



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue
Berkeley, CA 94703
T: 510-653-3399
www.bartlewells.com

November 9, 2016

Dylan Feik, City Manager
City of Calistoga
1232 Washington Street
Calistoga, CA 94515

Re: Proposal - Water and Wastewater Cost of Service Rate and Capacity Charge Study

Bartle Wells Associates is pleased to submit this proposal to assist the City in updating its water and wastewater rates and capacity charges. We specialize in providing independent financial advisory and utility rate consulting services to public agencies. We have extensive experience developing long-term financial plans and water and wastewater rate studies and have served more than 500 cities and special districts throughout California.

Bartle Wells Associates has worked with many regional agencies and are very familiar with the issues that California water and wastewater agencies are contending with including the drought, changes in regulations, and aging infrastructure. Our clients have ranged from small cities and districts to large cities, special districts, joint power authorities, and counties. Our rate studies are based on a comprehensive analysis of each agency's customer base, consumption patterns, and demands to ensure rate structure recommendations reflect local needs and objectives.

We have helped a number of agencies develop strategic financial plans to address escalating costs of operating expenses and long-term infrastructure needs. We specialize in developing rate structures that minimize revenue fluctuations while improving rate equity and increasing conservation incentive. We also have assisted agencies in implementing temporary drought rates to recover decreased revenues related to a decline in consumption. Our overall goal for this project would be to work closely with the City to evaluate financial and rate alternatives and their impacts, gain ongoing input, and build consensus for final recommendations.

We have enjoyed working with the City of Calistoga on prior financial and rate studies and are very interested in working with the City again on this project. We propose to assign the same Project Manager, Doug Dove who worked on the prior project to provide continuity to the City. Doug will be assisted by Financial Analyst Michael DeGroot. Please contact us if you have any questions or would like any additional information.

Sincerely,

Douglas Dove, PE, CIPFA
President/Principal
Tel: 510.653.3399 ext. 110
E-mail: ddove@bartlewells.com

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SECTION 1: FIRM OVERVIEW

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

Bartle Wells Associates has a well-qualified professional team with education and backgrounds in finance, civil engineering, public administration, public policy, and economics. The firm is owned and managed by its principal consultants.

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

BWA Key Services

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

RATE AND FEE STUDIES Our *rate studies* employ a cost-of-service approach and are designed to maintain the long-term financial health of a utility enterprise while being fair to all customers. We often phase in rate adjustments over time to minimize the impact on ratepayers. We also have extensive experience developing impact fees that equitably recover the costs of infrastructure required to serve new development. BWA has completed hundreds of water and wastewater rate and fee studies. We have helped communities implement a wide range of water and sewer rate structures and are knowledgeable about the legal requirements governing rates and impact fees. We develop clear, effective presentations and have represented public agencies at hundreds of public hearings to build consensus for our recommendations.



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

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

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

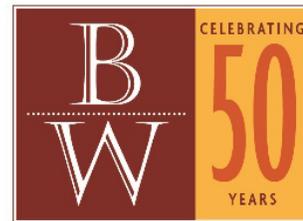
Bartle Wells Associates is a charter member of the **National Association of Independent Public Finance Advisors** (NAIPFA), which establishes strict criteria for independent advisory firms. All of our lead consultants are *Certified Independent Public Finance Advisors*.



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

Business Information

Bartle Wells Associates
1889 Alcatraz Avenue
Berkeley, CA 94703
Tel: 510.653.3399
Fax: 510.653.3769



BWA Project Staffing

Principal in Charge / Project Manager

Doug Dove, PE, CIPFA
Tel: 510.653.3399 (x110)
E-mail: ddove@bartlewells.com

Financial Analyst

Michael DeGroot
Tel: 510.653.3399 (x 114)
E-mail: michael@bartlewells.com

Bartle Wells Associates was established in 1964 and is a California Corporation and certified State of California Small Business. The Federal Tax ID number is 94-166440.



