Rate Survey of Regional Agencies				
4. Identify and Evaluate Conceptual Rate Structure Alternatives				
5. Develop Rate Schedules Under Various Alternatives				
6. Evaluate Impacts on City Customers				
7. Develop Preliminary & Final Rate Recommendations				
TASK 4 - PERFORM "BEST FINANCIAL MANAGEMENT PRACTICES" REVIEW	32	12	20	\$5,200
TASK 5 - MEETINGS, PRESENTATIONS, AND REPORT	68	20	48	\$10,500
1. Meetings & Presentations				
2. Compliance with Proposition 218				
3. Public Education and Consensus Building				
4. Develop Preliminary, Draft & Final Reports				
TOTAL ESTIMATED CONSULTING HOURS & COSTS	276	84	192	\$42,900
Estimated Direct Expenses				\$500
Travel				200
Copies/binding/phone/fax/mail/miscellaneous				200
Phone/fax/mail				200
Miscellaneous				1,100
Total Estimated Expenses				\$44,000
Total Project Cost				\$44,000

Section 6: Preliminary Info Needs List

The following is a list of preliminary information materials needed to complete the rate studies. We will work with the District to develop a final list for the study.

1) Financial Information

- a) Adopted water budget
- b) Historical financial results in budget format for past 3 years (if available)
- c) Audited financial statements for 3 prior years
- d) Breakdown of utility fund reserve balances as of June 30, 2013 (and for prior 3 years too if readily available)
- e) Outstanding debt service schedules
- f) Fixed asset depreciation schedule for each utility including purchase date, cost, useful life, and depreciation (*in an Excel file if possible*)
- g) Any other financial information or projections that would be helpful

2) Rates & Connection Fees

- a) Current water rate and fee ordinances
- b) Historical utility rates for the past 5-10 years
- c) Prior rate and/or development impact fee studies

3) Customer & Usage Information

- a) Water accounts by customer class for past 3-5 years, also a breakdown of water accounts by meter size
- b) Excel files of water usage & billing data for past 3 years (*we can discuss*)
- c) BBWARA flows & charges for past 3-5 years
- d) New connections by customer class/meter size for past 3-5 years
- e) Historical and projected growth & any anticipated changes in the District's customer base

4) Capital Improvements

- a) Water and sewer master plans
- b) Latest Capital Improvement Plans for each utility
- c) History of capital expenditures for each utility for past 3-5 years
- d) Any other information on future capital needs, including long-term placeholder estimates
- e) Projected BBWARA capital funding requirements and impacts on City
- f) Estimates of future costs for utility infrastructure repairs and replacements

5) Financial Policies & Agreements

- a) Any existing financial policies related to the water and sewer utilities
- b) Agreements with BBRAWA and other agencies

6) Other Information

- a) Contacts for project team members and utility engineering consultants
- b) Any other relevant information we should be aware of