

RESOLUTION NO. 6216

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL AWARDING A CONTRACT
FOR PROFESSIONAL UTILITY RATE STUDY TO WILLDAN FINANCIAL SERVICES

WHEREAS, the City of Sebastopol issued Requests for Proposals to six professional firms to conduct a utility rate study (water and wastewater); and

WHEREAS, the City received three highly qualified bids; and

WHEREAS, management staff ranked the RFP response, and recommended Willdan Financial Services for the water and wastewater rate studies; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sebastopol, accept the recommendation of staff to select Willdan Financial Services and authorizes and directs the City Manager to execute the related contract; and

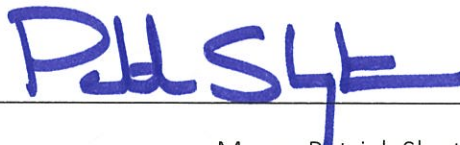
BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute any amendments pertaining to the contract.

IN COUNCIL DULY PASSED this 13th day of November 2018.

VOTE:

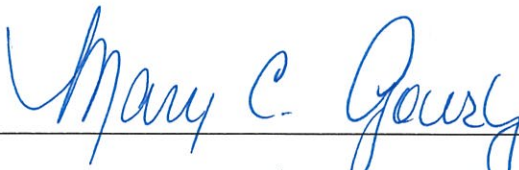
Ayes: Councilmembers Carnacchi, Glass, Gurney, Vice Mayor Hinton and Mayor
Slayter
Noes: None
Abstain: None
Absent: None

APPROVED: _____



Mayor Patrick Slayter

ATTEST: _____



Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM: _____

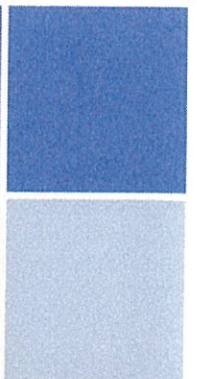
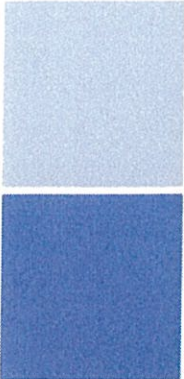


Larry McLaughlin, City Attorney

City of Sebastopol

Proposal

Utility Rate Study



A. Title Page

City of Sebastopol, California Utility Rate Study

Submitted by:



27368 Via Industria, Suite 200

Temecula, CA 92590

Tel: (800) 755-6864

Fax: (951) 587-3510

Contact Person:

Chris Fisher

Vice President – Group Manager

Email: CFisher@Willdan.com

Tel: (951) 587-3528

October 10, 2018

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October 9, 2018

Ms. Ana Kwong
Finance Director
City of Sebastopol
7120 Bodega Avenue
Sebastopol, California 95472

Re: *Proposal to Conduct a Water and Wastewater Rate Study for the City of Sebastopol*

Dear Ms. Kwong:

Willdan Financial Services ("Willdan") is pleased to submit the following proposal to conduct a Water and Wastewater Rate Study for the City of Sebastopol ("City"). Willdan possesses considerable experience in rate and financial analysis and consulting for utilities; and ***look forward to this opportunity to work with you on this important project; and to provide a fresh perspective based on our extensive experience and comprehensive approach.***

The City's previous water rate study effort resulted in a substantial rate increase, due primarily to State-mandated water conservation that caused a reduction in water sales. The City is also looking forward to completing necessary capital projects, following the previous five-year (2015-2020) Capital Improvement Plan that included approximately \$3.8MM in water improvements, including arsenic treatment projects, and \$2.2MM in wastewater projects. Taking a forward-looking approach to utility infrastructure is critical to any utility, and our model and analysis will incorporate a comprehensive capital funding element, with analysis of alternatives as appropriate, along with the revenue requirements analysis necessary to evaluate the utility's financial condition after the drought and reduced water consumption.

Willdan's interactive approach will result in a customized Excel financial model that the City will retain, and a focused and tailored analysis of the City's current rates, revenues, capital project and operational expenditures, debt commitments, reserve funding, and other financial data. The culmination of our analyses will be a comprehensive financial management plan that develops projected system operating results for the next 10 fiscal years, and suggested rates for up to five years. We will employ our proven interactive approach, supported with advanced financial modeling techniques, to develop a sophisticated and flexible financial model to help us guide the City through operating and financial scenarios, while evaluating the impact of policy assumptions, and performing sensitivity analysis on utility rate and financial strategies.

Our ability to focus on the financial aspects of operating publicly-owned utility systems is coupled with recognized leadership in strategic planning and operations and enables us to bring unmatched value to our clients. Our team brings a set of nationally-recognized qualifications and experts that sets us apart. These qualifications include:

Unique Approach — Our approach to the development of utility rates has been carefully honed over the years. We will ***work collaboratively with City staff to carefully assess and understand the City's unique utility system concerns and issues and develop a tailored approach that will best serve your needs.*** We do not use a "cookie-cutter" approach, but rather bring a combination of planning and financial expertise providing a thorough understanding of utility operations and management. ***A key to our approach is the use of a sophisticated and dynamic model and dashboard that allows us to quickly evaluate alternatives resulting from changes in assumptions and input variables, to address different policy and financial objectives.*** This allows us to work collaboratively and transparently, to provide comprehensive business solutions. Our objective is to educate and inform throughout the process, not just at the completion of the project.

Communicating the Results — Sound technical analysis is only one element of this process. It will be equally important to effectively communicate results and implications of the proposed rate structure to City staff, City Council, key stakeholders and, ***ultimately, to those that will be subject to new rates.*** Most of our projects incorporate significant community and/or stakeholder involvement and education efforts, and our experienced consultants are able to communicate complicated technical analysis in a manner that is easy to follow and understand.

The intuitive setup of our financial models allows Willdan to discuss and present critical information in a way that maximizes engagement and facilitates outreach. Our reports and presentations provide a solid understanding of the project and the rationale behind the development of the rates.

Unmatched Experience Developing and Implementing Utility Rates — Willdan is nationally recognized for its expertise in developing and implementing utility system financial planning, rate and impact fee studies, and has extensive recent experience in California implementing Proposition 218 compliant rate structures. **We recently completed highly successful comprehensive studies for the Cities of Calexico, Dinuba, Tulare, La Palma, Norwalk, Soledad, as well as the Mission Springs Water District, with experience that relates closely to the goals and objectives of the City's proposed study.** Willdan possesses exceptional experience in these areas and is excited about this opportunity to use our skills and expertise to assist the City of Sebastopol.

I, Chris Fisher, will serve as the Primary Contact person for this proposal; as an officer of the firm, I am authorized to bind Willdan Financial Services. Provided in the table below is my contact information, and the City engagement office:

Contact Information
Project Manager
Chris Fisher
Vice President – Group Manager
27368 Via Industria, Suite 200
Temecula, CA 92590
Tel#: (951) 587-3500 Fax #: (951) 587-3510
Email: CFisher@Willdan.com

Sincerely,

WILLDAN FINANCIAL SERVICES



Chris Fisher
Vice President – Group Manager
Financial Consulting Services



C. Letter of Transmittal

Qualifications and Experience

Firm Profile

Willdan Financial Services is one of four operating divisions within Willdan Group, Inc. Willdan, which was founded in 1964 as an engineering firm working with local governments, is now a publicly owned company on NASDAQ (NASDAQ ticker: WLDN) and is a leading nationwide provider of professional consulting and technical services. The primary markets Willdan serves are: electric energy consulting; infrastructure planning and engineering; economic and financial consulting; and homeland security consulting. The company serves these four complementary markets through its divisions – energy efficiency services (Willdan Energy Solutions), engineering services (Willdan Engineering), public finance services (Willdan Financial Services) and homeland security services (Willdan Homeland Solutions). Rooted in Willdan's corporate culture is its focus on quality customer service.

Currently, WGI has over 875 employees operating from offices in *Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Illinois, Kansas, Nevada, New Jersey, New York, Ohio, Oregon, Utah, Texas, and Washington.*



ENGINEERING, PLANNING & INFRASTRUCTURE



ENERGY EFFICIENCY & SUSTAINABILITY



FINANCIAL & ECONOMIC CONSULTING SERVICES



NATIONAL PREPAREDNESS & TRAINING

Primary Services

Established on June 24, 1988, Willdan Financial Services, a California Corporation, is a national firm, and is one of the largest public sector financial consulting firms in the United States. Since that time, we have helped over 1,200 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Willdan assists local public agencies by providing the following services:

- Utility rate and cost of service studies;
- User fee studies;
- Cost allocation studies;
- Economic development plans and strategies;
- Tax increment finance district formation and amendment;
- Housing development and implementation strategies;
- Financial consulting;
- Real estate acquisition;
- Development impact fee establishment and analysis;
- Real estate economic analysis;
- Feasibility studies;
- Classification/compensation surveys and analysis;
- Debt issuance support;
- Long-term financial plans and cash flow modeling; and
- Property tax audits.

Local Office

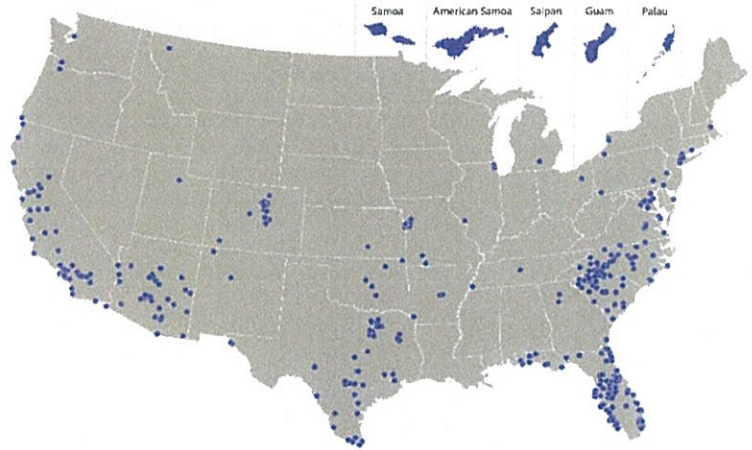
Our staff of 80 full-time employees support our clients by conducting year-round workshops and on-site training to assist them in keeping current with the latest developments in our areas of expertise. The City of Sebastopol engagement will be conducted from our Temecula office, at the address noted on the Title Page. Willdan Financial Services maintains a staff of 58 professionals at the Temecula Division Headquarters. The Financial Consulting Services group is comprised of over 20 dedicated Financial Consultants, Project Managers, and Financial Analysts throughout the United States; 6 are based in the Temecula office.

Utility Rate Experience

Willdan's professional staff has provided professional consulting services, including financial planning; rate and cost-of-service studies; alternative and feasibility analyses; and operational and management studies for water, reclaimed water, wastewater, solid waste, and stormwater utility clients across the United States. Additionally, Willdan staff are involved with the development of the rate-setting methodologies set forth in the American Water Works Association (AWWA) M-1 manual "Principles of Water Rates, Fees and Charges," and the AWWA M-29 manual, "Water Utility Capital Financing." Willdan is nationally recognized for its expertise with staff frequently being called upon to speak or instruct on utility financial matters, as subject matter experts, including the AWWA Utility Management conference. ***In fact, two of our senior consultants are members of the AWWA Utility Rate and Charges Committee, which oversees the development of the M-1 and other manuals published by the AWWA.***

A graphical representation of Willdan's geographical client presence is depicted to the right of recent utility rate and financial projects completed within the last few years.

Willdan staff is experienced in a broad range of utility planning services; and therefore, understand the importance of an approach that integrates elements of utility planning, engineering, and finance. Willdan Team members possess considerable experience in utility rate and cost-of-service studies and have performed these services for hundreds of utilities throughout the country. Our team includes staff with public sector experience spanning 30 years, and staff on the forefront of utility rate-making and rate-modeling. In addition, team members have held positions as finance directors, deputy city managers, and auditors, and therefore understand the financial, operational, and political realities faced by governmental staff and management; we craft solutions, which are sensitive to this.