SECTION 2: SCOPE OF WORK

PROJECT APPROACH

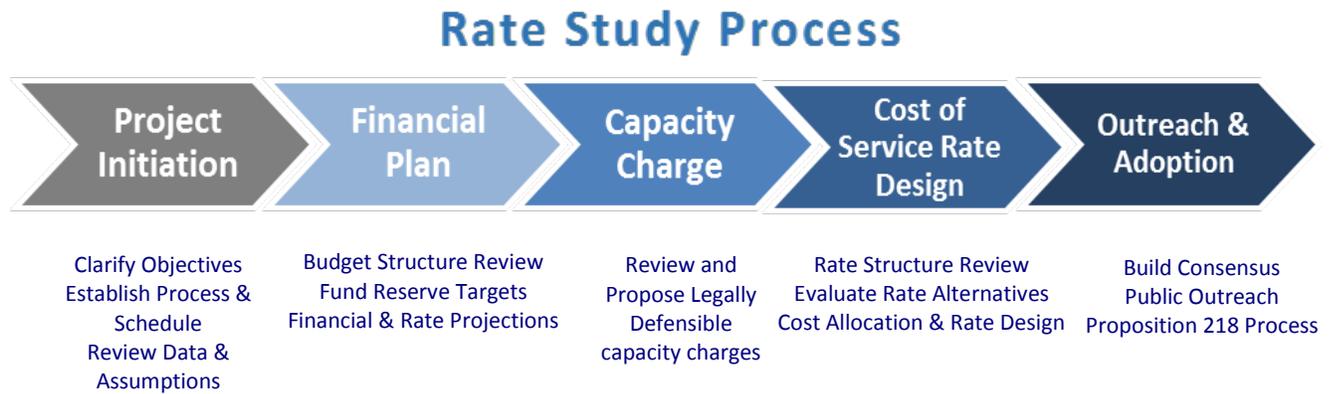
Bartle Wells Associates' (BWA) approach to this project is to provide a comprehensive review of the City's water and wastewater finances and to develop recommendations for the water and wastewater rates needed to fund each utility's cost of service. BWA uses a collaborative project approach to ensure final recommendations reflect the policy preferences and objectives of the agencies we serve. Our general project approach is to work closely with City staff, the City Council and/or subcommittees, and other stakeholders; identify objectives; set milestones; have frequent communication; and remain flexible to resolve unanticipated issues. We have a long track record of completing projects on time and on schedule and for providing independent, high-quality advice and work products.

BWA's methodology for each project is based on an inclusive review of each agency's unique financial situation. We do not have a "one-size-fits-all" rate model. We tailor each study to fit the distinct requisites of each agency to ensure that all recommendations reflect local needs and objectives. Key issues of this study include:

- **Tiered Water Rates:** BWA will evaluate water rate alternatives that a) ensure revenue sufficiency, b) minimize the impact on customers, c) allocate costs equitably among all customer classes, d) promote conservation, and e) comply with the legal requirements of Proposition 218 and recent Court decisions.
- **Revenue and Expense Projections:** BWA will review the revenue and expense projections from the last study and compare to the most recent data to determine each utility's current financial standing. Our evaluation will include a comparison of revenues, cost escalator factors, wholesale water purchases, debt estimates, and water consumption.
- **Effective Community Outreach:** Water and wastewater rate increases can be controversial and an effective public outreach plan can help ensure a smooth implementation. We will develop an outreach plan based on the City's unique customer base.

SCOPE OF SERVICES

This section presents a draft work plan and scope of services that we believe forms a sound basis for completing the Water and Wastewater Cost of Service Rate and Capacity Charge Study. Bartle Wells Associates will work with the project team to finalize a scope of services that meets the City's objectives. Our scope of work is based on four interrelated components as shown on the figure below:



TASK A. PROJECT INITIATION & DATA COLLECTION

1. Project Team Orientation

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

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

2. Investigation and Data Collection

Assemble the information necessary to understand the City's water and sewer systems, finances, customers and usage, rate and fee structures, capital improvement needs and alternatives, and legal agreements. Assistance and cooperation of City staff will be needed to assemble the relevant background information. The objectives of investigation and data collection are to develop a complete understanding of the water enterprise and its finances, and to reach an agreement on basic assumptions to be used in the study as well as key alternatives for evaluation. Investigation will include, but is not limited to, the following areas:

- Current and historical documents including current and projected budgets, financial statements, and other financial studies or internal finance projections
- Capital improvement plans and engineering master plans
- Current system capacity including capacity available for growth

- Current and historical rates and fees
- Historical and projected growth and demand
- Long-term infrastructure replacement needs
- Key capital alternatives for evaluation
- Formal and informal financial policies
- Agreements with other agencies and/or organizations.
- Conditions leading up to this study

Task A Deliverables Include:

- Project kickoff meeting
- List of project goals and objectives
- Project schedule and budget
- Project team contact list
- Summary of current and historical rates and finances
- List of key assumptions and alternatives underlying the rate study

TASK B. WATER & WASTEWATER FINANCIAL PLANS

1. Develop Forecasts and Projections

Based on evaluation of the data assembled and input provided by the City, prepare forecasts and projections to be used in the development of financial projections for the City’s water and wastewater utilities. Develop projections for the following areas (and others as appropriate). Review projections and alternatives with City staff for agreements on assumptions, interpretation of data, and completeness of approach. Analysis will include, but is not limited to, the following areas:

- **Long Term Capital Repairs & Replacements:** Identify future capital improvement program costs or alternatives to include in the financial analysis and determine a reasonable amount to include for future, ongoing capital repairs and replacements. BWA often recommends that agencies phase in funding for long-term system rehabilitation.
- **Water & Sewer Demand, Supply, & Cost:** With City input, forecast water demand, future conservation projections, and costs of wholesale water purchases. Identify potential water reduction scenarios for evaluation.
- **Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with City staff to identify any anticipated changes in future staffing, benefits, and/or other operating costs.

2. Evaluate Financing Alternatives for Capital Improvements

If warranted, Evaluate options for financing capital improvement projects. Our evaluation will:

- Estimate the amount and timing of any debt, if needed, to finance capital projects.
- Evaluate the alternative borrowing methods available including state and federal loan programs, bonds, bank loans and lines of credit, and other options.
- Recommend the appropriate type of debt, its term and structure.
- Develop debt service estimates to incorporate in the financial projections.

3. Review Minimum Fund Reserve Targets

Evaluate the adequacy of the City's current utility fund reserves. If needed, establish prudent minimum fund reserve targets based on the City's operating and capital funding projections. Develop an implementation plan for achieving and maintaining the recommended reserve fund levels.

4. Develop 10-Year Financial Projections

Develop cash flow projections showing the financial position of the water and wastewater enterprises over the next 10 years. The cash flows will project fund balances, revenues, expenses, and debt service coverage, and will incorporate the forecasts developed with staff input. After developing a base-case cash flow scenario, we can develop alternatives for additional evaluation such as capital improvement alternatives, project financing alternatives, the impacts of various levels of water demand, etc. During this phase, BWA will work closely with the project team to evaluate financial and rate projections under alternative scenarios and assumptions.

5. Evaluate Rate Increase Options

Based on the cash flow projections, determine the annual revenue requirements and project the overall level of required water and wastewater rate increases. Evaluate rate adjustment alternatives, such as gradually phasing in required rate increases over a number of years. If appropriate, evaluate different levels of rate increases and their impacts on the City's ability to fund future operating and capital needs.

6. Develop Financial & Rate Models

Develop user-friendly water and wastewater financial and rate models designed to be used by City staff to update projections, change assumptions, and evaluate financial scenarios and their impacts on future utility rates. The models will detail key assumptions and can be used to evaluate alternatives and "what if" scenarios. BWA has developed numerous rate and financial models for utility enterprises. We have found that keeping a model as straightforward as possible, without unnecessary complexity, can increase the model's usability and improve effectiveness as an in-house planning tool.

Task B Deliverables Include:

- Summary of long-term capital improvement plan & key alternatives if appropriate
- Evaluation of financing alternatives for capital improvements
- Recommendations for minimum fund reserve targets
- 10-year cash flow projections with supporting tables
- User-friendly water and wastewater financial and rate models designed to enable staff to update projections and evaluate alternative financial scenarios
- Evaluation of rate increase options
- Meet with the City's project team to present findings, discuss alternatives, gain feedback, and develop preliminary recommendations

TASK C. REVIEW OF WATER & WASTEWATER CAPACITY CHARGES

1. Review Current Capacity Charge

Review the City's existing water and wastewater capacity charges as well as related policies and procedures. Work with staff to identify objectives for new or modified capacity charge.