Our expertise spans across the following utility financial planning services:

- Retail and Wholesale Rate Studies;
- Revenue Sufficiency Analyses;
- Utility Management and Policy Assistance;
- Interactive Rate Model Development with Dashboards Showing Key Performance Indicators;
- Connection Fee / System Development Charge Studies;
- Miscellaneous Fee and Charge Studies;
- Renewal and Replacement Sufficiency Analyses;
- Comprehensive Alternatives Analyses;
- Capital Project Funding Studies;
- CIP Financial Scenario Planning;
- Rate Ordinance Drafting;
- Billing System Validation/Rate Testing;
- Bond Feasibility Reports;
- Valuation/Divestiture Studies; and
- Life Cycle Costs Analyses



Willdan will work with the City to identify, and prioritize operational and fiscal objectives, and match these to specific rate attributes; and use this information throughout the engagement to develop a comprehensive financial plan and design utility rates that effectively meet these goals. The culmination of our analyses will be rate policies that guide the rate setting process, and a financial management plan that develops projected system operating results for the utility for the forecasted period. Willdan will employ its proven interactive approach, coupled with advanced financial modeling techniques to design rates and a financial plan that meet established goals and performance criteria. These modeling techniques serve as a powerful decision-making tool and provide the City with genuine business solutions and recommendations as to the strategic direction of its utilities.

During rate and financial planning projects we employ tools and techniques, which focus on consensus building among stakeholders to ensure the team understands the future financial implications of current management decisions. Our extensive project expertise is bolstered by our unique interactive financial planning process and model.

Recent / Relevant Project Experience

The table below outlines Willdan's Financial Consulting Services Group Major Clients with projects that are similar in nature to those being requested, that have been completed in the last five years, specifically from the Temecula office.

Willdan Financial Services Current Experience	
Agency	Project
City of Albany, CA	Sewer Rate Study
City of Avenal, CA	Water and Sewer Rate Study
City of Banning, CA	Water, Wastewater and Reclaimed Water Rate Study
City of Blythe, CA	Water and Sewer Rate Study
City of Calexico, CA	Water and Sewer Rate Study
City of Claremont, CA	Sewer Rate Study
City of Coachella, CA	Proposition 218 Sewer Mailing
City of Covina, CA	Water and Sewer Rate Study Update
City of Crescent City, CA	Water and Sewer Rate Study
City of Delano, CA	Water, Sanitary Sewer, Solid Waste and Street Cleaning Utility Rate Study
City of Dinuba, CA	Water, Sewer, & Solid Waste Rate Study
City of Durango, CO	Water and Wastewater Rate Study
City of Fillmore, CA	Water and Sewer Rate Study
City of Flagstaff, AZ	Utility Rate Analysis
City of Kingman, AZ	Water and Sewer Rate Study
City of La Palma, CA	Water and Sewer Rate Study
City of Lancaster, CA	Community Choice Aggregate Feasibility Study
City of Lompoc, CA	Utility Rate Update for Water and Wastewater
City of Norwalk, CA	Water Rate Study
City of Pinole, CA	Wastewater Rate and Fee Study
City of San Diego, CA	Community Choice Aggregate Feasibility Study
City of Soledad, CA	Water Rate Study Consulting Services
City of Tracy, CA	Water Fee Justification Study
City of Tulare, CA	Water and Wastewater Rate Study
City of Twentynine Palms, CA	Sewer Rate Study and Fair Share Analysis
County of Santa Barbara, CA	Community Choice Aggregate Feasibility Study
County of San Diego, CA	Sewer Rate and Standby Charge Study
Elk Grove Water District, CA	Water Rate Study Consultant Services

**Willdan Financial Services
Current Experience**

Agency	Project
McKinleyville CSD, CA	Water and Wastewater Rate and Capacity Fee Study
Mission Springs Water District, CA	Water and Sewer Rate and Fee Study
Monte Vista Water District, CA	Connection Fee Study
Nevada Irrigation District, CA	Water Rate and Cost of Services Study
Phelan Piñon Hills CSD, CA	Water Rate and Fee Study
Rainbow Municipal Water District, CA	Water and Wastewater Asset Cost and Capacity Fee Study
Town of Apple Valley, CA	Sewer Rate and Nexus Study
Town of Gilbert, AZ	Water and Sewer Rate Study
Town of Queen Creek, AZ	Water, Sewer and Capacity Rate and Fee Study

D. Rate Study Team

Project Team

Our management and supervision of the project team is very simple: staff every position with experienced, capable personnel in sufficient numbers to deliver a superior product to the City, on time and on budget. With that philosophy in mind, Willdan has assembled a senior project team of four subject matter experts who support public clients in California, and across the United States. We are confident that our team possesses the depth of experience that will successfully fulfill the desired work performance. Mr. Chris Fisher, Vice President and Group Manager of the Financial Consulting Group, will serve as the primary contact for the City's engagement. The proposed project team collectively maintains over sixty years of experience providing Financial Consulting Services, the project team's key resources are comprised of the following individuals:

- Mr. Chris Fisher, Vice President and Group Manager;
- Mr. Jeff McGarvey, Managing Principal;
- Mr. Kevin Burnett, Senior Project Manager; and
- Mr. Todd Burton, Financial Analyst.

Mr. Chris Fisher will serve as the **Principal-in-Charge and Project Manager** for the City's engagement. With more than 19 years of experience at Willdan, Mr. Fisher has managed an array of financial consulting projects for public agencies in California, Arizona, Colorado and Florida, coordinating the activities of resources within Willdan, as well as those from other firms working conjointly on projects. He is one of the firm's leading experts for utility rate analysis and Proposition 218 compliance.

Mr. Jeff McGarvey will provide **Technical and Policy Guidance, as well as Quality Control/Quality Assurance** for the City's engagement. With over 25 years of experience, Mr. McGarvey is a Managing Principal in Willdan's Financial Consulting Services group; and has provided professional consulting services to municipal water, wastewater, solid waste, electric, and natural gas utilities throughout the country. He possesses a broad range of municipal utility systems' experience: including special expertise in complex alternatives analyses, utility rate analyses, utility valuations and acquisitions, regionalization and consolidation studies, and debt issuance support.

Mr. Kevin Burnett will serve as the **Lead Project Consultant** for the City's engagement. He has served as a municipal utility rate consultant for 17 years, during which he has conducted over 100 rate studies across the country. His experience extends across a variety of utility rate and financial studies, including: retail and wholesale rate and cost of service studies; connection/impact fee studies; miscellaneous fee and charge studies; bond feasibility reports; interactive rate model development; CIP financial scenario planning; rate ordinance drafting; and billing system validation/rate testing.

Mr. Todd Burton will serve in the role of **Financial Analyst**, collecting, interpreting, and analyzing the data necessary for the study, and working with the team to develop and tailor the financial model to the City's specific needs and objectives, and incorporate the City's data. During his tenure, he has served jurisdictions throughout California.

Staff Continuity

Mr. Fisher has been assigned to serve as the City's representative; and has been selected for this role due to his extensive experience, which includes the preparation and supervision of numerous utility rate studies, as well as his experience presenting to governing bodies, stakeholders, and industry groups.

It is important to note that Mr. Fisher has been with Willdan for more than 19 years, ensuring the City of Sebastopol of continuity and dedication in staffing during the completion of this project.

As previously stated, Willdan is composed of over 875 employees, including a cadre of public finance experts. If necessary, Mr. Fisher can recruit additional, qualified individuals from our employee roster to assist with the completion of this engagement to deliver the final materials on time and within budget. We do not anticipate staffing changes during the course of the project, however, should the situation arise, any change in team members will be discussed and approved in concert with the City prior to the change being made.

Resumes

Resumes for Willdan's project team are presented on the following pages.

Chris Fisher

Principal-in-Charge/Project Manager

Education

Bachelor of
Science, Finance;
San Francisco State
University

Areas of Expertise

Multi-disciplinary Team
Management

Special District
Formations

Cost of Service Studies

Proposition 218

Utility Rate Studies

Affiliations

California Society of
Municipal Finance
Officers

Municipal Management
Association of
Northern California

California Municipal
Treasurers Association

Office of Record

Temecula, CA

19 Years' Experience

Mr. Fisher has been selected to serve as the Principal-in-Charge and Project Manager of the City's engagement, due to his extensive experience managing multi-disciplinary teams. He also possesses extensive knowledge regarding Proposition 218 compliance.

Mr. Fisher is the Vice President and Financial Consulting Services Group Manager at Willdan Financial Services. With more than 19 years' at Willdan, he has managed an array of financial consulting projects for public agencies throughout California, Arizona, Colorado and Florida; coordinating the activities of resources within Willdan, as well as those from other firms working on these projects.

Select Relevant Experience

City of Delano, CA – Water, Sanitary Sewer, Solid Waste and Street Cleaning Utility Rate Study: Mr. Fisher led this multi-faceted study. Recently developed financial studies did not match current economic realities, and as such the utilities were not generating sufficient cash flows. Given the volatile economy, the City hired Willdan to lead the development of a comprehensive utility financial plan and appropriate water, wastewater and solid waste rates to meet the determined level of required revenue. Willdan modeled and analyzed numerous financial and rate scenarios through the course of the project.

City of Tulare, CA – Water and Wastewater Rate Study: Mr. Fisher oversaw the development of the model and rates for the City of Tulare. The Willdan Team was presented to both the City Council and Public Utilities Board in preparation of the City's water and wastewater utility rates. Updated rate structures were developed that complied with Proposition 218.

Twentynine Palms, CA – Sewer Treatment Facility Fair Share and Sewer Rate Analysis: Mr. Fisher is serving as the Principal-in-Charge/Project Manager on the City of Twentynine Palms' sewer treatment facility fair share analysis. The purpose of this analysis is to develop an allocation of costs associated with the completion of a wastewater treatment plant (and other related costs) project, in the downtown area of the City, as well as the development of specialized sewer rates who will be served by the new treatment plant.

City of Calexico, CA – Water & Sewer Utility Rate Study: Mr. Fisher served in the role of principal-in-charge of the City's comprehensive water and sewer rate study. He led the development of the financial plan and model, and the rate analysis, and participated in the presentation of results to City Staff and the City Council. His responsibilities also included the scheduling of key meetings and deliverables, review of progress throughout the development of the project, and quality control.

McKinleyville Community Services District, CA – Water and Wastewater Capacity Fee Study: Mr. Fisher served as principal-in-charge of this project. The prior connection fees had not been updated for a number of years and were relatively low in comparison to similar agencies. In addition, there were several new local development projects in the planning stages requiring the District to provide utility services; placing even greater demand upon existing facilities and possibly requiring expansion of existing facilities, or construction of new ones. Willdan worked with staff to compile a list of proposed capital improvements and their estimated cost and conducted an analysis of existing and proposed development within the District boundaries. Finally, the team analyzed existing demand on the current utility systems and calculated remaining capacity in order to develop fair and equitable capacity fees.

Town of Apple Valley, CA – Wastewater Rate Study: Mr. Fisher oversaw a comprehensive wastewater rate study for the Town. The study encompassed the preparation of a financial plan and rate model, and a thorough review and update of the Town's rate structure. The Town had seen significant scrutiny of its water rates, so it wanted to be sure the wastewater rates and the report were thorough and defensible. The Town uses an EDU based rate structure, which Willdan evaluated and adjusted where necessary. This engagement also included comparison of current and proposed rates, and rates of similar agencies. Mr. Fisher provided technical assistance throughout this project, including the preparation of the rate report. The analytical portion of the project is complete and pending the completion of the Proposition 218 approval process.