2. Conduct Survey of Regional Capacity Charges

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

3. Evaluate Alternative Capacity Charge Methodologies

Identify and evaluate alternative methods for calculating capacity charges. Discuss advantages and disadvantages with the project team and determine a recommended approach. BWA often recommends that capacity charges recover costs for both existing and future infrastructure that benefits new development. Some key fee methodologies may include:

- Buy-In Approach
- Average or Total Cost Approach
- Incremental Cost Approach
- Buy-In + Expansion Cost Approach

4. Determine Current Value and Capacity of Utility Assets

Calculate the current value of the water assets. The current value of facilities can be calculated by adjusting the original or depreciated value of each facility or asset into current dollars using the Engineering News-Record Construction Cost Index, a widely-used measure of construction cost inflation. If applicable, evaluate an alternative method for valuing pipelines based on the linear feet of different types and diameters of pipeline multiplied by a conservative estimate of the unit cost per linear foot.

5. Allocate Capital Program Costs to Current and Future Users

Equitably allocate capital improvement costs to existing and future users based on input from staff and/or its consulting engineers. Some projects may entirely benefit one group while others will benefit both existing customers and provide new capacity for growth.

6. Develop Preliminary Capacity Charge Recommendations

Based on appropriate and technically sound methodology, recommend revisions to the current capacity charges based on the data developed above. Review fee for compliance with Government Code Section 66000 et. seq. (AB1600).

7. Recommend a Method for Future Capacity Charge Updates

Recommend a method to annually or periodically adjust capacity charges and miscellaneous charges so they keep aligned with future costs. For example, capacity charges can be adjusted annually based on the change in the Engineering News-Record's Construction Cost Index, a widely used measure of construction cost inflation.

Task C Deliverables Include:

- Evaluation of existing connection charges
- Regional development fee survey
- Calculation of capacity charges for the water system
- Calculation of capacity charges for the wastewater system

TASK D. WATER & WASTEWATER RATE STUDIES

1. Identify & Evaluate Rate Structure Modifications & Alternatives

Review the City's current water and wastewater rate structures and discuss advantages and disadvantages compared to other rate approaches. Identify potential alternatives and modifications that could help improve rate equity, conservation incentive, or help achieve other City objectives. Discuss pros and cons of different rate structure options and their general impacts on different types of customers. Rate structure options will be refined as the study progresses based on input from the City's project team and City Council Ad Hoc Committee. Some potential rate structure modifications that could be evaluated based on City direction may include, but are not limited, the following:

Water Rates

- Possible modifications to the current tiers including: a) the number of rate tiers, b) tier breakpoints, and c) tier steepness, or degree to which the rates increase from tier to tier.
- Addition of emergency water shortage rates or potential surcharges that can be implemented due to decreases in water sales.

Wastewater Rates

- Potential addition of a volume component for residential customers
- Modifications to ensure equity between the various residential and non-residential rate classes
- Adjustments to the load factors for the volume charge for non-residential accounts

2. Conduct Survey of Regional Water & Wastewater Rates

Review and summarize water and sewer rates of other regional and/or comparable agencies. Summarize results in easily understandable tables and/or charts. Confer with staff on agencies to include in the survey.

3. Analyze Water Consumption & Utility Billing Data

Analyze current and historical water usage and utility billing data to determine reasonable and conservative estimates of water demand and sewer flows to use in developing financial projections and rates. Water use can fluctuate from year to year depending on various factors such as weather and local and regional conservation efforts. Ideally, we would prefer to analyze three years of utility billing data in order to determine slightly conservative demand projections. Work with the City to project water and wastewater use under various normal year and water shortage scenarios.

4. Allocate Costs to Billing Parameters for Each Utility

Allocate costs identified in the water and wastewater financial plans to appropriate fixed and variable rate components. Water rates will be based on an equitable allocation of costs to fixed and variable charges and will include a cost-basis to support proposed residential rate tiers. Sewer rates will be based on cost allocations to wastewater flow, BOD, and SS to develop underlying unit charges that will then be applied to the wastewater discharge characteristics of different customer classes. Rates will be designed to be equitable to all customers and comply with the substantive requirements of Proposition 218.

5. Develop Preliminary & Final Rate Recommendations with City Input

Based on evaluation of rate structure alternatives and the financial plan update, develop draft rate alternatives for City input. The recommendations may include a multi-year phase in of both overall rate increases and proposed rate structure adjustments in order to help mitigate the annual impact on ratepayers. Review preliminary recommendations and key alternatives with the project team and City Council. Revise recommendations based on input received. Develop a plan for implementing rate increases and rate structure modifications.

Final rate recommendations will be designed to:

- a) fund each utility's long-term costs of providing service, including operating, capital, and deferred maintenance needs
- b) be fair and equitable to all customers,
- d) provide a prudent balance of revenue stability and conservation incentive,
- e) be easy to understand and administer, and
- f) comply with the substantive requirements of Proposition 218.
- g) adhere to industry standards, including the American Water Works Association, and recent legislation

6. Evaluate Rate Impacts on a Range of City Customers

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

Task D Deliverables Include:

- Evaluation of potential rate modifications
- Water and wastewater rate survey
- Analysis of historical utility billing data
- Cost allocations supporting water and sewer rate components, including rate tiers
- Development of draft rate alternatives for City evaluation and input
- Meet with the City to present findings, discuss alternatives, gain input, and develop preliminary and final rate recommendations

TASK E. RATE IMPLEMENTATION (MEETINGS/PRESENTATIONS, REPORTS, PROPOSITION 218 COMPLIANCE)

Our proposal includes a total of seven meetings and/or presentations which can be revised based on input from the City.

1. Project Team Meetings/City Council Ad Hoc Committee (Four project teams meeting)

Meet with the City's project team and/or City Council Ad Hoc Committee to present and review findings, discuss alternatives and their impacts, gain ongoing input, and develop and hone recommendations.

2. City Council Presentations & Proposition 218 Hearing (Two Council Presentations & one hearing)

Participate in an initial City Council Meeting to present findings, preliminary recommendations, and key alternatives, and to obtain Council and public input. Incorporate input and hone recommendations as warranted to ensure final recommendations reflect Council preferences. Present revised, final recommendations at a subsequent Council Meeting in order to gain approval to move forward with the Proposition 218 process.

Attend the Proposition 218 Public Hearing at a City Council Meeting and present a summary of findings and recommendations. Remain available to respond to Council and public comments. BWA has extensive experience presenting financial and rate recommendations to non-technical audiences, dealing with challenging questions, and building acceptance for final recommendations.

3. Prepare Draft & Final Reports

Develop an administrative draft report summarizing key background issues, study objectives, findings, assumptions, draft recommendations and alternatives, impacts on ratepayers, and the rate and fee surveys. The report will include: a) brief descriptions of the each utility system, service areas, and population, b) overview of historical financial operations, c) discussion of the current utility rates, d) a description of 10-year water and wastewater capital improvement programs, including potential impacts of State and Federal regulatory requirements, e) presentation of 10-year financial projections and key assumptions, f) explanation of cost allocation and derivation of recommended water and wastewater rates, g) impacts of proposed rates on a range of customer types and usage profiles, and h) results from the water and wastewater fee surveys.

The report will be written for a non-technical audience and will clearly explain the rationale for recommendations and key alternatives when applicable. Submit a preliminary draft report for City review and feedback. Incorporate input into an administrative draft report for distribution to the City Council. Incorporate any revisions into a final report and provide the City with printed and electronic copies.

4. Proposition 218 Rate Notice

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

Develop a draft Proposition 218 notice for City review. Incorporate revisions and develop a final notice. BWA recommends the notice go beyond the minimum legal requirements and provide clear and concise explanation of the reasons for any rate adjustments. BWA has helped many agencies adopt rates via the Proposition 218 process. We have found that ratepayers are generally much more accepting of rate increases or rate structure modification when they understand the reasons underlying the adjustments.

5. Public Education and Consensus-Building

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

Task E Deliverables Include:

- 4 project team/City Council Ad Hoc meetings to discuss findings, alternatives, recommendations and obtain input
- 3 City Council meetings to a) present findings and preliminary recommendations and receive input, b) present revised recommendations for additional input, and c) present a summary at the Proposition 218 Public Hearing
- PowerPoint presentations summarizing key findings, alternatives, and recommendations
- Draft and final reports summarizing background information, key findings, alternatives, and recommendations
- Draft of required Proposition 218 Notice of proposed rate increases



SECTION 4: PROJECT TEAM

BWA PROJECT TEAM

BWA uses a *team approach* for all projects, typically assigning two consultants to each assignment, including at least one Principal Consultant. Each Partner takes a hands-on approach to each project and is involved in every step of the process. All project staff, from the most senior Partners to Financial Analysts are available to clients at all times, whether for a phone call or meeting. BWA has a long track record of completing assignments on-schedule and on-budget.