C. Fisher
Resume Continued

City of Pinole, CA – Sewer Utility Rate Study: Mr. Fisher is serving as the principal-in-charge for the City's sewer rate study, providing technical assistance throughout the project. He oversaw the development of the comprehensive financial plan, and preparation of rate alternatives and analysis. This engagement includes the development of a comprehensive financial model and updated sewer rates, including rates of comparable jurisdictions, comparative rate and cost analysis.

City of Soledad, CA – Water Rate Study: Mr. Fisher was the project manager for this engagement with the City of Soledad, to complete a comprehensive financial plan and rate study for their water utility. The City's water rates and connection fees had not been updated since 1996. Several times in the past ten years, proposed water rates were put off due to economic and political uncertainty. The water utility was losing money with existing rates and would have continued to do so if not addressed; they also needed to invest significantly in capital repair and replacement projects, as well as system upgrades. Mr. Fisher worked with City staff through the process of gathering and verifying data, developing a comprehensive revenue sufficiency analysis, including an on-site meeting to review the budget in detail. He also oversaw the development of the rate and financial model, including the basic revenue requirements, cost causation and basic rate scenarios. Once complete, Mr. Fisher finalized the rate recommendations with City staff prior to presentation to the City Council.

Nevada Irrigation District, CA – Water Rate and Cost of Services Studies: Willdan finalized a water rate and cost of services study for the Nevada Irrigation District. Mr. Fisher was the project manager for this engagement; the project has been completed, and Prop 218 notices mailed. This engagement included review of existing charges, particularly treated and raw water, to ensure the defensibility of the District's tiered rates, as well as recovery of the true costs of providing utility services to its customer base. Sensitivity surrounded the question of equity between agricultural and residential customers since the agricultural interests in the area are well known and established. Stakeholder outreach meetings were held to explain the process and results to key interested parties. Willdan developed a comprehensive revenue requirements analysis, with extensive due diligence paid to establishing and verifying expenses and fund balances, and developing, reviewing and analyzing various CIP financing strategies. Willdan staff attended numerous meetings with the Board of Directors to demonstrate the functions of our financial model, including the review of possible revenue and rate scenarios, and attended the final Public Hearing.

Jeffrey McGarvey

Technical Advisor, Quality Control/Quality Assurance

Education

Bachelor of Science,
Finance, University of
Central Florida

Areas of Expertise

Alternatives Analysis

Strategic Planning

Rate Studies

Cost of Service Studies

Revenue Bonds

Feasibility Analyses

Capital Funding

Acquisitions

Valuation Analyses

Affiliations

American Water Works
Association

The Water Environment
Federation

The Utility Management
Conference

The WaterReuse
Foundation

Office of Record
Orlando, FL

25 Years' Experience

Mr. McGarvey is a managing principal in Willdan's Financial Consulting Services group, and for more than 25 years, has provided professional consulting services to municipal water, wastewater, solid waste, electric, and natural gas utilities throughout the country. He possesses a broad range of municipal utility systems' experience, including special expertise in complex alternatives analyses; utility rate analyses; utility valuations and acquisitions; regionalization and consolidation studies; debt issuance support, such as the preparation of financial feasibility analyses associated with revenue bond issuance; capital financing analyses; strategic planning; rate and regulatory assistance; and instituting financial mechanisms to provide the sufficient recovery of operating and capital costs.

Mr. McGarvey has extensive experience in utility rates and cost of service studies for water, wastewater, solid waste, electric and natural gas systems. This experience generally relates to performing budget analyses, customer and usage analyses, development of revenue requirements, cost of service allocations and sensitivity analyses related to the implementation of rate structures designed to promote desired usage characteristics.

Selected Relevant Experience

City of Flagstaff, AZ – Water, Wastewater and Reclaimed Water Rate Study: Mr. McGarvey served as the technical advisor of the City of Flagstaff's utility rate analysis. In the wake of six water main breaks, the City was faced with decreasing revenues and increasing capital and operational costs. The proposed rates developed by Willdan reversed the City's trajectory of a falling operating reserve and provide the City with sufficient revenue to cover existing and future operations, maintenance, and debt service; all while being financially prudent and responsive to the concerns of the City's Water Commission. The proposed residential inclining block rate appropriately spreads the burden of increased costs based on a comprehensive analysis of customer demands.

City of Lee's Summit, MO — Water Utilities Department Strategic Plan: Mr. McGarvey assisted the City of Lee's Summit, Water Utilities Department (WUD) with the development of a comprehensive strategic plan, identifying needs and recommending changes based on customer expectations and the desire of WUD staff to be an effectively managed utility. The foundation of the approach is the ten attributes described in "Effective Utility Management – A Primer for Water and Wastewater Utilities." This tool was developed by the U.S. Environmental Protection Agency (EPA) and six national water and wastewater associations to measure, assess, and prioritize strategic plans around ten attributes.

City of Durango, CO – Water and Wastewater Rate Study: Mr. McGarvey led the preparation of a long term financial plan, cost of service-based rates and updated plant investment fees. The City needs to perform \$50 million in improvements to the wastewater treatment plant to comply with State wastewater treatment standards and to provide available capacity for new growth. A balanced financial plan was developed incorporating rate increases and anticipated debt to fully fund requirements and minimize customer impact.

City of Brentwood, TN – Water and Sewer Rate Study and Fee Update: Mr. McGarvey served as Principal-in-Charge for this engagement, which included a comprehensive review of water and sewer rates as well as updating the City's water and sewer development charges (tap-on fees).

One of the project objectives is to maintain their high bond rating, as such, the initial phase of this engagement involved assisting the City develop best management practices with regard to the financial management of the utility, including fund reserves, debt service coverage targets, and the frequency of future bond issues. This engagement is being completed using Willdan's facilitated interactive financial modeling approach.

Phelan Piñon Hills Community Services District (CSD), CA – Water Rate and Fee Study: Mr. McGarvey served in the role of technical advisor for this comprehensive revenue requirement analysis and financial plan, which provided targeted rate and fee structure recommendations. A comprehensive proforma financial analysis was prepared focusing on primary rate and financial objectives. The analysis resulted in rate structures that provided adequate revenue to fund operations; and created a secure and reliable funding source for future capital improvements.

J. McGarvey

Resume Continued

City of Lancaster, CA – CCA Feasibility Study: As part of the Willdan/EnerNex team, Mr. McGarvey was responsible for the development of the financial model and pro forma analysis for the City's Feasibility Study. The overall study was a joint effort between Willdan and EnerNex to complete a comprehensive feasibility analysis and implementation plan for the City's proposed CCA.

Mr. McGarvey's work included the development of a comprehensive financial model that was able to dynamically examine operating and capital costs, including staffing and debt, costs of procuring energy under multiple scenarios, provide cash flow analysis, and perform sensitivity and alternatives analysis.

The City retained a working copy of the model, which is still used to update forecasts and perform analysis necessary in the ongoing operation of the CCA, which was successfully implemented.

Kevin Burnett

Lead Project Consultant

Education

Master of Arts,
Economics, State
University of New York,
Buffalo

Bachelor of Arts,
University of Waterloo,
Ontario

Areas of Expertise

Financial Planning

Cost of Service Studies

Rate Design

Impact Fees

Bond Feasibility

Affiliations

American Water Works
Association

Office of Record

Aurora, CO

17 Years' Experience

Mr. Burnett is a senior financial consultant with 17 years of utility analysis experience, possessing extensive experience with utility rate and cost of service studies for retail and wholesale use.

His project experience includes water, wastewater, reuse, and stormwater rate studies using state-of-the-art utility financial planning tools. He has developed both short and long-term financial plans for utilities of all sizes – including regional water authorities and regional wastewater providers with individual wholesale service contracts.

Select Relevant Experience

City of Calexico, CA – Water and Sewer Rate and Capacity Fees Study: As lead project consultant, Mr. Burnett conducted a water and sewer rate study for the City of Calexico. Their previous rate study was dated, and the City wished to complete a new study to meet future revenue requirements and planned substantial capital improvement projects, and to make sure new rates followed Prop 218 cost of service requirements. The City also requested the establishment of capacity fee charges. Mr. Burnett created the financial and rate model, completed the technical analysis and worked through financial scenarios and options with City Staff. He was also responsible for the preparation of the report and other study documents.

City of Tulare, CA – Water and Wastewater Rate Study: As project manager Mr. Burnett led the model and rate development, in addition to facilitating presentations to both the City Council and Public Utilities Board in preparation of the City's water and wastewater utility rates. He generated updated rate structures for the City, which met the requirements of Proposition 218.

City of Avenal, CA – Water and Sewer Rate Study: Served as project manager for the City's rate study. The objectives of this analysis are to develop a tiered rate structure for customers that: 1) generate sufficient revenues to meet operating and capital expenses associated with water in response to the rising cost of purchased water; 2) technically defensible and equitable across the customer classes (meeting Proposition 218 requirements); and 3) developed within spreadsheet models that are user-friendly and can be easily updated by City staff in the future.

City of Fillmore, CA – Water and Sewer Rate Study: The City's rates were outdated and not generating sufficient revenue needed to operate, maintain and enhance the system. As project manager, Mr. Burnett is leading the Willdan team and working closely with the City, to redesign the rate structure. The Willdan team is responsible for the model and rate development, and generation of multiple alternative rate structures.

City of Claremont, CA – Sewer Rate Study: As project manager for the City's sewer rate study Mr. Burnett lead the model and rate development and facilitated stakeholder presentations. He generated multiple alternative rate structures for the City in preparation of updating their sewer utility rates and presented them to staff for their consideration. Ultimately, numerous scenarios and alternatives were explored before deciding on the selected approach.

Town of Apple Valley, CA – Wastewater Rate Study: Mr. Burnett was the technical project lead for the comprehensive wastewater rate study for the Town. The study encompassed the preparation of a financial plan and rate model, and a thorough review and update of the Town's rate structure. The Town uses an EDU based wastewater rate structure, which Willdan evaluated and adjusted where necessary. Mr. Burnett created the financial and rate model and completed the technical analysis and preparation of the report and other study documents. He worked extensively with the Town's legal counsel on the report to ensure that it provided the necessary level of detail to support defensibility. The analytical portion of the project is complete and pending the completion of the Proposition 218 approval process.

City of Dinuba, CA – Water, Sewer and Solid Waste Rate Study: The City had undergone a period of declining net revenues and an inability to fully fund capital repair and replacement needs. In the role of lead analyst, Mr. Burnett worked with City staff to update the rate structures to ensure class cost of service-based water rates that promote conservation and adhere to Proposition 218 requirements. Multiple water and sewer financial plans were developed and presented to the Council for consideration.

K. Burnett
Resume Continued

City of Chandler, AZ – Water and Sewer Cost of Service Rate Study: Mr. Burnett served as lead analyst for the City's first comprehensive cost of service rate study in 15 years. The project involved a citizen advisory committee which met four times and reached a unanimous decision on new water and sewer rate structures.

Town of Queen Creek, AZ – Water, Sewer and Capacity Fee Study: Mr. Burnett is currently serving as project manager on a comprehensive update to the Town's water and sewer financial plans, rates and capacity fees (tap fees). The project will examine each utility's revenues needs for the next 10 years and will refine rates to meet class cost of service and identify the cost of serving new development, with those costs recovered from updated capacity fees.

City of El Mirage, AZ – Water, Sewer and Solid Waste Rate Study: Served as lead analyst on a study to update the City's water, sewer and solid waste financial plans and recommended changes to the existing rate structures. The study examined the cost of recharging the State aquifer through the City's sewer system and determining an appropriate cost allocation between the water and sewer utilities. The implementation of a recycling program in addition to the solid waste collection service was explored.

City and County of Denver, CO – Sanitary Sewer and Storm Drainage Rate, Connection Fee and Bond Feasibility Study: Mr. Burnett served as project manager and lead analyst for a six-year financial analysis of the City's Wastewater Enterprise Fund. The study included projection of rate increases to maintain the financial viability of the Enterprise Fund. Mr. Burnett worked closely with City staff and the City's financial advisor to conduct a bond feasibility analysis in support of a \$50 million revenue bond debt issuance to refund a prior debt issue and provide new money for future capital needs. The City's sanitary sewer connection fees were reviewed and updated to reflect the City's cost of providing new infrastructure to provide service to new connectors.

City of Brighton, CO – Water, Wastewater and Storm Drainage Comprehensive Fee and Rate Study: Served as project manager responsible for the identification and prioritization of financial objectives and desired rate goals. Mr. Burnett led a team that reviewed existing rates and made recommendations that sought to effectively meet project goals. A comprehensive multi-year capital financial analysis was developed, culminating in a rate and financial management plan projecting operating results for each of the utility systems.

Todd Burton

Financial Analyst

Education

Bachelor of Arts and
Science; Public
Administration,
Emphasis in Economics,
San Diego State
University

Areas of Expertise

Proposition 218

Utility Rate Studies

User Fee Studies

Financial Forecast
Modeling

Office of Record
Temecula, CA

3 Years' Experience

Mr. Burton is an analyst within Willdan's Financial Consulting Services group, his primary function is to support project managers and senior analysts with utility rate studies, cost allocation plans and user fee studies, and in the formation of special tax districts. He specializes in analysis for a variety of clients, including cities, water districts, public utilities, and school districts.

Mr. Burton joined Willdan as an analyst within Willdan's District Administration Services group. His responsibilities within DAS included assisting in the research and analysis required for local government financial issues related to district administration, including document data entry and updating, database management, and research and report preparation. He also provided general information on questions pertaining to Assessment Districts and Special Taxes (such as Mello-Roos Pools), as well as on the status of property delinquencies.

Select Relevant Experience

City of Calexico, CA – Water & Sewer Utility Rate Study: Willdan was contracted to provide a comprehensive review, and financial plan update for the City's water and sewer rates. The project approach includes a thorough review of the CIP, each utility's operating budget, and other important policy and financial documents. Mr. Burton provided is providing analytical support to the project manager and principal consultant.

McKinleyville CSD, CA – Water & Sewer Utility Rate Study: Willdan was retained to provide updates the models, develop the CSD's water and sewer rates and assist with the required Proposition 218 noticing process. Mr. Burton is providing analytical support to the project's senior team.

Twentynine Palms, CA – Sewer Treatment Facility Fair Share and Sewer Rate Analysis: Mr. Burton is leading the analytical effort and development of the model to support to the project's senior team on the City of Twentynine Palms' sewer treatment facility fair share analysis. This study also includes a sewer rate study, specific to the new treatment plant and its customers.

City of Pinole, CA – Sewer Utility Rate Study: The City retained Willdan to prepare a sewer rate analysis that included a new sewer rate schedule that meets current and near-term projected system revenue requirements. Mr. Burton is providing analytical support for this engagement, gathering and verifying necessary data, and assisting in the development of the model and the completion of the report.

City of Claremont, CA – Sewer Rate Study: Mr. Burton provided analytical support for the City's sewer rate study. He gathered and verified data for the project manager and principal consultant.

City of Calexico, CA – User Fee Study for Emergency Medical Services: As an analyst, Mr. Burton is providing analytical support; and designing micro-level models to ensure full-cost recovery for emergency medical services.

City of Montebello, CA – Full and OMB Compliant Cost Allocation Plan: Mr. Burton served as the analyst in the preparation of a full and OMB compliant cost allocation plan, for the City of Montebello engagement.

City of National City, CA — Cost Allocation Plan, OMB Compliant Cost Allocation Plan, User Fee Study, and ISF Allocation Study: Mr. Burton provided analytical support specific to the preparation of a comprehensive fee study, full and OMB compliant cost allocation plan and ISF study. Mr. Burton worked in tandem with the project's senior team to identify and account for direct and indirect costs, along with changes in staffing, structure, and service delivery methods.

City of Claremont, CA — User Fee Study and Cost Allocation Plan: Mr. Burton assisted senior staff with the City's Comprehensive User Fee Study and Full Cost Allocation Plan.

City of Fairfield, CA — Special District Formation and Annexations: Mr. Burton is currently assisting Willdan senior staff with the formation of special tax districts to fund public infrastructure improvements within the City of Fairfield.

City of Moorpark, CA — Community Facilities District Formation: Mr. Burton is currently assisting Willdan senior staff with the formation of special tax districts to fund public infrastructure improvements within the City of Moorpark.

Project Controls

Project Management Approach

At Willdan, we utilize a Project Management Process/Approach that ensures projects are completed on time, within budget and most importantly yield results that match our clients' expectations. We will document discussions leading to important policy decisions and/or the choice of critical assumptions used in constructing the analysis and rate model.

It will be important to the overall success of the project to ensure that work progresses according to the timeline that is agreed to during the project kick-off call. We will also schedule and conduct conference calls necessary to review project progress, and address changes in objectives or direction of the project.

Each step guarantees that as the project moves forward success will be achieved by continually aligning our approach and work with stakeholder and City objectives, adjusting where necessary.

Our complete project management process has five primary principles common to successful projects:

1. **Define** the project to be completed. Mr. Fisher will identify the project scope, set objectives, list potential constraints, document assumptions, choose a course of action and develop an effective communication plan.
2. **Plan** the project schedule. Mr. Fisher, in collaboration with the project team and City staff, will create an agreed upon timeline to meet the City's estimated project timeline. He will assign workload functions to appropriately qualified staff to ensure milestones are met, on time. Furthermore, the project team will meet bi-weekly to assess the status of the project and Mr. Fisher will direct existing and upcoming project tasks. These meetings ensure that staffing resources are well-matched to provide the highest quality of work product, high responsiveness to the City, and to keep the project on schedule. These meetings also provide a forum for applying the team's collective expertise to solving difficult analytical issues that arise in complex projects.
3. **Manage** the execution of the project. Mr. Fisher has been selected to fulfill the role of project manager due to his strong project management skills. He will be responsible for controlling the work in progress, providing feedback to project team members and City staff, and will be accountable to the City for meeting the schedule, budget and technical requirements of the project. Most importantly, Mr. Fisher will ensure constant collaboration and communication between City staff and the project team through frequent progress memorandums, conference calls and in-person meetings.
4. **Review** all work product and deliverables through a structured quality assurance process involving up to three levels of review at the peer level, project manager level, and if necessary executive officer level. We have designed a formal and structured quality assurance system that will be utilized throughout the course of the project.
5. **Communication** with the client regarding work status and progress. Mr. Fisher will ensure that the City receives regular updates of status and will schedule regular conference calls to touch base. He will also inform the City of any roadblocks encountered, or whether the amount of work associated with an element of the project is more than was projected, or outside of the agreed upon scope of services. From this point, he will work with the City to address and resolve these types of issues.

We have utilized these guiding principles for all of our firm's projects. The City can be assured that through the utilization of these principles, we will ensure the project deliverables for the Water and Wastewater Rate Study will be of the highest quality and will be delivered on time and within the agreed upon budget.

Through the process of providing regular updates and conducting status conference calls, potential issues will be highlighted, discussed and resolved. Any deviances from the project timeline will be identified and plans will be developed for course corrections. If necessary, changes in approach or strategy will be discussed with City staff, to meet the City's needs. In doing this, we will ensure the project stays on track and evolves, based upon current thinking and outside dynamics.

Quality Assurance / Quality Control Process

Our quality control program is incorporated as a required element of Willdan's day-to-day activities. There are three levels of reviews incorporated for our deliverables:

- 1) Peer review;
- 2) Project Manager review; and
- 3) Final quality assurance manager review.

Peer reviews involve one analyst reviewing the work of another, while project manager reviews are conducted prior to delivery to the quality assurance manager. The quality assurance manager then performs a final review. This assures that our final product has been thoroughly evaluated for potential errors; thus, providing quality client deliverables, and high levels of integrity and outcomes.

The primary mission of our quality control plan is to provide staff with the technical and managerial expertise to plan, organize, implement, and control the overall quality effort, thereby ensuring the completion of a quality project within the time and budget established.

The goals of the Willdan quality assurance / control process team are to:

- Establish a set of planned and systematic actions for maintaining a high level of quality in the professional services performed;
- Emphasize quality in every phase of work;
- Ensure efficient use of resources;
- Establish a consistent and uniform approach to the services performed; and
- Implement appropriate quality control measures for each work task of the project.

The above activities will be a critical part of initiation and implementation of the quality control plan and will set the tone for successful team cooperation throughout the life of the project. The following list defines the basic elements that will be covered in the plan:

- Contract deliverables;
- Specific quality control procedures;
- Special quality control emphasis;
- Responsibility and authority;
- Budget and manpower requirements;
- Overall project schedule and budget; and
- Project documentation requirements

The Willdan team will work to ensure that these elements are strictly adhered, so that our quality assurance objectives and proper identification of costs are achieved.



E. References

Similar Projects

Provided below are recent project descriptions, including client contact information, that are similar in nature to those requested by the City. We are proud of our reputation for customer service and encourage you to contact our past clients regarding our commitment to completing these assignments within the agreed upon project budget and schedules

McKinleyville Community Services District, CA Water & Sewer Rate and Capacity Fee Study

MCSD's connection fees had not been updated for a number of years and were relatively low in comparison to similar agencies. In addition, there were several new local development projects in the planning stages requiring MCSD to provide utility services; placing even greater demand upon existing facilities and possibly requiring expansion of existing facilities, or construction of new ones. Willdan worked with staff to compile a list of proposed capital improvements and their estimated cost and conducted an analysis of existing and proposed development within the district boundaries.

Finally, the team analyzed existing demand on the current utility systems and calculated remaining capacity in order to develop fair and equitable capacity fees. In addition to the capacity fee study, Willdan assisted MCSD in developing cost-based sewer rates in order to maintain requirements with state revolving fund loans.

Client Contact:	Mr. Greg Orsini, General Manager 1656 Sutter Road, McKinleyville, CA 95519 Tel #: (707) 839-3251 Email: mcsdgm@mckinleyvillecsd.com	
Project Team:	Mr. Chris Fisher, Principal-in-Charge Mr. Todd Burton, Project Analyst	Mr. Kevin Burnett, Lead Project Consultant Mr. Jeff McGarvey, QA / QC
Project Dates:	February 2015 – ONGOING	
Project Hours:	285	

City of Calexico, CA Water and Sewer Rate Study

Willdan worked with the City of Calexico on their Water and Sewer Rate Study. The City's previous study was dated, and the City wished to complete a new study to meet future revenue requirements and planned substantial capital improvement projects, and to make sure new rates followed Prop 218 cost of service requirements.

With updated metering technology in place, the City wished to explore water rate options (tiered rates) that included provision for conservation and encouraging reduced water consumption, as well as potential a potential drought surcharge and expanded rate options for commercial, manufacturing and industrial customers, evaluation of future revenues and expenses to ensure they are appropriate, as well as establish Capacity Fee Charges.

We worked with City staff, to create a comprehensive financial plan and model, develop and evaluate financing and policy alternatives, and to demonstrate the effects of these alternatives on projected financial operating results. Further, rates were developed to comply with Proposition 218, and to address the more stringent requirements resulting from the San Juan Capistrano court ruling.