BWA proposes to assign Doug Dove, a firm Principal, as Project Manager and Principal-in-Charge for this project. Doug will oversee all work, be the agency's day-to-day contact person and lead all presentations. He has extensive experience developing financial plans and utility rate and fee studies for numerous California agencies. He has helped agencies implement a wide variety of water and sewer rate and fee structures and is knowledgeable about the legal requirements of Proposition 218, AB1600, and Proposition 26. Doug also has substantial experience working to build consensus with governing boards and community advisory groups.

Doug will be assisted by Michael DeGroot, a Financial Analyst with more than three years of experience developing long-term financial plans and utility rate studies. Michael's role is to collect and analyze data, develop the financial model, and evaluate alternative rate structures. He works closely with public agencies, engineers, legal counsel, and other consultants to develop water and sewer financial plans, rates, and fees. He also helps agencies evaluate financing alternatives for capital projects and obtain project funding. Doug and Michael will be the project team for the duration of the project. Resumes for Doug and Michael are included on the following pages. Other BWA staff are available to assist the project team if ever needed.

DOUGLAS R. DOVE, PE, CIPMA

Douglas R. Dove is President of Bartle Wells Associates and directs the operation of the firm while maintaining a Principal Consultant's role. With more than 26 years of consulting experience, he specializes in strategic financial planning, utility rate setting and bond/debt marketing. Since joining Bartle Wells Associates in 1990, he has worked for a wide variety of public agencies and developed numerous financing plans and rate studies to support small and large capital programs as well as managing over \$1 billion in municipal debt sales and the procurement of over \$300 million in state and federal grants and low-interest loans. Mr. Dove's expertise includes assisting agencies in securing state and federal grants and loans and in issuing certificates of participation (COPs), revenue bonds, general obligation bonds, assessment district bonds, Marks-Roos revenue bonds, private placement loans and other types of debt.

Education

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

B.S., Civil Engineering – Drexel University

Certifications

CIPMA – Certified Independent Professional Municipal Advisor

Registered Professional Engineer (PE) in California

Representative Projects

- **Town of Yountville:** Financial plan for the water and wastewater enterprise to phase out subsidies from the general fund. Recycled water rates for peak and off-peak consumption.
- **Sonoma County Water Agency:** Volumetric sewer rate and comprehensive flow study.
- **City of Davis:** Water financial plan and conservation-oriented rate structure study to fund \$120 million regional surface water supply project
- **East Bay Municipal Utility District:** Wastewater cost allocation study, financial evaluation of District's Wastewater Resource Recovery Program, water connection fee review.
- **Napa-Berryessa Resort Improvement District:** Financing plan for water and wastewater improvements and prepared assessment engineers report. Assisting in forming an assessment district and securing \$11.1 million in federal funding from US Department of Agriculture.
- **City of Calistoga:** Long range utility financial plan, water and wastewater rates, secured financing for WW treatment plant upgrade (\$6 million SRF loan, \$3 million Small Community Grant, \$3.5 million revenue bonds).
- **City of Dixon:** Wastewater financial plans and rate study.
- **City of Monterey:** Long-range financial plan and wastewater rate study.
- **Alameda County Water District:** Comprehensive water/recycled water capacity fee study and update of fee structure.
- **Contra Costa Water District:** Water rate study, review of excess use (conservation) charges, fire flow rates, backflow prevention rates, and customer peaking factors. Review of water conservation best management practices.
- **West Valley Sanitation District (Campbell, CA):** Developed long-range financing plan, user fee study, capacity fee study and facilitated the sale of bonds to finance the District's capital improvements.
- **City of Santa Clara:** Comprehensive wastewater rate and capacity fee study.
- **Silicon Valley Clean Water:** Wastewater capacity fee study.

MICHAEL DEGROOT

Michael DeGroot is a Financial Analyst with Bartle Wells Associates. He works closely with City staff, engineers, lawyers, and other consultants to develop equitable rate structures for water, sewer, and solid waste enterprises. Mr. DeGroot specializes in developing long-term financial plans, meter and commodity rates, surcharges, and capacity fees for Cities and special Districts. Additionally, he is experienced modifying and implementing Proposition 218 compliant water budget rate structures and drought surcharges.