Client Contact:	Mr. David Dale, PE, City Manager 608 Heber Avenue, Calexico, CA 92251 Tel #: 760-768-2110 Email: ddale@calexico.ca.gov	
Project Team:	Mr. Chris Fisher, Principal-in-Charge Mr. Todd Burton, Project Analyst	Mr. Kevin Burnett, Lead Project Consultant Mr. Jeff McGarvey, QA / QC
Project Dates:	November 2017 – July 2018	
Project Hours:	495	

City of Tulare, CA

Water and Wastewater Rate Study

Willdan has worked on several projects with the City of Tulare, and recently completed a water and wastewater financial and rate study. We had assisted with previous rate studies and Proposition 218 compliance prior to this recent effort. Like many cities in 2015 and 2016, Tulare needed to address their rates and financial plan in light of the ongoing drought, and ensure rates were developed in compliance with Proposition 218, particularly in light of the San Juan Capistrano court decision.

The study's objectives were to provide a stable revenue stream promoting the responsible and efficient use of water resources. A comprehensive financial and rate model was developed for both the water and wastewater utilities, that allowed us to demonstrate the impacts of different alternatives such as levels of reserve funding and cash vs. debt funding of capital projects. The plan was developed to demonstrate the utilities' ability to fund operations and maintenance, repayment of debt, routine replacement of aging system components, capital projects, and to maintain adequate debt service coverage. Willdan also prepared and mailed the Proposition 218 notices, outreach materials, and attended staff and Council meetings.

Client Contact:	Ms. Trisha Whitfield, Field Services Manager 411 East Kern Avenue, Tulare, CA 93274 Tel #: (559) 684-4319 Email: twhitfield@tulare.ca.gov	
Project Team:	Mr. Chris Fisher, Principal-in-Charge Mr. Tony Thrasher, Project Analyst	Mr. Kevin Burnett, Lead Project Consultant Mr. Jeff McGarvey, QA / QC
Project Dates:	January 2016 – July 2016	
Project Hours:	408	

City of Dinuba, CA

Water and Wastewater Rate Study

Willdan was contracted to provide a comprehensive water and wastewater utility rate study for the City of Dinuba. The project team worked with the public utilities department to develop a five-year financial plan that met operations and maintenance costs, maintained industry standard acceptable reserves, met debt service coverage requirements, and worked to achieve an industry standard repair and replacement funding mechanism for the City's aging infrastructure.

The study also involved a revision to the City's existing water rate structures to encourage conservation and reflect class cost of service to ensure that rates were compliant with the State of California's Proposition 218 requirements.

Client Contact:	Mr. George Avila, Business Manager 1088 E. Kamm Avenue, Dinuba, CA 93618 Tel #: (559) 591-5924 Email: gavila@dinuba.ca.gov	
Project Team:	Mr. Chris Fisher, Principal-in-Charge Mr. Tony Thrasher, Project Analyst	Mr. Kevin Burnett, Lead Project Consultant Mr. Jeff McGarvey, QA / QC
Project Dates:	July 2015 – October 2016	
Project Hours:	531	

Mission Springs Water District, CA

Water and Sewer Rate Study

Willdan worked with the Mission Springs Water District in Desert Hot Springs, CA, on a comprehensive water and wastewater financial plan and rate study. We completed a rigorous revenue sufficiency analysis, resulting in updated revenue requirements that reflected new operating and capital requirements. The primary driver for these changes was the District's need to address new State requirements limiting the concentration of Chromium 6 in their water. Due to their location, and the fact that they rely principally on local groundwater, they are at a higher risk to this contaminant in water pumped from their wells than most other water purveyors. Compliance with State requirements will necessitate new wells and treatment processes, both of which will require significantly greater financial resources than currently available through existing rates.

Willdan worked with the District's Water Commission, and extensively with staff, to develop and evaluate alternatives, and to demonstrate the effects of these alternatives on projected financial operating results. Further, rates were developed to comply with Proposition 218, and to address the more stringent requirements resulting from the San Juan Capistrano court ruling. The project concluded with presentations to the Water Commission and the Board of Directors, in full compliance with Proposition 218 requirements.

Client Contact:	Mr. Arden Wallum, General Manager 66575 Second Street, Desert Hot Springs, CA 92240 Tel #: (760) 327-6448 Email: awallum@mswd.org	
Project Team:	Mr. Chris Fisher, Principal-in-Charge Mr. Tony Thrasher, Project Analyst	Mr. Kevin Burnett, Lead Project Consultant Mr. Jeff McGarvey, QA / QC
Project Dates:	August 2014 – May 2016	
Project Hours:	433	

F. Scope and Provisions

Project Understanding

The following project approach and scope of services is based on Willdan Financial Services' ("Willdan") current understanding of the City of Sebastopol's ("City") needs and objectives for the Water and Sewer Comprehensive Cost of Service/Utility Rate Study, and the services outlined within the Request for Proposal (RFP). A final scope and schedule will be determined following further discussions with City staff.

It has been several years since the City completed its last utility rate analysis, which appears to have been conducted in-house by City Staff. Willdan welcomes this opportunity to provide a fresh perspective and approach to the planning and rate-making process, and work with the City to develop a comprehensive financial and rate model, evaluate financial policies and assumptions, and evaluate financial plan, capital funding and rate alternatives. Our objective is to provide Staff and the Council with the information they need to fully understand the water and sewer utilities current and projected financial situation, evaluate options for moving forward, so they can make informed decisions based on this process.

The City of Sebastopol provides water and sewer service to a population of approximately 7,400 residents. Water service is provided solely by the City, while sewer service is a combination of collection through City-owned infrastructure, and conveyance to the City of Santa Rosa for treatment. The City currently has customer rates for both utilities that combine a fixed charge based upon connection size, and a variable rate based on usage. To the extent it is necessary or recommended to update rates, they must be based on the proportionate cost of service for each customer type, compliant with Prop 218, and must generate sufficient revenue to operate the utilities.

In reviewing the FY 2018/19 budget document, and the most recent CAFR, both the water and sewer utilities appear to be in relatively good financial health, just above break-even for the previous and current fiscal years.

According to the adjusted budget figures for FY 2017/18, the water utility is expected to end the year with revenue of \$2.13MM and expenses of \$2.11MM. For FY 2018/19, the water utility is budgeted to generate revenue of \$2.27MM, with expenses of \$2.16MM, a slight improvement over FY 17/18. For sewer, the adjusted budget figures for FY 2017/18 show revenues of \$2.95MM and expenses of \$2.90MM, while for FY 2018/19, sewer revenues are budgeted at \$3.09MM, and expenses at \$3.04MM. According to the CAFR, fund balances for both utilities appear to be at or above the 20% goal identified in the previous study. The FY 2018/19 budget also identifies approximately \$423K in water capital projects for the year, and \$875K in sewer projects. Both funds carry some debt service, with water being more significant, primarily related to relatively recent improvements for arsenic treatment.

The City wishes to undertake this study to review current water and sewer rates, from both a policy and analytical standpoint. The City has financial policies that address reserve funding. The City's budget outlines Council Goals and Priorities that also address these financial management policies (Goal 1.1), and also prioritize investment in improvement or construction of necessary infrastructure (Goal 2.1).

Willdan will prepare a comprehensive five (5) year financial plan and analysis of rate alternatives; evaluate the current rate structure; and determine whether adjustments in the rates are necessary going forward. The analyses will include development of the financial plan and cost of service analysis necessary to arrive at informed recommendations and defensible Prop 218 compliant water and sewer rates. We will also identify potential challenges and issues associated with implementing new rates, and work with the City to develop strategies to address these. In summary, the study will be completed to:

- Analyze and account for historical demand and service requirements;
- Utilize the City's current rate structure and financial position as a baseline for providing recommendations and alternatives going forward;
- Generate sufficient revenue to meet revenue requirements, including provision for operation, service and maintenance costs, personnel, debt service coverage and/or repayment, funding and maintenance of appropriate reserves, funding of anticipated repair and replacement projects, and funding for capital projects;
- Provide recommendations and guidance related to the levels of adequate reserves;
- Evaluate future revenues and expenses to ensure they are appropriate; and
- Include a cost of service analysis and if appropriate, recommendations for updated rates, to meet funding and Proposition 218 requirements.

All of the factors mentioned above necessitate a comprehensive financial plan and model that allows us to work with the City to evaluate alternatives and demonstrate the impact of various reserve funding scenarios and different approaches on rates. As part of this proposed scope of services, Willdan will develop a comprehensive financial plan that considers updated forecasts for sales and operating expenses and provides sufficient and stable revenue to ensure:

- Sufficient and stable revenue for operations;
- Adequate debt service coverage and/or debt repayment funding;
- Sufficient funds to support new debt issuance as necessary;
- Accumulation and maintenance of appropriate reserves, including emergencies and rate stabilization;
- Anticipated and routine repair and replacement of existing aging pipelines and infrastructure; and
- Major and minor capital projects.

This financial plan will serve as the basis for a full cost of service analysis and ultimately the development of an 'Existing Cost of Service Summary', which will provide an assessment of the utilities current financial health, and recommendations for updated rates. The cost of service analysis will be conducted to ensure any new recommended rates will comply with the requirements of Proposition 218 and recent legal decisions.

The financial plan will be created *using a highly flexible and interactive model and dashboard that will allow us to work collaboratively with the City to present and evaluate different financial scenarios, and quickly make changes in underlying assumptions based on feedback and discussions.* Our goal will be to arrive at a financial plan that meets the City's objectives, and that provides understanding and education to City staff and ultimately the City Council, as they make decisions regarding proposed rates.

Willdan's work plan will culminate in the successful development of the water and wastewater rates, associated fees and charges, and a five-year cost-of-service based financial plan and the education of staff and key stakeholders.

Project Methodology

As described herein, and detailed in our work plan, our approach to this water and sewer rate study is ***built around three primary objectives:***

- Working collaboratively with the City to develop the comprehensive financial plan and model for the utility;
- Using the model to develop and evaluate various rate, financial and capital funding scenarios; and
- Arriving at a final plan and set of recommended rates that have a clear and transparent rationale and basis.

We propose to conduct this process in a way in which staff and stakeholders gain understanding throughout the process of how the plan is developed, and how policy and financial decisions affect it, so that we can clearly communicate the process and results to the City Council and the community. The communication part of the process is critical in gaining acceptance and understanding of the broader community.

Our rate study analysis will include comprehensive financial management plan alternatives for the next ten fiscal years to support the proposed five-year rate plan. As part of the analyses, Willdan will develop a comprehensive financial analysis — which incorporates the following:

- Revenue requirements such as operating expenses, transfers, reserve requirements;
- Minor capital expenses;
- Cash and debt-funded major capital expenditures, with annual debt service expenses; and
- Functional cost breakdown consistent with the American Water Works Association (AWWA) and Water Environment Federation (WEF) rate-making standards.

The Financial Planning component of the model provides transparency such that users can develop a viable financial plan and understand the reasons for needed revenue adjustments.

The culmination of the revenue requirements analysis, which will include a capital project financing plan, and cost of service allocations, will be alternative rate plans which will provide sufficient revenue to meet the ongoing funding needs of the system, while recovering costs from customers in a manner which is fair, equitable and within reasonable customer impact parameters.

We will develop a robust pro forma financial model to demonstrate the results of various analyses and aid detailed policy and education discussions with City staff and City Council. It will serve as the basis for developing rate structures that provide for long-term financial stability, reflect levels of service demand for different customer classes, and comply with the requirements of Proposition 218.

During this project, we will be utilizing our Microsoft Excel-based model, with its interactive dashboard, as a comprehensive financial tool to allow planning and evaluation of variable inputs and assumptions, thereby creating a thorough analysis of revenue requirements to address the City's goal of ensuring predictable and stable revenue. These analyses are then seamlessly integrated with the rate development component of the model to demonstrate and project various rate design alternatives, and the effects they would have on the City's financial outlook.

The model is used in meetings, in order to efficiently cycle through rate scenarios and establish the most viable rate plans for the City. During these interactive meetings, we invite City staff to participate in scenario planning / "what-if" sessions, where we use the dashboard to demonstrate and evaluate the financial/rate impact of alternative data (CIP, operating costs, etc.) and assumptions (interest rates, customer growth, cost escalation, etc.) in real-time to focus on the most critical drivers of the analysis. This ensures the resulting rate plan alternatives are viable from a financial, operational, managerial and political perspective. The rate plan alternatives will then be incorporated into a comprehensive water and sewer rate study report, which will provide the City every assumption, data item, and calculation used in the development of each rate plan alternative.

Willdan Models Guide You to Your Optimal Solutions

Real-Time Financial Modeling

The goal of financial forecasting is to provide clear vision regarding the potential financial outcomes of current management decisions. Our goal is to help you mold the existing knowledge base of the City into a viable financial management and rate plan. At Willdan, the development and use of real-time financial models in an interactive, collaborative process is an integral part of the model development.

Model Development as Part of the Consulting Process

Each model is designed with the following elements:

- Graphical dashboard to clearly show the results of various scenarios to the user;
- Assumptions;
- Data tables; and
- Calculation engine.

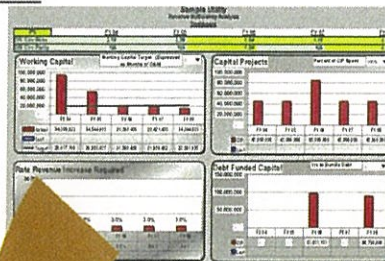
Each model is "baselined" after an initial meeting with staff to ensure that we have the correct data and a basic understanding of the financial dynamics of your system. We will then conduct interactive financial planning sessions with City staff. After validating our data, calculation approach, and baseline assumptions, we will explore alternative scenarios, varying a number of assumptions and financial planning techniques:

- Rate increase magnitude and timing;
- Alternative timing of capital projects;
- Alternative financing options (alternative combinations of pay-as-you-go, revenue bond debt and SRF debt, for example);
- Alternative growth/demand forecasts; and other "what-if" analyses, such as the impact of a loss of one or more service areas or customers; and
- Effect of increases in other sources of funds, such as impact fees.

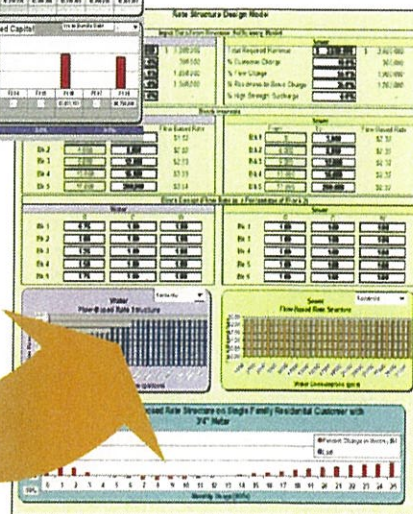
The model is self-solving through the use of controlled feedback loops, and therefore does not require significant manipulation by the user to solve correctly. Given any combination of cost requirements (both operating and capital), non-rate sources of funds, and forecast assumptions, rate increases are generated that:

- Meet specified reserve targets;
- Fully fund capital expenditures using specified financing techniques; and
- Meet legal and contractual requirements that are financially measurable, such as debt service coverage on revenue bonds.

Financial Planning Model



Rate Design Model



Rate Revenue Requirements

Alternatively, the user can specify rate increases and then examine the results to determine if the desired/required parameters are met.

Subsequent to careful development and validation of the baseline forecast, a series of alternative forecasts will be prepared illustrating various results in the following general categories:

- **What if things turn out differently?** These alternatives will demonstrate the sensitivity of the forecast to the significant assumptions used. This results in a sound understanding of areas where a conservative forecast approach is warranted.
- **What happens when we try this?** This series of alternatives focuses on different financial management approaches.
- **What can we do to make it better?** This approach to forecasting identifies the factors that may be causing significant rate increases in a given year and explores alternatives. For example, if a large capital project in a single year is the culprit, we would work with staff and the consulting engineers to determine whether this project could be phased or delayed.

In like manner, the rate design model can be used to explore the impact of various rate structures on bills for each customer class over the relevant consumption range.

To summarize, rate model development is a natural part of the Willdan consulting process, and one in which staff and other stakeholders play a collaborative part. Consequently, at the completion of the analysis, the model will be completely customized to emulate the precise financial dynamics of the City, and staff will already have a high level of familiarity with the functionality and use. Interactive workshops will help develop an effective, efficient working relationship among the participating stakeholders that will carry forward into future rate-setting processes.

Willdan's Suite of Financial Models – Description of Product Features

The key to success is a robust, real-time financial forecasting model, customized to simulate the utility's financial dynamics. Our suite of modeling products includes:

Suite of Models:

- Financial planning;
- Cost of service design; and
- Rate design.

The suite of models includes financial planning tools for water, sewer, recycled water, and virtually any utility or municipal government fund, and has the ability to analyze any rate structure and determine the levels of revenue generated by each customer class. In addition, the rate design model can use the City's detailed billing data to develop a bill impact analysis on individual customer bills, which, can be updated for each rate design scenario.

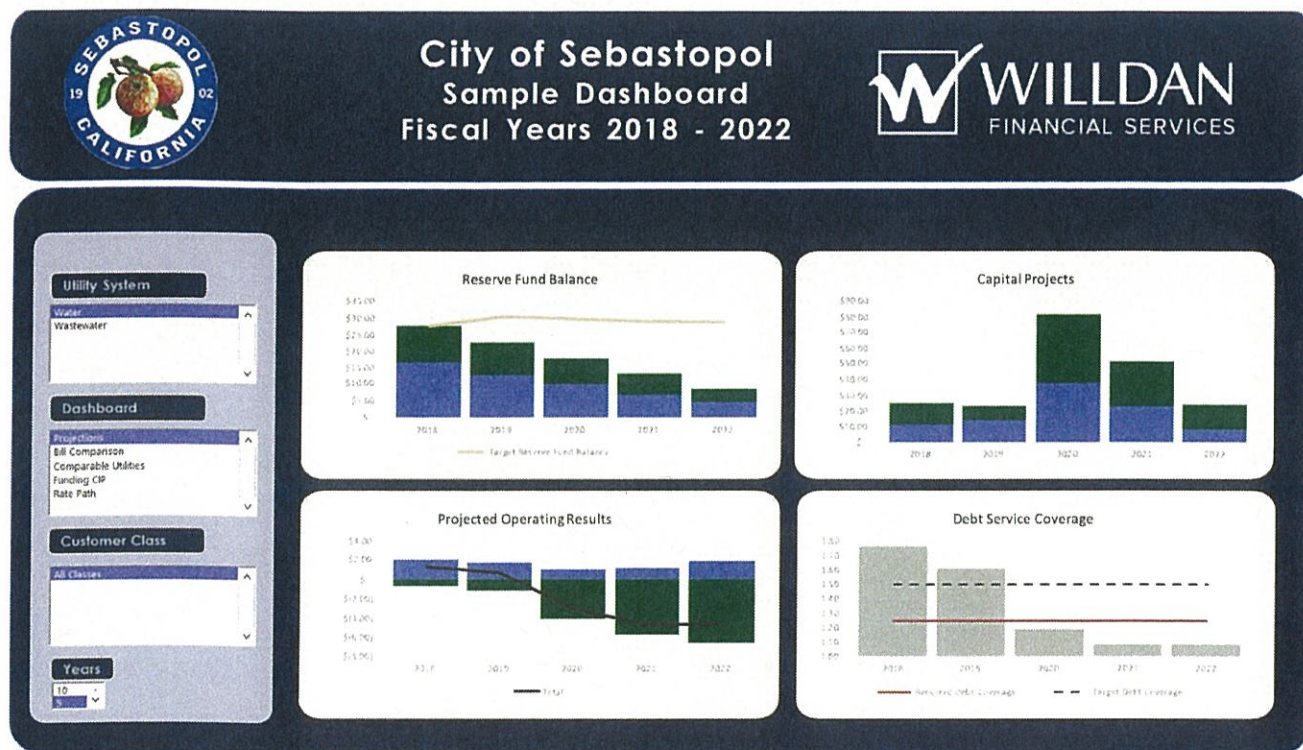
The rate design component is used to explore the impact of various rate structure options for each customer class and all levels of consumption.

Features:

- Excel-based open architecture that allows easy integration of City financial data;
- Modular design that allows for maximum design flexibility;
- Easy to update - open architecture and modular design equate to easy annual data updates;
- Automated calculation engine that optimizes financial plan based on user-set constraints;
- Navigation features to quickly move around the model;
- Side-by-side scenario analysis comparison; and
- Healthy listing of user defined assumptions that can be customized to meet the City's needs.

Our utility rate Excel-based model is the most user friendly, comprehensive and well-designed utility rate model currently used in the industry and has all of the elements necessary to provide analysis and feedback to facilitate meaningful policy discussions and conduct a full financial and rate study. The comprehensive and efficient design of our models allows us to complete the scope items in an effective manner during our interactive meetings.

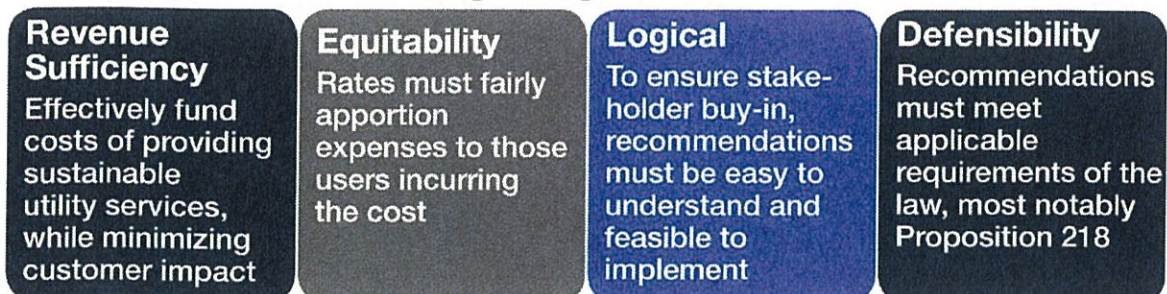
A sample dashboard is presented below, which shows how we summarize the data, assumptions, and calculations into an easy-to-understand graphical interface which updates with each alternative scenario evaluated.



Rate Study Objectives

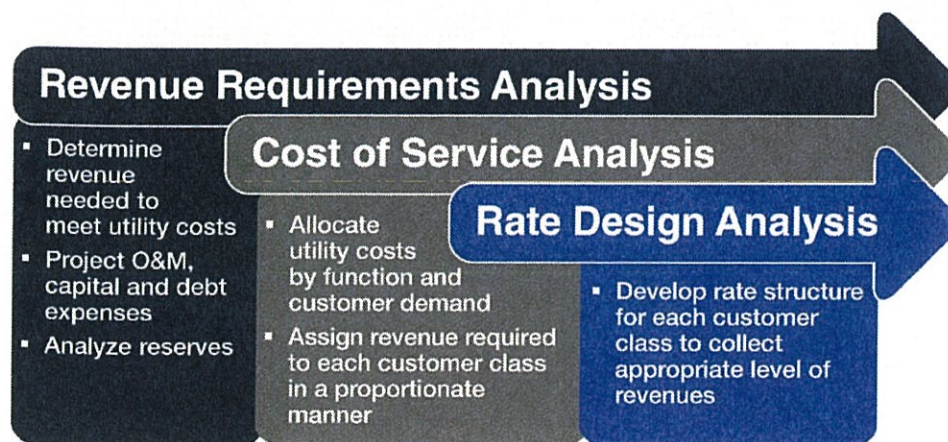
The overarching rate study objectives are outlined below.