Education

B.S., Business Administration – University of California, Berkeley

Representative Projects

- **City of Santa Barbara:** Water rate study analysis.
- **City of Fresno:** Water & sewer capacity fees.
- **City of Milpitas:** Water rate study.
- **City of Alameda:** City-wide capital improvement budget.
- **City of Foster City:** Water and sewer rate study & alternative rate structure analysis.
- **Contra Costa Water District:** Excess water use charge analysis.
- **Fairfield-Suisun Sewer District:** Sewer rate and capacity fee study.
- **West Valley Sanitation District:** Detailed financial plan, including debt funding alternatives for significant expenditure projections related to the \$2 billion wastewater facility upgrade.
- **City of Benicia:** Sewer rate analysis and drought option.
- **Stege Sanitary District:** Sewer rate study.
- **Palmdale Water District:** Water rate study.
- **City of California City:** Water and sewer rates, impact fees, and miscellaneous charges.
- **Indian Wells Valley Water District:** Water rate study.
- **Glendale Water and Power:** Water rate study & bill calculator.
- **City of Palmdale:** Sewer rate study.
- **Crestline Sanitation District:** Sewer rate study.
- **Malaga County Water District:** Water and sewer rate study.
- **Sutter Community Services District:** Water rate study and financial plan.
- **City of Hughson:** Water rate study and SRF loan support.
- **Grizzly Flats CSD:** Water rate study.
- **City of Santa Clarita:** Feasibility study of the City's takeover and operation of its sewer enterprise from LACSD.



SECTION 5: BUDGET

BUDGET

This section shows a breakdown of projected hours and the estimated budget for each task. The budget can be refined with the project team to meet the City's study objectives.

PROJECT TASK	Estimated Hours	D. Dove @ \$245/hr	M. DeGroot @ \$145/hr	Total Cost
TASK A. PROJECT INITIATION & DATA COLLECTION	25	10	15	\$4,625
1. Project Team Orientation				
2. Investigation & Data Collection				
TASK B. WATER & WASTEWATER FINANCIAL PLANS	65	25	40	\$11,925
1. Develop Forecasts & Projections				
2. Evaluating Financing Alternatives for Capital Improvements				
3. Review Minimum Fund Reserve Targets				
4. Develop 10-Year Financial Projections				
5. Evaluate Rate Increase Options				
6. Develop Financial & Rate Models				
TASK C. WATER & WASTEWATER CAPACITY CHARGES	36	16	20	\$6,820
1. Review Current Capacity Charge				
2. Conduct Survey of Regional Capacity Charges				
3. Evaluate Alternative Capacity Charge Methodologies				
4. Determine Current Value and Capacity Utility Assets				
5. Allocate Capital Program Costs to Current and Future Users				
6. Develop Preliminary Capacity Charge Recommendations				
7. Recommend a Method for Future Capacity Charge Updates				
TASK D. WATER & WASTEWATER RATE STUDIES	60	20	40	\$10,700
1. Identify Rate Structure Modifications & Alternatives				
2. Conduct Survey of Regional Water & Sewer Rates				
3. Analyze Utility Consumption & Billing Data				
4. Allocate Costs to Billing Parameters for Each Utility				
5. Develop Preliminary & Final Rate Recommendations				
6. Evaluate Rate Impacts on Customers				
TASK E. RATE IMPLEMENTATION (MEETINGS/PRESENTATIONS, REPORTS, & PROP. 218)	76	32	44	\$14,220
1. Project Team Meetings/Town Council Ad Hoc Committee (4)				
2. Town Council Presentations & Proposition 218 Hearing (3)				
3. Prepare Draft & Final Reports				
4. Proposition 218 Rate Notice				
5. Public Education and Consensus-Building				
TOTAL ESTIMATED HOURS	262	103	159	\$48,290
ESTIMATED DIRECT EXPENSES				
Travel/copies/binding/phone/fax/mail/miscellaneous				\$1,000
TOTAL PROJECT COSTS				\$49,290