Key Objectives



Rate Setting Process

The graphic below summarizes the standard approach commonly employed to develop utility rates. Willdan's rate-setting process and model has been developed through the completion of many successful studies over the course of a decade and continues to be the basis for developing proven, well-balanced financial plans that are supported by equitable rate structures. Willdan's combination of consulting experience and technical expertise helps distill the complex decisions into a clear and easy-to-understand process. As there are often competing objectives, for a successful rate study it is necessary to understand not only the technical details and corresponding rates, but also the social and political corollaries that can often jeopardize the implementation of a technically sound rate structure. Our rate experience goes beyond simply "running the numbers" by creating numerous scenarios and considering stakeholder considerations, such as customer impact (ability to pay) to ensure a complete and unimpeded rate analysis.



Each step of the three-step approach is typically performed in tandem. Although presented sequentially, the overall analysis is circular – as variables in one analysis may influence another. Thus, it is imperative to constantly review assumptions to determine if variables are fixed (i.e. debt service) or flexible (i.e. consumption or treatment) and monitor how changes in certain variables affect the overall analysis.

Scope of Services

Water & Wastewater Rate Study Work Plan

The following proposed work plan is intended to capture the goals and objectives included in the City's solicitation. While the tasks listed may vary somewhat from those listed in the Request for Proposal, Willdan is confident our proposed work plan will effectively meet project objectives. A final scope and schedule will be determined following the selection of a consultant and based on further discussions with staff.

Willdan's work plan will culminate in the successful development of water and wastewater rates for five years, a ten-year financial plan, and the education of staff and key stakeholders.

Phase 1 – Data Collection and Review

Task 1.1 – Data Collection. The City will be provided with an initial list of basic data needed to conduct the study. The data request may include, but not be limited to, items such as financial and operating data, customer account and billing data, reports prepared by others, budgets, audits, capital improvement programs, fixed asset records, official bond statements, debt service schedules, master plans, ordinances, previous rate studies, City codes and policies.

Task 1.2 – Data Review. The data will be reviewed for completeness and to ensure a sufficient understanding of historical utility operations. The data collection and review process will be ongoing throughout the process as the need for additional information arises.

Phase 2 – Revenue Requirements and Rate Determinants

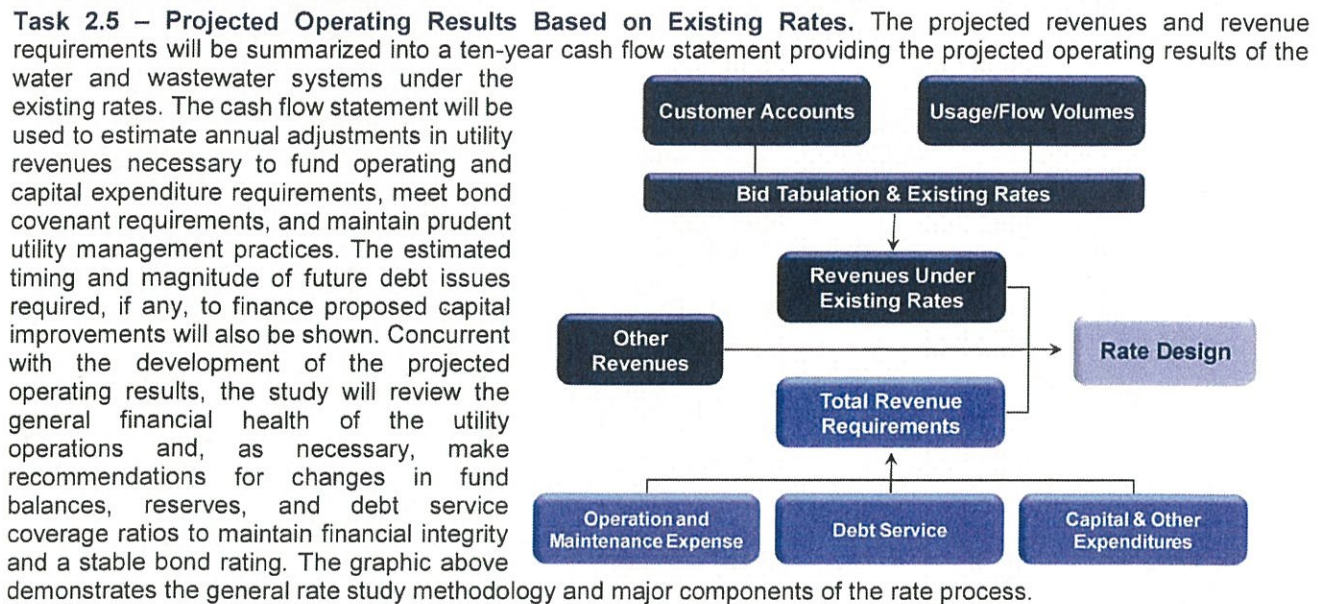
Task 2.1 – Historical Billing Data Analysis. The data request document will provide instructions for the development of historical customer billing information. It is anticipated that the billing information will be provided in a format necessary to summarize the water and wastewater system accounts and billable flows by customer class for a recent historical period for which audited revenues exist. The customers and flows provide the basis on which operating revenues are derived and are therefore the primary factors utilized in reviewing the user rates and charges. As such, the historical billing data provides an important basis for analyses that will be used to develop assumptions for projecting revenues under existing and/or proposed rates. Given the critical nature of this task, the Willdan Project Team will work closely with assigned staff members to ensure that the customer and flow data is as accurate as possible.

Task 2.2 – Customer and Flow Projections. The water and wastewater system accounts and billable flows will be forecasted for a ten-year (10) planning period. Such projections will be developed by considering historical growth trends, peak demands, climatological patterns, local economic conditions, potential for adding/losing major utility customers, changes in customer class usage patterns over time, and experienced judgment. The billable flow projections will be based on the projected number of utility accounts and a usage per account analysis to differentiate the historical effects of account growth and increased (decreased) average usage by customer class.

Task 2.3 – Projected Revenues Under Existing Rates. In order to prepare an 'Existing Cost of Service Summary' for the utilities, projections of utility system revenues under existing rates for the five-year planning period will be developed for water and wastewater, recognizing projected accounts, flow volumes, and usage patterns by customer class (as determined in the billing analysis under the previous tasks). Such revenue projections will assume that the existing user rates and rate structures remain constant at the existing levels and provide a picture of the existing financial condition of the utilities.

Task 2.4 – Projected Revenue Requirements. Revenue requirements (i.e. system expenditures) will be developed for the utility systems based on an analysis of historical, currently budgeted, and anticipated operating and capital expenditures. The revenue requirements will be projected on a fiscal year cash flow basis, taking into account expected operational changes, changes in staffing or operating expenditures for new facilities, system growth occurring from new development, anticipated extraordinary expenses, and allowances for inflation. The projections will include, but not be limited to, the following:

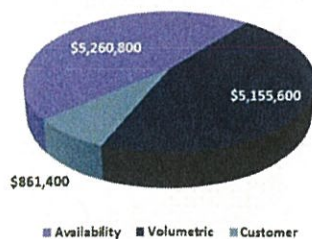
- Operation and maintenance expenses;
- Outlay for annual capital additions and replacements;
- Debt service and reserve requirements on existing and anticipated debt instruments;
- Transfers to fund major capital improvements; and
- Other expenditures and transfers.



Task 2.6 – The analysis conducted in these tasks will be summarized and presented to the City as an 'Existing Cost of Service Summary', to allow the City to see how the utilities are currently performing on a financial basis, and to serve as a basis for recommendations going forward. The summary will highlight specific shortfalls and deficiencies and needs that will need to be addressed with any recommended new rates.

Phase 3 – Cost-of-Service Allocations

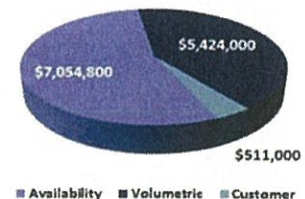
Allocation of Revenue Requirements
Water System



Task 3.1 – Functional Cost Allocations. The analysis will allocate the Test Year revenue requirement (i.e. costs of providing service) to the various cost/rate components that constitute functional classifications of the types of service provided. The functional cost allocations will evaluate such aspects as fixed costs, customer related costs and volumetric/usage related costs. The evaluation of allocation factors associated with applicable costs will be based on existing rate structures applied by the City, meter size, rate structures applied by other comparable utility systems in the region, common industry practice and standard rate-making principals.

Task 3.2 – Determination of Revenue Adequacy. Comparisons of revenues under the existing water and wastewater rates with the allocated costs of service will be evaluated in order to determine the degree of cost recovery by the various cost components, and to identify areas that may possibly require adjustments to align the revenues from each rate component with the allocated costs.

Allocation of Revenue Requirements
Wastewater System

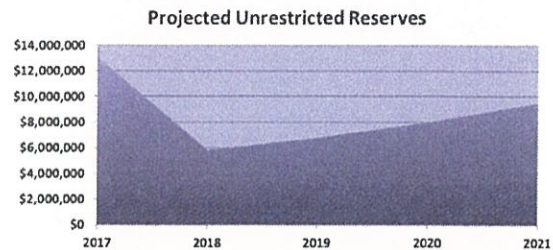


Phase 4 – Capital Financing Analysis

Task 4.1 – Review Capital Improvement Program (CIP). The City's existing utility system five-year (5) CIP will be reviewed in conjunction with conversations with City staff. The objective of such a review is to gain an understanding of the types of projects scheduled; the timing associated with such projects, associated expenditure requirements and the sources of funding each project. The results of the financial plan will also help the City to prioritize projects identified within the CIP.

Task 4.2 – Develop Capital Financing Plan. Based on the findings made in the previous task and the Projected Operating Results described in Task 2.5, a general financing plan will be developed to provide for the anticipated capital expenditure activities, including debt issuances, relative to the CIP. Such a financing plan will include consideration for the use of restricted and unrestricted funds, surplus operating reserves, capital recovery fees, and future rate adjustments. The analysis will also develop a projection of reserve fund balances and level of liquidity.

Task 4.3 – Capital Funding Model. The CIP will drive the future funding options and will directly impact rates. Therefore, the rate analysis will incorporate the City's current five-year CIP. The rate model will have the ability to run various CIP funding scenarios and quickly show the estimated impact on utility rates.



Phase 5 – Rate Analysis and Design

Task 5.1 – Evaluation of Existing Rate Structure. The existing rate structure will be further evaluated for its effectiveness in equitably recovering costs of utility service from each customer class. The City's current rate tier structure will be evaluated, and recommendations will be made for potential improvements to the current rate blockings. The City's current base fees will also be evaluated for appropriateness. As part of the rate design process, Willdan will discuss with departmental staff the current trends and philosophies in utility rate-making. Based on these discussions, the analysis will develop and recommend a rate design and philosophy that best meets the objectives of the City. The analysis model will be developed in a dynamic manner allowing the City to compare alternative "lump sum/one-time" rate increases versus annual incremental/phasing adjustments to achieve the same funding goals. Basic standards for rate design accepted by the industry are:

Full Cost Recovery – rate revenue should provide sufficient income so that, when combined with other sources of funds, covers all the funding requirements for the system including, all current long-term liabilities, debt obligations and future expansion-related and R&R-related capital needed to replace aging and infrastructure.

Fairness and Equity – based on cost responsibility as reflected in cost-of-service allocations, in accordance with industry standards.

Technically Defensible – apply industry proven standards and methodologies to help shield the City from potential legal challenges associated with the proposed utility rates.

Resource Conservation – under conditions of scarcity, the pricing of water as a commodity should promote voluntary conservation, discourage unnecessary service use and extend the availability of supply.

Administrative Efficiency – rates should be understandable to customers and efficiently administered by staff.

Customer Acceptance – customers understand the rates, view them as fair, and consider them to be reasonable compared to other costs and other utilities.