AVAILABILITY & FEES

1. Bartle Wells Associates is prepared to begin work upon the City's authorization to proceed.
2. During the project development period, we will be available at all reasonable times and on reasonable notice for meetings and for consultation with City staff, attorneys, consulting engineers, and others as necessary.
3. Bartle Wells Associates will perform all work related to the assignment. Doug Dove, a firm Principal and President will be assigned as project leader on this assignment. He will serve as the lead contact person for BWA and will be involved with the project a day-to-day basis.
4. The fees for services outlined in this proposal will not exceed \$48,290 plus direct expenses estimated not to exceed \$1,000. The fee is based on the following assumptions:
 - a. The project will be completed by July 31, 2017 or other mutually agreeable date preferred by the City. BWA will work to meet all City scheduling requirements and deadlines.
 - b. All necessary information will be provided by the City and/or its other consultants in a timely manner.
 - c. Development of a preliminary draft, an administrative draft, and a final version of tables and the report. Time and expenses involved in revising tables and assumptions and additional report revisions may constitute additional services if not achievable within the budget.
 - d. The fee is based on a total of up to seven meetings and/or presentations at the City.
5. Progress payments and direct expenses are payable monthly on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2016, which will remain in effect for the duration of this project.
6. In addition to the services provided under this proposal, the City may authorize Bartle Wells Associates to perform additional services for which the City will compensate us based on consultants' hourly rates at the time the work is performed, plus direct expenses. Additional services may include, but are not limited to:
 - Changes in project scope
 - Delays in project schedule resulting in additional revisions
 - Any other services not specified
7. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance as provided in the Certificate of Insurance attached.
8. Bartle Wells Associates is an independent public finance advisory firm that is registered as a Municipal Advisor with the Securities and Exchange Commission (SEC Registration No. 867-00740) and the Municipal Securities Rulemaking Board (MSRB ID K0414).
9. If the project is terminated for any reason, Bartle Wells Associates is to be reimbursed for professional services and direct expenses incurred up to the time notification of such termination is received.
10. This proposal may be withdrawn or amended if not accepted within 90 days of its date.

BILLING RATE SCHEDULE

BARTLE WELLS ASSOCIATES BILLING RATE SCHEDULE 2015 Rates Effective 1/1/2016

Professional Services

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

The professional time rates include all overhead and indirect costs. Bartle Wells Associates does not charge for secretarial support services and internal computer time. Expert witness, legal testimony or other special limited assignment will be billed at one and one-half times the consultant's hourly rate.

The above rates will be in effect through December 31, 2016 at which time they will be subject to change.

Direct Expenses

Subconsultants will be billed at cost plus ten percent. Word processing and computer-assisted services related to official statement production are charged as direct expenses at \$60 per hour. Other reimbursable direct expenses incurred on behalf of the agency will be billed at cost plus ten percent. These reimbursable costs include, but are not limited to:

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

Insurance

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

Payment

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

INSURANCE CERTIFICATE

SCHEDULE OF INSURANCE

Insured: BARTLE WELLS ASSOCIATES

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

TYPE OF INSURANCE	COMPANY POLICY NUMBER	COVERAGES AND LIMITS	EXP. DATE
Commercial General Liability	Hartford Insurance Company Policy #35-SBA PA6857 Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> ■ \$2,000,000 General Aggregate ■ \$2,000,000 Products Comp/Op Aggregate ■ \$2,000,000 Personal & Advertising Injury ■ \$1,000,000 Each Occurrence 	6/1/17
Excess/Umbrella Liability	Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> ■ \$1,000,000 Aggregate ■ \$1,000,000 Each Occurrence 	6/1/17
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	<ul style="list-style-type: none"> ■ \$1,000,000 Combined Single Limit 	6/1/17
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	<p>Workers' Compensation: Statutory Limits for the State of California.</p> <p>Employers' Liability:</p> <ul style="list-style-type: none"> ■ Bodily Injury by Accident - \$1,000,000 each accident ■ Bodily Injury by Disease - \$1,000,000 each employee ■ Bodily Injury by Disease - \$1,000,000 policy limit 	6/1/17
Professional Liability	Chubb & Son, Inc. 81714947	Solely in the performance of services as municipal financing consultants for others for a fee.	
Excess Professional	ACE G27437606001	Limit: \$2,000,000 Per Occurrence & Aggregate (including defense costs, charges, and expenses). Excess Professional. Limit: \$3,000,000 Per Occ. & Aggregate	6/1/17