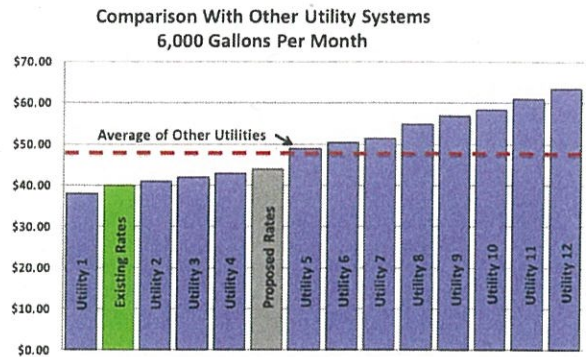
Public Health and Welfare – rates are structured so that essential service usage is encouraged through affordability.

Task 5.2 – Rate Structure Alternatives. The rate model spreadsheet will be developed in a dynamic manner such that Willdan and City staff will be able to analyze "what if" scenarios detailing the financial impacts under each scenario utilizing an iterative dashboard view. Baseline rate structures will be recommended as required to fund the water and wastewater systems, and consider annual inflationary, indexed adjustments to rates as needed to maintain each utility. Alternative rate structure scenarios will also be identified, and the financial impacts associated with fluctuations in customer growth, planned capital expenditures and/or implementation of mandated regulatory requirements will be estimated. The rate structure alternatives will include both "base and volumetric charges" and will be developed to recover the projected revenues needed to fund utility operations, recognizing equitable cost recovery by customer class, establishing reasonable recovery of costs from existing and new utility customers, and complying with applicable regulations and policies. Any alternative rate structures will be based on common industry standards and will be consistent with the City's goals and objectives regarding the water and wastewater systems.

Task 5.3 – Projected Operating Results Based on Proposed Rates. The proposed user rates and/or rate structures will be applied to the projected customers and flows in order to estimate the revenues to be generated from the proposed rates for the Test Year and the subsequent years of the projection period. The projected revenues will consider possible elasticity effects associated with changes in usage characteristics that may occur from revising the rate structure. In addition, similar to the process described in Phase 2, the 10-year forecast will identify annual adjustments in utility system revenues necessary to meet bond covenant requirements, prudent management practices, and/or sound capital financing considerations.

Task 5.4 – Typical Bill Comparison. Comparisons of typical utility bills under the existing and proposed rates will be developed for each customer class under various levels of usage. The selected customer class usage levels will reflect the results of the billing analysis so as to better demonstrate rate impacts on typical customer accounts in each class.

Task 5.5 – Neighboring Utility Comparison. A comparison will be prepared to assess the difference between the existing and proposed rates of the City with those of other comparable municipal utility systems in the same geographic region.



Phase 6 – Reports and Deliverables

Task 6.1 – Existing Cost of Service Summary. As discussed in Phase 2, following the gathering of data and information, and the development of a comprehensive financial plan and model, we will prepare a technical memorandum that outlines and summarizes the current financial condition of the utilities, based on existing rates and assumptions. This summary will serve as a basis for recommendations and adjustments moving forward through the study.

Task 6.2 – Preliminary Draft Report. A draft report will be developed to address the study findings and the proposed recommendations. Contents will also include assumptions relied upon for the projection of customers and usage characteristics, revenue requirements, revenues, operating results, the cost recovery profile for each class, the results of the fully allocated cost of service analyses and any proposed adjustments to the utility rates. Upon completion, an electronic PDF copy of the draft report will be provided to staff for review.

Task 6.3 – Final Report. Based on comments received from staff and other participants during the presentation of the Preliminary Draft Report, the Final Report will be revised to incorporate the agreed upon changes. Upon completion, an electronic PDF copy and five (5) copies of the Final Rate Study Report, as well as the Dashboard Model spreadsheet will be provided to the City.

Phase 7 - Proposition 218 Notice and Public Outreach Materials

Task 7.1 – Proposition 218 Notices. Based on our 20-year history with Proposition 218 compliance, we will assist with the drafting of the notices that will explain: The purpose of the rates:

- The purpose of the rates;
- The reason for the increases;
- How the rates are structured;
- The date, time, and place of the public hearing; and
- Details on what constitutes the existence of a majority protest, as it relates to the implementation of a new/increased utility rate structure.

Optional Task 7.2 – Proposition 218 Notice Processing. At the City's request, we can develop the materials, create a parcel database of properties subject to the new proposed rates, and coordinate the printing and mailing of the materials in conjunction with a mailing house that we typically work with on these types of projects. The additional cost for these services is \$.80 per parcel and includes direct costs associated with the mailing.

Phase 8 – Meetings and Presentations

Task 8.1 – Project Kick-Off Meeting (1). An initial kick-off meeting will be scheduled with City staff at the start of the project to discuss project requirements, finalize project scheduling/milestones and reporting requirements, and receive overall project direction. This meeting will provide the opportunity to review current water and wastewater rates, fees, charges, issues and deficiencies with staff. The meeting is part of the Phase 1 activities and will help ensure that the project objectives are clearly defined and understood by all parties.

Task 8.2 – Project Progress Meeting (1). We will meet with the City once during the course of the project to update on project progress. The timing for this meeting will remain flexible, and may be conducted as a web meeting, depending on the needs of the project and of City Staff.

Also, during the project, and prior to meetings with the City Council, team web conferences will be scheduled to present the progression of the analysis to staff to obtain input and feedback associated with any rate adjustments that may be presented. These web-meetings will assist in the completion of rate design for the utility system and guide the development of the draft report.

Task 8.3 – Draft Financial Plan Meetings (2). The results of the Preliminary Financial Plan and Revenue Requirements will be presented to Staff, in two working sessions for comments, feedback and direction. During the first meeting we will go through the data and assumptions used in the analysis and model, to confirm them with staff, and model and test various scenarios. The second meeting will include a review of the report and recommendations to be delivered to the City Council. Both meetings will include as necessary, the City Manager, Assistant City Manager, Finance Director and Public Works Superintendent.

Task 8.4 – Final Report Meeting/Public Hearing (2). The results of the Final Report will be presented to the City Council once during a regular Council meeting, and once at a public hearing where the recommended water and wastewater rates/structures are to be considered. Willdan's Project Manager will be present to address any questions or concerns raised during the public hearing.

City Staff Support / Responsibilities

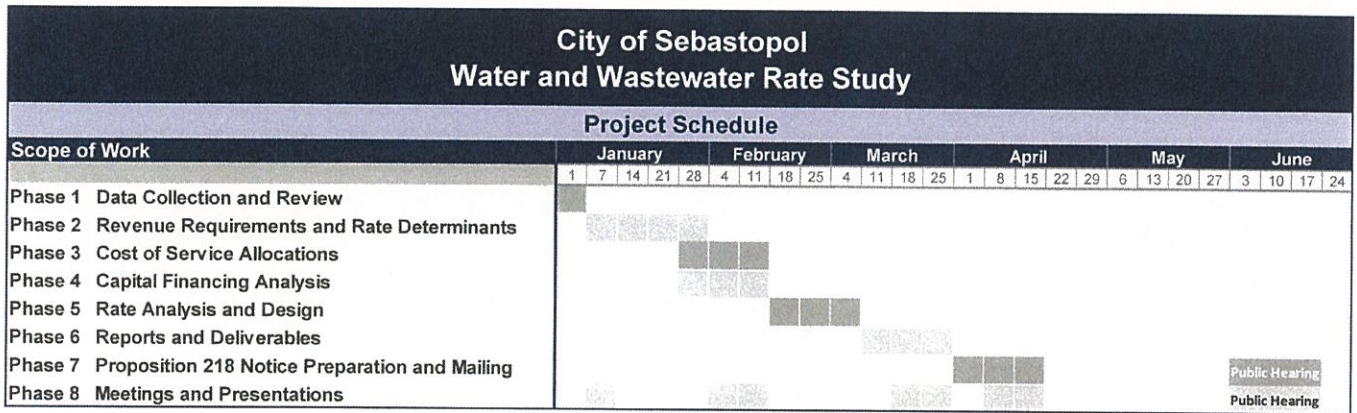
Willdan recommends that the City assign a key individual as project manager for each project. As our analysis is developed, the City's appointed project manager will:

- Coordinate responses to informational requests;
- Coordinate review of work products; and
- Identify appropriate staff members for participation in meetings and facilitate in scheduling.

We will ask for responses to initial information, follow-up requests and comments on reports within five business days or otherwise agreed upon timetable. If there are delays, the project manager will follow up with the parties involved to establish an estimated date for the delivery of information and/or feedback. To ensure continued progression, the project manager will reconvene with the rest of the Willdan Team to identify tasks that can be started while waiting for requested data.

Project Schedule

The following outlines the estimated number of weeks to complete each task outlined in our scope of services. A specific project schedule will be developed following consultation with, and in concert with, City staff.



Project Budget

Fee Proposal

Based on our outlined workplan, we propose a **not-to-exceed fixed fee of \$37,950**. The table below provides a breakdown of this fee by task and project team member.

To develop materials, create a parcel database of properties subject to the new proposed rates, and coordinate the printing and mailing of the materials, an additional fee of \$.80 per parcel will be charged to the City, and includes direct costs associated with the mailing.

Water and Wastewater Rate Study

City of Sebastopol Water and Wastewater Rate Study						
Fee Proposal						
	C. Fisher PIC - Project Manager	J. McGarvey Tech Advisor & QA/QC	K. Burnett Lead Project Consultant	T. Burton Analytical Support	Total Hours	Cost
	\$250	\$240	\$185	\$125		
Scope of Work						
Phase 1 Data Collection and Review	1.0	-	6.0	6.0	13.0	\$ 2,110
Phase 2 Revenue Requirements and Rate Determinants	3.0	2.0	24.0	32.0	61.0	9,670
Phase 3 Cost of Service Allocations	1.0	2.0	8.0	14.0	25.0	3,960
Phase 4 Capital Financing Analysis	3.0	3.0	12.0	8.0	26.0	4,690
Phase 5 Rate Analysis and Design	3.0	-	6.0	12.0	21.0	3,360
Phase 6 Reports and Deliverables	3.0	2.0	12.0	20.0	37.0	5,950
Phase 7 Proposition 218 Notice Preparation and Mailing	2.0	-	2.0	6.0	10.0	1,620
Phase 8 Meetings and Presentations	10.0	-	14.0	12.0	36.0	6,590
Total Willdan Labor Costs	26.0	9.0	84.0	110.0	229.0	\$ 37,950

Notes

- The City will be invoiced on a **monthly percentage-completion basis**.
- Invoices will include a description of services, as well as a summary of costs to date by task.
- We will perform additional tasks, outside our scope of services, as requested and authorized by the City for an additional fee.
- Willdan will rely on the validity and accuracy of the City's data and documentation to complete our analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy, and that we will not be responsible for any errors that result from inaccurate data provided by the client or a third party.
- The City shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to the City or relating to this project. Reimbursement shall be at Willdan's rates in effect at the time of such response.

Hourly Rates

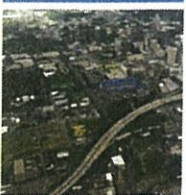
Additional services may be authorized by the City and will be billed at our then-current hourly rates. Our current hourly rates are listed below.

Willdan Hourly Rate Schedule			
Position	Hourly Rate	Position	Hourly Rate
Group Manager	\$250	Managing Principal	\$240
Principal Consultant	\$210	Senior Project Manager	\$185
Project Manager	\$165	Senior Project Analyst	\$135
Senior Analyst	\$125	Analyst II	\$110

Required Cost Form – Appendix A

APPENDIX A

Schedule of Professional Fees and Expenses to Support the Total All-Including Maximum Price				
	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	26	\$ 250	\$ 250	\$6,500
Manager	84	\$185	\$ 185	\$ 15,540
Supervisory Staff	9	\$240	\$ 240	\$ 2,160
Other (Specify) Analyst	110	\$125	\$ 125	\$ 13,750
Sub-Total				\$ 37,950
Out-of-Pocket Expenses				\$ 0
All Inclusive Maximum Total Price				\$ 37,950



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